

FINANCE ACT,2024

SALES TAX ACT, 1990

DEFINITIONS (SECTION2)

1. Definition of “Associates” in Sales Tax Act 1990 is lined up with the definition of associates as per sub-section (1) of section 85 of the Income Tax Ordinance, 2001.
2. Certain changes have been made regarding definition of input tax. Board has the powers to decide the admissibility / inadmissibility of input tax adjustments. Board through the issuance of notification and subject to conditions/restrictions/limitations as may be specified shall exclude certain services, which are subject to provincial sales tax, from the ambit of admissibility of input tax.
3. Board previously prescribed sectors responsible for issuance of electronic invoicing. New definition is introduced as “licensed integrator” means person licensed by the Board who is responsible for providing electronic invoicing system and its integration.
4. Scope of “tax fraud” is broadened by incorporating some intentional acts or omission which would consider tax fraud.
5. Sales tax will be charged when the supplier has delivered goods / made available or consideration is received, whichever is earlier.
6. Board, by notification in the official Gazette, has the powers to fix the value of any imported goods including goods enlisted in Third Schedule of the Sales Tax Act 1990.

TAX ASSESSMENTS & RECOVERY PROCESS (SECTION11, 11B, 11E, 11F& 11G).

7. Along with the omission of Section 11, several new sections are inserted. These new provisions include limitation on issuing assessment orders, recovery of unpaid tax, consequences for failure to withhold sales tax and limitations for assessments. These amendments are intended to streamline and enhance the effectiveness of the tax assessment and recovery process. For the purpose assessments to be made, the words “relevant date” means the time of payment of sales tax or charge as provided; or the time of payment for goods or services on which sales tax was to be withheld; or in a case where sales tax or charge has been erroneously refunded, the date of its refund.”

BEST JUDGEMENTASSESSMENT (SECTION11D)

8. In case of non- filing of sales tax return and failure to furnish the required record, concept of Best Judgment Assessment is introduced.

**EMPOWERING COMMISSIONER INLAND REVENUE
REGARDING BLACKLISTING (SECTION 21(2) & 21(5))**

9. The current legislation empowers the Commissioner Inland Revenue, to blacklist individuals who have issued fake invoices or committed tax fraud in accordance with the procedures established by the Board. The amendment in Finance Act 2024 seeks to revise the aforementioned sub-section by incorporating the phrase "issue an order of blacklisting." This amendment aims to grant the Commissioner Inland Revenue, the authority to issue an Order of Blacklisting under Section 21 of the Act. At present, such an action by the Commissioner is appealable before the Appellate Tribunal. The Bill now empowered the Chief Commissioner to examine the blacklisting order passed by the Commissioner under section 21(2) and modify the same, if need be. Such an action may be proceeded with by the Chief Commissioner on his own motion or based on an application made by taxpayer. Corresponding amendments to this effect have also been made in provisions governing filing of appeals before Tribunal.

ELECTRONIC INVOICING (SECTION 23)

10. Specified registered persons making taxable supplies must issue electronic invoices, subject to conditions, restrictions, and limitations that shall be specified by the Board through notifications in the official Gazette.

AUDIT OF SALES AFFAIRS & MAINTAINING & KEEPING RECORD (SECTION 25)

11. An Inland Revenue officer not below the rank of Assistant Commissioner is empowered to initiate an investigative audit for suspected tax fraud, subject to prior approval by the Commissioner. This investigative audit may result in the assessment of tax, blacklisting, imposition of penalties, disallowance of input tax, or prosecution.
12. Time limitation for calling such records is stipulating for up to six (6) years from the end of the financial year to which it pertains.

RETURNS (SECTION 26)

13. A new sub-section (2A) is inserted to under section 26 after omitting sub-section (2). According to this new provision, the officer of Inland Revenue may issue a written notice to any person who, in the officer's opinion, is required to file a sales tax return for a tax period but has failed to do so. The said notice will require the person to furnish the return(s) within 15 days from the date of service, or within a different period specified in the notice or as allowed by the officer in charge. Such a notice for filing of sales tax returns can only be issued within 15 years from the end of the financial year specifically in cases of tax fraud, and within five years in all other cases.

TAX FRAUD INVESTIGATION WING INLAND REVENUE (SECTION 30AB)

14. Tax Fraud Investigation Wing-Inland Revenue shall be established. The functions of the tax fraud Investigation Wing Inland Revenue shall be to detect, analyze, investigate, combat and prevent tax fraud.

OFFENCES & PENALTIES (SECTION 33)

15. Certain substitutions / additions of penalties in terms of amounts and imprisonment regarding tax fraud, failure to include tax stamps of goods which required by Board and failure of integration of POS with Board's computerized system and for license integrator responsible for electronic invoicing system.

DEFAULTSURCHARGE (SECTION 34)

16. The rate of default surcharge has been amended to 12% per annum or KIBOR plus 3%, whichever is higher.

APPEALS TO APPALETTRIBUNAL(SECTION 43A)

17. Income Tax Laws (Amendment) Act, 2024, a new Section 33A is introduced, mandating that any appeal pending with the Commissioner Inland Revenue (Appeals) involving the value of assessment of tax or refunds exceeding ten million rupees shall be transferred to the Appellate Tribunal Inland Revenue by June 16, 2024. Deadline for the transfer of cases from the Commissioner (Appeals) to the Appellate Tribunal is extended till December 16, 2024.

DEFAULTSURCHARGE (SECTION 34)

18. Through the Finance Act, the rate of default surcharge has been amended to 12% per annum or KIBOR plus 3%, whichever is higher from July 1st 2024, to onward. Similar amendments have also been made in Income Tax and FED Act.

CERTAIN TRANSACTION NOTADMISSIBLE (SECTION 73)

19. Previously, the input tax was inadmissible if the payment in single transaction is more than Rs. 50,000 (with few exceptions) made otherwise than banking channel. It is further clarified in the Finance Act by incorporating the word of “aggregate”. Now, if aggregate of payment to such supplier exceeds Rs. 50,000 in a tax period and is made otherwise than banking channel, the input tax shall be disallowed.

THIRD SCHEDULE (SALES TAX ON RETAILPRICE)

20. DAP is enlisted in the Third Schedule and shall be chargeable to tax at the rate 18% at retail price. Previously, DAP was taxable at the rate of 5% under the Eight Schedule of Sales Tax Act, 1990.

FIFTH SCHEDULE (ZERO RATED SUPPLIES)

21. Raw materials, packing materials, sub-components, components, subassemblies and assemblies for goods including infant preparations, milk, and certain stationery items. and preparations suitable for infants are chargeable to tax at standard rate of 18%. However, Stationery items (finished goods) are chargeable to tax at the rate of 10%. (The zero rating of raw material, packing material etc. whether imported or purchased locally for the manufacture of Exercise books which was proposed to be withdrawn through FB has been retained)

22. Unpacked milk is exempt from sales tax. Standard rate of sales tax at the rate of 18% is applicable for milk sold under brand name or sold by Corporate Dairy Farms.
23. Fat filled milk is chargeable to tax at standard rate of 18%.
24. Local supplies of commodities, raw materials, components, parts and plant and machinery to registered exporters authorized under Export Facilitation Scheme, 2021 shall be chargeable to tax at the rate 18%.

SIXTH SCHEDULE (EXEMPT GOODS) (TABLE - I)

25. Standard rate of sales tax (18%) is applicable for 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).
26. Fruits imported from Afghanistan are chargeable to sales tax at the rate of 18%.
27. Reduced rate of tax at the rate of 10% is applicable to newsprint and books subject to the condition that excess input tax shall not be refunded.
28. Reduced rate of tax at the rate of 10% is applicable to colors in sets (poster colors), writing, drawing and marking inks, erasers, pencil sharpeners, other drawing, marking out or mathematical calculating instruments (geometry box), pens, ball pens, markers and porous tipped pens, pencils including color pencils.
29. Standard rate of sales tax (18%) is applicable to diagnostic kits or equipment. (Please refer serial 120 for list of items covered)
30. Reduced rate of sales tax (10%) for oil cake and other solid residues & tractors.
31. Standard rate of sales tax (18%) for 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).
32. Supplies for consumption in tribal areas, supplies of electricity to all residential and commercial consumers in tribal areas, and imports of plant, machinery, and electricity in tribal areas are exempt from sales tax till June 30, 2025.
33. All imported goods, in the event of a natural disaster or other catastrophe, as gifts and relief consignments or donation from a foreign government or organization by the Federal or Provincial Governments or any public sector organization subject to the genuineness of such cases and furnish an undertaking to the effect that donated goods shall not be sold, utilized or disposed of otherwise than for the purpose for which the same have been imported are exemption from sales tax.
34. Exemption from sales tax for POL products: (i) MS (Petrol) (ii) High Speed Diesel Oil (iii) Kerosene (iv) Light Diesel Oil.
35. Supply of electricity to Azad Jammu and Kashmir is exempt from sales tax.

36. Import of gold is exempt from sales tax if imported under entrustment scheme under SRO 760(I)/2013.
37. Import of cystagon, cysta drops and Trien tine capsules is exempt from sales tax if imported for personal use only.
38. Bovine semen is exempt from sales tax.

SIXTH SCHEDULE (LOCAL SUPPLIES ONLY) (TABLE - II)

39. Reduced rate of sales tax(10%) is applicable to vermicelli's, sheer mal, bun and rusk excluding those sold in bakeries, and sweet shops falling in the category of Tier-1 retailers.
40. Reduced rate of sales tax(10%) is applicable to poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal.
41. Milk excluding that sold under a brand name or supplied by corporate dairy farms, and Iron and steel scrap excluding supplied by manufacturer-cum-exporter of recycled copper, authorized under Export Facilitation Scheme, 2021 are exempt from sales tax.

EIGHTH SCHEDULE (GOODS SUBJECT TO SPECIAL/ REDUCED RATES)

42. Standard rate of sales tax (18%) is applicable to local supplies of imported LPG.
43. Standard rate of sales tax (18%) is applicable to textile and leather retailers integrated with the FBR's computerized system for real-time sales reporting.
44. Reduced rate of 10% is applicable to imported or local supplies of personal computers and laptops computers & notebooks.

NINTH SCHEDULE (TABLE-II)

45. Standard / Uniform rate of sales tax 18% ad valorem is applicable to imported or locally manufactured phones irrespective of their value. Sales tax at the rate of 25% is applicable to imported mobile / cellular phones in CBUs condition at the time of import or registration by CMOs on phones exceeding value of US\$ 500.

ELEVENTH SCHEDULE (RATE OF SALES TAX WITHHOLDING)

46. Increased rate of withholding of sales tax 80% (previously 75%) is applicable to registered person making payment as manufacturer of lead batteries to person supplying any kind of lead or scrap batteries.
47. New obligation of withholding of sales tax (80% of the sales tax) is applicable to certain sectors, such as gypsum, limestone flux, coal, cement, waste of paper and paper board, plastic waste and crushed stone and silica.

TWELFTH SCHEDULE (VALUE ADDITION TAX)

48. Value Addition Tax (VAT) applicable for imported cellular mobile phones or satellite phones.