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Presentation on:

Section 3 – “Scope of Tax”

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Scope of Tax – Section 3

- **Charging Section** - Section 3(1)
- **Further Tax** - Sub-Section 1A read with SRO 648
- **Goods Specified in the Tenth Schedule** - Sub-Section 1B
- **Sales Tax on The Basis of Retail Price** - Section-3(2)(a) read with Third & Eighth Schedule
- **Tax subject to higher or lower rate** - Section 3(2)(b)
- **Liability to pay tax in case of Supply and Importer** - Section 3(3)
- **Tax on Mobile Phone** - Section 3(3B) read with Ninth Schedule
- **Extra Tax**
- **Sales tax withholding** - Section 3(3A)
- **Sales tax on CNG Stations** - Sections 3(8)
- **Sales tax on Retailer other than Tier 1 Retailer** - Section 3(9)
- **Sales tax on Tier 1 Retailers** - Section 3(9A)



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Charging Section Sub-Section-1

Subject to the provisions of the Act, there shall be charged, levied and paid a tax known as sales tax @ **17 %** of the value of-

(a) **Taxable supplies** made by a registered person in the course or furtherance of any taxable activity carried on by him; and

(b) Goods **imported** into Pakistan, Irrespective of their final Destination in territories of Pakistan.



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Further tax @ 3% Section-3(1A)

Subject to the provision of S.8(6) or any notification issued thereunder, where taxable supplies are made to a person who has not obtained registration number or **he is not active tax payer**, there shall be charged, levied and paid a further tax @ 3% of the value in addition to the rate specified in subsection (1), (1B), (2), (5), (6) and Section 4. Provided that the Federal Government may, by notification in the official Gazette, specify the taxable supplies in respect of which the further tax shall not be charged, levied and paid.



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Further tax Sub-Section 1A read with SRO 648

SRO 648(1)/ 2013 dated 9.07.2013, provides following exclusions from the purview of further tax levy:

- ⌞ - Electrical energy supplied to domestic and agriculture consumer.
- ⌞ - Natural gas supplied to domestic consumer and CNG station.
- ⌞ - Motor sprite, diesel oil, jet fuel, kerosene oil and fuel oil.
- ⌞ - Goods sold by retailer to end consumers.
- ⌞ - Supply of goods directly to the end consumers including food & beverages, fertilizers and vehicles.
- ⌞ - Item falling under the 3rd Schedule to the Sales Tax Act, 1990.
- ⌞ - Second hand worn clothing and other worn articles falling under PCT 6309.0000.
- ⌞ - Fertilizers.



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Further tax Section 3(1A) read with SRO 648

- ⌞ - Supplies by steel melters, re-rollers and ship breakers operating under Chapter XI of Sales Tax Special Procedure Rules, 2007.
- ⌞ - Supplies covered under the Fifth Schedule to the Sales Tax Act, 1990.
- ⌞ - Supplies of foam or spring mattresses and other foam products for household use.
- ⌞ - Supplies made to Government, semi government and statutory regulatory bodies; and
- ⌞ - Supply of white crystalline sugar (PCT heading 1701.9910 and 1701.9920)
- ⌞ - Supplies by steel sector
- ⌞ - Supplies by edible oil sector



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Sales Tax on the basis of Retail Price Section-3(2)(a)

Notwithstanding the provisions of Section 3(1), taxable supplies and import of goods specified in 3rd schedule shall be charged to tax @**17%** of the Retail Price or in case such supplies or imports are also specified in 8th schedule, at the rates specified therein and the retail price thereof, along with the amount of sales tax shall be legibly, prominently and indelibly printed or embossed by the manufacturer, or the importer, in case of imported goods, on each article, packet, container, package, cover or label, as the case may be.



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Sales Tax on the basis of Retail Price Section-3(2)(a)

1. Fruit and vegetable juices
2. Ice-cream
3. Aerated waters or beverages
4. Syrups & squashes
5. Cigarettes
6. Toilet soap
7. Detergents
8. Shampoo
9. Toothpaste
10. Shaving cream
11. Perfumery and cosmetics
12. Tea
13. Powder drinks
14. Milky drinks
15. Toilet paper & tissue paper



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Sales Tax on the basis of Retail Price Section-3(2)(a)

16. Spices sold in retail packing bearing brand names and trade marks
17. Shoe polish and shoe cream
18. **Fertilizers (Omitted through Finance Act, 2022)**
19. Cement sold in retail packing.
20. Mineral / bottled water.
21. House hold electrical goods, including air conditioners, refrigerators, deep freezers, televisions, recorders and players, electric bulbs, tubelights, electric fans, electric irons, washing machines and telephone sets.
22. House hold gas appliances, including cooking range, ovens, geysers and gas heaters.
23. Foam and spring mattresses and other foam products for house hold use.
24. Paints, distempers, pigments, colors, varnishes, gums, resins, dyes, glazes, thinners, blacks, cellulose, lacquers and polishes sold in retail packing.
25. Lubricating oils, brake fluids, transmission fluid, and other vehicular fluids sold in retail packing
26. Storage batteries excluding those sold to automotive manufacturers or assemblers.



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Sales Tax on the basis of Retail Price Section-3(2)(a)

27. Tyres and tubes excluding those sold to automotive manufacturers or assemblers.

28. Motor cycles.

29. Auto rikshaws.

30. Biscuits in retail packing with brand name.

31. Tiles.

32. Auto-parts, in retail packing, excluding those sold to automotive manufacturers or assemblers.

33. Sugar except where it is supplied as an industrial raw material to pharmaceutical, beverage and confectionary industries (Omitted through Finance (Supplementary) Act, 2022)

Provided that the Board may, by notification in the official Gazette, exclude any taxable supply or import from the 3rd Schedule or include any taxable supply or import therein.



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Example of Tax Liability in case of Third Schedule Goods

Particulars	Trade Price TP	Retail Price RP	GST @ 17%	Invoice Amount	Input Tax	GST Liability
Ex Factory Price to Distributor	80	120	20.4	140.4	0	20.4
Sale By Distributor to Wholesaler	90	120	20.4	110.4	20.4	0
Sale By Wholesaler to Retailer	100	120	20.4	120.4	20.4	0
Sale By Retailer to end Consumer	120	120	20.4	140.4	20.4	0
Value Addition	40	(10D+10W+20R)		80*17% =13.6+(40*17%)=6.8 total 20.4		

S.3(2)(aa) Goods specified in the Eight Schedule shall be charged to tax at such rates and subject to such conditions and limitations as specified therein



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Higher or Lower Rate of Tax Section-3(2)(b)

The Federal Government may, subject to such conditions and restrictions as it may impose, by notification in the official Gazette, declare that in respect of any taxable goods, the tax shall be charged, collected and paid in such manner and at such higher or lower rate or rates as may be specified in the said notification.



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Liability to pay tax in case of Supply and Importer Section 3(3)

The liability to pay the tax shall be:

- (a) in the case of supply of goods, of the person making the supply,
and
- (b) in the case of goods imported into Pakistan, of the person
importing the goods.



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Section 3(3A)

Notwithstanding anything contained in clause (a) of sub-section (3) the board with the approval of the federal minister-in-charge may, by a notification in the official gazette, specify the goods in respect of which the liability to pay tax shall be of the person receiving the supply.



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Sales Tax on Goods specified in 9th Schedule Section-3(3B) read with 9th Schedule (Mobile Phones)

Notwithstanding anything contained in sub-section (1) and (3), sales tax on the import and supply of the goods specified in Ninth Schedule shall be charged, collected and paid at the rates, in the manner, with the time, and subject to the procedure and conditions as specified therein or as may be prescribed, and the liability to charge, collect and pay the tax shall be on the persons specified therein.



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Extra Tax Section-3(5)

The Federal Government may, in addition to the tax levied u/s.3 (1) and (2) and (4), levy & collect tax at such extra rate or amount **not exceeding 17% of the value** of such goods or class of goods and on such persons or class of persons, in such mode, manner and at time, and subject to such conditions and limitations as it may, by rules, prescribe. (See **Chapter XVII-B Sales Tax Rules**)



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Section 3(6)

The Federal Government or [the Board] may, in lieu of the tax under sub-section (1), by notification in the official Gazette, levy and collect such amount of tax as it may deem fit on any supplies or class of supplies or on any goods or class of goods and may also specify the mode, manner or time of payment of such amount of tax.



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Section 3(7) read with Eleventh Schedule

The tax shall be withheld at the rate as specified in the Eleventh Schedule, by any person or class of persons [being purchaser of goods or services [, other than the services liable to pay sales tax under a Provincial enactment,] as withholding agent for the purpose of depositing the same, in such manner and subject to such conditions or restrictions as the Board may prescribe in this behalf through a notification in the official Gazette.



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Section 3(7) read with Eleventh Schedule

Provided that in case of the online market place facilitating the sale of third party goods, the liability to withhold tax on taxable supplies of such party at the rates specified in column (4) against S. No. 8 of the Eleventh Schedule to the Sales Tax Act, 1990 shall be on the operator of such market place.



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Sales tax on CNG Stations Section-3(8)

Notwithstanding anything contained in any law or notification made there under, but subject to the provisions of clause (b) of sub-section (2), in case of supply of natural gas to CNG stations, the gas Transmission and Distribution company shall charge sales tax from the CNG stations @ 17% of the value of supply to the CNG consumers, as notified by the Board from time to time, but excluding the amount of tax as provided in S.2 (46).



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Sales tax on retailers Section-3(9)

Notwithstanding anything contained in subsection (1), tax shall be charged from retailers [, other than those falling in Tier-1,] through their monthly electricity bills, at the rate of [rupees three thousand per month where the monthly bill amount does not exceed rupees thirty thousand, rupees five thousand per month where the monthly bill amount exceeds rupees thirty thousand but does not exceed rupees fifty thousand and rupees ten thousand per month where the monthly bill amount exceeds rupees fifty thousand],[and the electricity supplier shall deposit the amount so collected directly without adjusting against his input tax.



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Sales tax on retailers

Section-3(9)

[Provided that the above rates of tax shall be increased by one hundred percent if the name of the person is not appearing in the Active Taxpayers List issued by the Board under section 181A of the Income Tax Ordinance, 2001 on the date of issuance of monthly electricity bill:

Provided further that the Board may through a general order prescribe any persons or class of person who shall pay upto rupees two hundred thousand per month through their monthly electricity bill.]



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Sales tax on retailers Section-3(9)

Provided [further] that the tax under this sub-section shall be in addition to the tax payable on supply of electricity under sub section (1), (1A) and (5)

Provided also that the Commissioner of Inland Revenue having jurisdiction shall issue order to the electricity supplier regarding exclusion of a person who is either a Tier-1 retailer, or not a retailer.]



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Sales tax on retailers

Section-3(9A)

9ANotwithstanding anything contained in this Act, Tier -1 retailers shall pay sales tax at the rate as applicable to the goods sold under relevant provisions of this Act or a notification issued thereunder.

Provided further that from such date and in such mode and manner, as prescribed by the Board all Tier -1 retailer shall integrate their retail outlet with Board's computerized system for real-time reporting of sales.



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Definition of Tier -1 Retailers

Tier-1 retailer” means a retailer falling in any one or more of the following categories, namely:-]

- (a) a retailer operating as a unit of a national or international chain of stores;
- (b) a retailer operating in an air-conditioned shopping mall, plaza or centre, excluding kiosks;
- (c) a retailer whose cumulative electricity bill during the immediately preceding twelve consecutive months exceeds Rupees [twelve] hundred thousand; []
- (d) a wholesaler-cum-retailer, engaged in bulk import and supply of consumer goods on wholesale basis to the retailers as well as on retail basis to the general body of the consumers”;
- (e) a retailer, whose shop measures one thousand square feet in area or more [or two thousand square feet in area or more in the case of retailer of furniture;]
- (f) a retailer who has acquired point of sale for accepting payment through debit or credit cards from banking companies or any other digital payment service provider authorized by State Bank of Pakistan;
- (g) a retailer whose deductible withholding tax under sections 236G or 236H of the Income Tax Ordinance, 2001(XLIX of 2001) during the immediately preceding twelve consecutive months has exceeded the threshold as may be specified by the Board through notification in the official Gazette; and
- (ga) a person engaged in supply of articles of jewellery, or parts thereof, of precious metal or of metal clad with precious metal excluding a person whose shop measures three hundred square feet in area or less;]
- (h) any other person or class of persons as prescribed by the Board.]



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Sales tax on Goods specified in Thirteenth Schedule Section-3(9AA)

In respect of goods, specified in the Thirteenth Schedule, the minimum production for a month shall be determined on the basis of a single or more inputs as consumed in the production process as per criterion specified in the Thirteenth Schedule and if minimum production so determined exceeds the actual supplies for the month, such minimum production shall be treated as quantity supplied during the month and the liability to pay tax shall be discharged accordingly.]



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Section-3(11) inserted through Finance Act, 2022

Notwithstanding anything contained in the Act, the Board through Notification in the official Gazette, may require class of persons to integrate their invoice issuing machines with the Board's Computerized System for real time reporting of sales in such mode and manner and from such date as may be prescribed.



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Schedules under Sales Tax Act

THE THIRD SCHEDULE

See section 3

ST @ 17% on Retail Price as fixed by Manufacturer / Importer

THE FIFTH SCHEDULE

See section 4

ST @ 0% on Goods Specified at Schedule

THE SIXTH SCHEDULE

See section 13

Exemption from ST on plant, equipment & apparatus including capital goods

Table-1 : Import or Supplies

Table-2: Local Supplies only

Table-3: Import subject to conditions



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Schedules under Sales Tax Act

THE EIGHTH SCHEDULE

See Clause (aa) of sub-section (2) of section 3

Reduced ST @ 5 or 10%

Table-1 : Import or Supplies

Table-2: Import only

THE NINTH SCHEDULE

See sub-section (3B) of section 3

Fixed Amount of ST

THE TENTH SCHEDULE

See sub-section(1B) of Section 13

Fixed ST on Brick Region-Wise



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Schedules under Sales Tax Act

THE ELEVENTH SCHEDULE

See sub-section () of Section 3

Sales Tax Withholding: Various ST Rates & Withholding Agents

THE TWELVETH SCHEDULE

See sub-section (2) of Section 7A

Minimum Value Addition ST @3% on Import Value

THE THIRTEEN SCHEDULE

Minimum Production of Steel Products



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Thank You