



# Amendments in Sales Tax Act, 1990 and Federal Excise Act, 2005

Finance Act, 2024

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## Agenda

### I. Sales Tax Act, 1990

- Definitions
- Assessment
- Audit of sales tax affairs
- Miscellaneous
- Penalties
- Changes in Sales Tax Schedule

### II. Federal Excise Duty Act, 2005

<p><b>Associates or associated persons</b> (Clause 3 of Section 2)</p>	<p>Definition amended to align with Section 85 of ITO, 2001. The concept of “Sufficient influence” and “zero percent regime” to be considered.</p>
<p><b>Input tax</b> (Clause 14 of Section 2)</p>	<p>FBR empowered to notify specific services relating to which provincial sales tax may not be allowed as input tax.</p>
<p><b>Licensed integrator</b> (Clause 15A of Section 2)</p>	<p>licensed by the Board to provide electronic invoicing system for integration of registered persons</p>
<p><b>Tax fraud</b> (Clause 37 of Section 2)</p>	<p>Scope widened- detail on next slides</p>
<p><b>Time of supply</b> (Clause 44 of Section 2)</p>	<p>Sales tax on advances from customers relating supply of goods which was omitted in 2021 reintroduced.</p>
<p><b>Value of Supply</b> (Clause 46 of Section 2)</p>	<p>FBR empowered to fix minimum value of supply for third schedule items also.</p>

### Amended definition

intentionally understating or underpaying the tax liability or overstating the entitlement to tax credit or tax refund in contravention sales tax law by way of submission of false return, statements or false documents or withholding of correct information or documents to cause loss of tax and includes:

- a) Suppression of sales
- b) False claim of input tax credit
- c) Non issuance of sales tax invoice
- d) Issuance of tax invoices without making supplies
- e) Evasion of tax by availing inadmissible tax credit or tax refunds by other means
- f) Collection of sales tax but not depositing the same within three months of due date

### Amended definition

- g) **Falsification or causing falsification of invoice** or substitution of financial records or production of fake accounts or documents
- h) tampering with or destroying of any material evidence or documents
- i) acquisition, possession, transportation, disposal or in any way removing, depositing, keeping, concealing, supplying, or purchasing or in any other manner dealing with, any goods in respect of which there are reasons to believe that these are liable to confiscation
- j) **making of taxable supplies without getting registration under this Act**
- k) intentional **doing of any act or causing to do an act or omitting to take any action** or causing the omission to take any action to cause loss of tax under this Act.

### Explanation:

Any act or omission mentioned in this clause shall be treated as intentional unless the person accused of tax fraud proves that he had no intention, motive, knowledge, or reason to believe that he was committing a tax fraud.

- Section 11 fully revamped by deleting this section altogether and inserting separate sections
  - Best judgment assessment (**Section 11D**);
  - Normal assessment (**Section 11E**);
  - Withholding tax default (**Section 11F**); and
  - Allied matters including limitation of assessment (**Section 11G**).
- Section 11B relating to assessment giving appeal effect orders is substituted and aligned with Section 124 of ITO,

- Best judgment assessment in case of
  - a. failure to file sales tax return in response to notice
  - b. failure to produce accounts, documents and records required, or any other relevant document or evidence in an audit
- If return filed within 60 days of order along with payment of tax, penalty and default surcharge, the notice and the order will abate. (in case of “a”)
- Compliance with conditions for determination of minimum tax liability if any specified by FBR in case of person required to file return but fails to do so. [omitted (11(6))]

- Any tax or charge has not been levied or short levied
- Non payment or short payment of due sales tax;
- Claiming of input tax credit or refund which is not admissible;
- Obtaining an amount of refund not due
- Where a tax or charge has not been levied, amount of tax shall be recovered as tax fraction of the value of supply

**(Sub section 11(2), 11(3) and 11(4) of omitted section 11)**



- Same as omitted Section 11(4A) except as discussed below
- All assessments under Section 11D, 11E and 11F are to be carried out by the Inland Revenue Officer not below the rank of Assistant Commissioner.
- Omitted section 11 only mentioned Inland Revenue Officer

- No change in limitation period for issuing show cause notice and making an order after the issuance of notice.
- Relevant date for calculation of limitation period in case of withholding tax default has been prescribed as the time of payment for goods or services on which sales tax was to be withheld.

- Section 25 fully revamped to prescribe a detailed framework relating to Sales Tax Audits.
- More aligned now with provisions of Section 177 of ITO, 2001.
- Communication of reasons for selection for audit. Hearing opportunity not mandatory before issuance of notice for selection for audit.
- Reason not to include the mere verification of input tax, output tax, refund claim and compliance of legal provisions without identifying risk factors

- Calling of record for audit not allowed after expiry of six years from the end of the financial year to which they relate.
- Upon completion of audit, hearing opportunity is mandatory before passing an order.
- There is no bar in selection of audit once in a tax year as previously provided in section 25
- No mention about issuance of audit report after completion of audit and before issuance of show cause notice, however, based on case laws it may be assumed as mandatory requirement.

- Issuance of order is mandatory now for suspension or backlisting a registered person. [Section 21\(2\)](#)
- Chief Commissioner is empowered to review the record and modify the order of suspension or backlisting. [Section 21\(5\)](#)
- Notice to file sales tax return within 15 years from the end of the financial year in which the return was to be filed, in case of tax fraud and in all other cases within 5 years. [Section 26\(5A\)](#)
- Establishment of Tax Fraud Investigation Wing-Inland Revenue to detect, analyze, investigate, combat and prevent tax fraud [Section 30AB](#)

- Rate of default surcharge is prescribed as 12 % per annum or KIBOR plus 3% per annum, whichever is higher.  
Section 34
- Appeals processes, forums and saving clause of period of limitation amended in line with ITO, 2001.
- Appeals against order of suspension or blacklisting can not filed before Appellate Tribunals.  
Section 46(1)
- limit of payment of Rs. 50,000 for the transaction is to be considered **in aggregate to a single supplier in a tax period** while making payment through crossed cheque, pay order or banking channel etc.  
Section 73

Offence	Section Ref.	Penalty
License integrator who fails to integrate registered persons in the manner as required under this Act and rules	sub-section (5) of section 40C. (Serial # 25AA)	Rs. 1 million or 1% of the total value of the sales suppressed, whichever is higher.
Submits a false or forged document, destroys, alters, mutilates or falsifies the records including a sales tax invoice, makes false statement, false declaration, false representation, false personification, gives any false information	2(37) (Serial 11)	<p>General penalty higher of Rs. 25,000 or 100% of tax evaded or sought to evaded. Without prejudice to above, where</p> <p>tax evaded or sought to be evaded &lt; 1 billion</p> <p>Imprisonment upto 5 years and fine upto tax evaded</p> <p>evaded or sought to evaded &gt; 1 billion</p> <p>Imprisonment upto 10 years and fine upto tax evaded</p>

Offence	Section Ref.	Penalty
Any person who commits, causes to commit or attempts to commit the tax fraud, or abets or connives in commissioning of tax fraud.	2(37) (Serial 13)	<p>General penalty higher of Rs. 25,000 or 100% of tax evaded or sought to evaded. Without prejudice to above, where</p> <p>tax evaded or sought to be evaded &lt; 1 billion</p> <p>Imprisonment upto 5 years and fine upto tax evaded</p> <p>evaded or sought to evaded &gt; 1 billion</p> <p>Imprisonment upto 10 years and fine upto tax evaded</p>

- In addition, some editorial changes in penalty columns of serial 12, 14, 18,22, 23 and 24.
- Penalties against serial 23 and serial 25 where confiscation of goods and sealing of the premises are provided, the procedures and manner of such confiscation and sealing will be prescribed by the Board.



- Addition in 3<sup>rd</sup> schedule**

Sr. No	Description	Remarks
51	DAP	Transferred from 8 <sup>th</sup> Schedule where a reduced rate 5% rate was prescribed (Serial 83)

- Deletion in 5<sup>th</sup> Schedule**

Sr. No	Description	Remarks
12	xvii) Preparations suitable for infants, put up for retail sale not exceeding rupees six hundred per two hundred grams (xx) Colors in sets (xxi) Writing, drawing and marking inks (xxii) Erasers (xxiv) Pencil sharpeners (xxv) other drawing, marking out or mathematical calculating instruments (geometry box) (xxvi) Pens, ball pens, markers and porous tipped pens (xxvii) Pencils including color pencils	All serial nos. except (xvii) transferred to Eighth Schedule and are taxable at 10%

- Deletion in 5<sup>th</sup> Schedule**

Sr. No	Description	Remarks
16	Milk	Local supply of milk excluding sold under brand name or supplied for corporate dairy farms exempt (Sr. 56, Table 2 6 <sup>th</sup> Sch)
17	Fat filled milk	
21	Local supplies of commodities, raw materials, components, parts and plant and machinery to registered exporters authorized under Export Facilitation Scheme 2021 notified by the Board with such conditions, limitations and restrictions as specified therein.	

- **Deletion in 6<sup>th</sup> Schedule-Table 1**

Sr. No	Description	Remarks
13	Edible vegetables imported from Afghanistan including roots and tubers, except ware potato and onions], whether fresh, frozen or otherwise preserved (e.g. in cold storage) but excluding those bottled or canned	
15	Fruit imported from Afghanistan excluding apples PCT 0808.1000	
86	Colors in sets (Poster colors)	Included in Eighth Schedule at Serial 84 and taxable at the reduced rate of 10%
87	Writing, drawing and making inks	
88	Erasers	
90	Pencil sharpeners	

- **Deletion in 6<sup>th</sup> Schedule-Table 1**

Sr. No	Description	Remarks
96	Other drawing, marking out or mathematical calculating instruments (geometry box)	Included in Eighth Schedule at Serial 84 and taxable at the reduced rate of 10%
97	Pens, ball pens, markers and porous tipped pens	
98	Pencils including color pencils	
120	Diagnostic kits or equipment	
169	Oil cake and other solid residues	Included in Eighth Schedule at Serial 85 and taxable at the reduced rate of 10%

- **Deletion in 6<sup>th</sup> Schedule-Table 1**

170	Tractors	Included in Eighth Schedule at Serial 86 and taxable at the reduced rate of 10%
174	Machinery and equipment as listed at serial number 32 of the Table of Part-I of Fifth Schedule to the Customs Act, 1969 (IV of 1969), subject to the conditions, limitations and restrictions specified thereunder.	

- Exemption on Supplies, import of plant and machinery and electricity in tribal areas extended till 30 June 2025. (Sr. No. 151 and 152)
- Pay order instead of cheque and consumption report within 6 months of imports

## • Addition in 6<sup>th</sup> Schedule-Table 1

175	Import of all goods received, in the event of a natural disaster or other catastrophe, as gifts and relief consignments or any goods received as gift or donation from a foreign government or organization by the Federal or Provincial Governments or any public sector organization.	
176	POL products: (i) MS (Petrol)                      (ii) High Speed Diesel Oil (iii) Kerosene                        (iv) Light Diesel Oil	2710.1210, 2710.1931, 2710.1911 and 2710.1921
177	Supply of electricity to Azad Jammu and Kashmir	
178	Import of gold under entrustment scheme under SRO 760(I)/2013	3004.9099
179	Import of cystagon, cysta drops and trientine capsules (for personal use only)	
180	Bovine semen	0511.1000

- Deletion in 6<sup>th</sup> schedule- Table II**

Sr. No	Description	Remarks
7	Vermicillies, sheer mal, bun and rusk excluding those sold in bakeries, and sweet shops falling in the category of Tier-1 retailers	Included at Serial 87 in Eights Schedule and taxable at the reduced of 10%
21	Poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal	Included at Serial 88 in Eights Schedule and taxable at the reduced of 10%

- Addition in 6<sup>th</sup> Schedule-Table II**

Sr. No	Description	Remarks
56	Milk excluding i) that sold under a brand name; or ii) supplied by corporate dairy farms	04.01
57	Iron and steel scrap excluding supplied by manufacturer-cum-exporter of recycled copper, authorized under Export Facilitation Scheme, 2021.	7204.4100, 7204.3000, 7204.4990

- **Deletion in 8<sup>th</sup> schedule**

Sr. No	Description	Rate
58	LPG	10%
66	Supplies as made from retail outlets as are integrated with Board's computerized system for real-time reporting of sales	15%

- Reduced rate prescribed for Locally manufactured hybrid vehicles as given in serial 73 **is made limited** till 30 June 2026.
- Rate on supply under serial no. 77 of imported personal computers and laptops computers, notebooks **enhanced** from 5% to 10%.
- Reduced rate of 1% as provided for serial no. 81 **is made restricted** only to substances registered as Drugs under Drugs Act, 1976.



- **Addition in 8<sup>th</sup> schedule**

Sr. No	Description	Rate	Remarks
84	i. Colors in sets ii. Writing, drawing and marking inks iii. Erasers iv. Pencil sharpeners v. other drawing, marking out or mathematical calculating instruments (geometry box) vi. Pens, ball pens, markers and porous tipped pens vii. Pencils including color pencils	10%	Transferred from 5 <sup>th</sup> and 6 <sup>th</sup> Schedule
85	Oil cake and other solid residue	10%	Transferred from 6 <sup>th</sup> Schedule

- **Addition in 8<sup>th</sup> schedule**

Sr. No	Description	Rate	Remarks
86	Tractors	10%	Transferred from 6 <sup>th</sup> Schedule
87	Local supply of vermicillies, sheer mal, bun and rusk excluding those sold in bakeries, and sweet shops falling in the category of Tier-1 retailers	10%	Transferred from 6 <sup>th</sup> Schedule
88	Local supply of poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal	10%	Transferred from 6 <sup>th</sup> Schedule

- **Amendments in 9<sup>th</sup> schedule**

- The taxation of mobile phone is rationalized whereby mobile phones are to taxed at standard rate of 18% ad valorem except for mobile phone valuing exceeding US \$ 500 which will be chargeable to 25% ad valorem with allowability of input tax as per the provision of Sales Tax Act, 1990.

- **Amendment in 11<sup>th</sup> schedule**

- Withholding rate on from payment to persons supplying any kind of lead or scrap batteries **increased to 80%** from **75%** of the sales tax applicable.
- New categories of withholding agents have been added in eleventh schedule as per detail on next slide

- Amendment in 11<sup>th</sup> schedule**

Sr. No	Withholding agent	Supplier category	Rate or extent of deduction.
9	Registered persons manufacturing cement	any kind of gypsum or limestone flux under chapter 25	80% of the sales tax applicable
10	Registered persons	any kind of coal under chapter 27	
11		any kind of waste of paper and paper board	
12		any kind of plastic waste	
13		crush stone and silica	

- The exemption of non-withholding on supplies made by an Active Taxpayer as defined in the Sales Tax Act, 1990 to another registered person will not be applicable in case of advertisement services and supplies mentioned at serial 7, 9, 10, 11, 12 and 13 of the eleventh schedule.

## Federal Excise Duty Act, 2005

- Rate of default surcharge increased from existing 12% p.a to higher of 12% or KIBOR plus 3% p.a.
- Installation of plant and machinery valuing 50 million or more, commencement of production or removal of such plant and Machinery without the approval of Commissioner is included as an offence with the penalty of Rs. 50,000 or 5 times of duty involved whichever is higher.
- The retail outlet of person shall be liable to be sealed if the retailer is found selling cigarettes packs without affixing, or affixing counterfeited, tax stamps, banderoles, stickers, labels or barcodes.
- Appeals processes, forums and saving clause of period of limitation amended in line with ITO, 2001.
- Establishment of Tax Fraud Investigation Wing Inland Revenue.

- FED imposed on Acetate tow at the rate of Rs 44,000 per kg.
- FED on E liquids for electric cigarette kits is fixed at higher of Rs. 10,000 per kg or **sixty five percent of retail price.**
- FED on Nicotine pouches imposed at Rs. 1,200 per kg.
- The rate of FED on cement is enhanced from Rs. 2 per kg to Rs. 4 per kg
- The rate of FED on filter rod for cigarettes is enhanced from Rs. 1,500 per kg to Rs. 80,000 per kg.
- FEF on Lubricating Oil is imposed at 5% ad valorem.

- FED on Allotment or transfer of commercial property and first allotment or transfer of residential property is imposed at the rate of 3% for person appearing on ATL, 5% for persons not filing return by the due date, and 7% for person not appearing on ATL.
- FED on white crystalline sugar supplied by any person to a manufacturing, processing or packaging entity is imposed at the rate of Rs. 15 per kg.
- Exemption granted on imports made by diplomats, diplomatic missions, privileged persons and privileged organizations which are covered under various Acts, Orders, Rules, Regulations and Agreements passed by the Parliament or issued or agreed by the Government of Pakistan.



## FED on International Air tickets

Sr. No	Destination	Old Rate	Revised Rate
1	Economy and economy plus air tickets	Rs. 5,000	Rs. 12,500
	<b>Club, Business class and first class</b>		
1	North, Central, South America and Environs	Rs. 250,000	Rs. 350,000
2	Middle East and Africa	Rs. 75,000	Rs. 105,000
3	Europe	Rs. 150,000	Rs. 210,000
4	Far East, Australia, New Zealand and Pacific Islands	Rs. 150,000	Rs. 210,000

**THANK YOU**