

SALIENT FEATURES

SALES TAX & FEDERAL EXCISE BUDGETARY MEASURES (FY 2012-13)

Objectives

- Reduction in the higher rates of Sales Tax from 22% and 19.5% to 16%.
- Reduction in Federal Excise Duty on cement from Rs. 500/ PMT to Rs. 400/ PMT
- Elimination of excise duty on 10 items with the objective to further phasing out of Federal Excise regime.
- Streamlining the sales tax regime by substituting zero-rating on certain items with a view to stop illegal refunds.
- Enhancing tax incidence on cigarettes by revising upward price tiers.

RELIEF MEASURES

- (a) Removing aberrations in rates of sales tax @ 22% and 19.5% to standard rate of 16% through rescinding of SRO 644(I)/2007 dated 27-06-2007 vide SRO 594(I)/2012, dated 01.06.2012, effective from the 02.06.2012.
- (b) Reducing federal excise duty on cement from Rs. 500/ PMT to 400/ PMT enforced through amendment in Table-I of First Schedule to the Federal Excise Act, 2005, effective from the 01.07.2012.
- (c) Phasing out of federal excise duty regime by reducing the number of goods liable to federal excise duty enforced through amendment in Table-I of First Schedule to the Federal Excise Act, 2005, effective from the 02.06.2012.
- (d) Exemption of federal excise duty on live stock insurance enforced through amendment in Table-II of Third Schedule to the Federal Excise Act, 2005, effective from the 01.07.2012.

- (e) Retrospective exemption of federal excise duty on services rendered by Asset Management Companies enforced through amendment in Table-II of Third Schedule to the Federal Excise Act, 2005, effective from the 01.07.2012.
- (f) Grant of exemption to waste paper to enhance collection as well as restrict inadmissible input tax adjustment in this sector.

REVENUE MEASURES

- (a) Revision in the upward limit of price tiers of cigarettes to enhance the Federal Excise Duty on locally produced Cigarettes enforced through amendment in Table-I of First Schedule to the Federal Excise Act, 2005, effective from the 02.06.2012.
- (b) Increase in the rate of sales tax on steel sector from Rs. 6/ Kwh to Rs. Rs. 8/ Kwh enforced through amendment Sales Tax Special Procedures Rules, 2007.

- (c) Substitution of zero-rating with exemption on supplies against international tender enforced through Finance Act, 2012 vide deletion of Supplies against International Tender from Fifth Schedule and addition in Sixth Schedule of the Sales Tax Act, 1990, effective from the 02.06.2012.
- (d) Substitution of zero-rating with exemption on certain items such as remeltable scrap and sprinkler.

SIMPLIFICATION/MEASURES

- (a) Shifting of cotton seed oil from exemption to zero-rating regime enforced through amendment in Schedules to the Sales Tax Act, 1990.
- (b) Revise Federal Excise Duty on foreign travel enforced through amendment in Table-I of First Schedule to the Federal Excise Act, 2005, effective from the 01.07.2012.
- (c) Harmonize section 11 and 36 of the Sales Tax Act, 1990 enforced through amendment in Sales Tax Act, 1990, effective from the 01.07.2012.

- (d) Alignment of PCT Headings in various schedules to the Sales Tax Act, 1990, with the HS-2012 version of Pakistan Customs Tariff.
- (e) Updation of the restriction related to prices of cigarettes in the First Schedule to the Federal Excise Act, 2005.
- (f) Simplification of collection procedure of FED on air travel from Pakistan by excluding the charge of FED on air travel to Pakistan.