

Sales Tax Special Procedure Rules

3 January 2014

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Section 1

Introduction

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Section 2

Special Procedure for payment of Sales Tax by Retailers (Chapter II)

Special Procedure for Retailers

APPLICATION – Rule 3

- Applicable to the **registered persons**, including **jewellers**, who make **supplies from retail outlets to final consumers** and such persons are deemed to be retailers in respect of such supplies for the purposes of these Rules.

Not applicable to

- Dealers of Motorcycles (covered by Chapter VIII)
- Dealers of specified goods (covered by Chapter XIII)
- Manufacturer-cum-retailers selling their products through retail outlets

Jeweller is defined as a person engaged in the supply of ornaments as a manufacturer, wholesaler or retailer but **does not include zargar** (i.e. a person engaged in making of ornaments or carrying out any related process on labour charges basis and not involved in sale of ornaments to ordinary consumers).

REGISTRATION – Rule 4

As per procedure laid down in Sales Tax Rules, 2006 whereby the requirement of registration is applicable for a retailer whose value of supplies in any period during the last 12 months **exceeds Rs 5 Million**.

Special Procedure for Retailers

LEVY AND RATE OF TAX – Rule 5

- A retailer operating under these Rules is required to charge and collect Sales tax on the basis of his Turnover at the following rates:-

S. No.	Quarterly Turnover	Sales Tax rate
1.	Upto Rs 1.25 Million	Nil
2.	More than Rs 1.25 Million and upto Rs 2.5 Million	0.5% of turnover exceeding Rs 1.25 Million
3.	More than Rs 2.5 Million	Rs 6,250 plus 0.75% of turnover exceeding Rs 2.5 Million

- The Turnover as above constitutes value of all supplies of a retailer, **including** supplies of goods **exempt otherwise** and **zero-rated** and those specified in **Third Schedule**. Supplies subject to **Extra Tax** are deductible from turnover but the rate is applicable on the basis of total turnover.
- **Supplies made to a withholding agent** (under Income Tax Ordinance) are **not covered** by these Rules and would be governed by normal Sales Tax regime entitling the retailer to claim input tax on such goods

Special Procedure for Retailers

LEVY AND RATE OF TAX – Rule 5 (Contd.)

- **Turnover of a Jeweller** to exclude the value of silver or gold used in the Jewellery supplied provided the assessable value is not less than 10% of the actual sales price (excluding tax).
- Traders dealing in **retail of mild steel products** are required to pay retail tax at normal rates given in section 3(1) on a value addition of not less than Rs 1,680 per metric ton.

DETERMINATION OF SALES TAX LIABILITIES – Rule 6

- Tax paid by the retailers operating under these Rules are construed as the **discharge of final tax liability** for the purposes of Sales Tax.
- Retailers operating under these Rules are **not entitled to adjustment of any input tax or claim of refund of sales tax.**

Special Procedure for Retailers

PAYMENT OF SALES TAX & FILING OF RETURN – Rule 7

- Retailers operating under these Rules are required to deposit the sales tax due alongwith the return on **quarterly basis**, according to the following schedule:-

S. No.	Quarterly ending	Due date
1.	September 30 th	October 15 th
2.	December 31 st	January 15 th
3.	March 31 st	April 15 th
4.	June 30 th	July 15 th

ISSUANCE OF INVOICES / CASH MEMO – Rule 8

- Requirement to issue serially numbered invoices or cash memos generated whether manually or through Fiscal Electronic Cash Registers (FECR) in respect of each supply.

FECR is defined as an electronic cash register with fiscal memory (black box), fiscal screw and seal, capable of simultaneously printing second copy (record copy) that contains all information in addition to that on the first paper roll (customer copy) and having two displays one for customer and the other for operator.

Section 3

Special Procedure for Collection and Payment of Sales Tax on Electric Power (Chapter III)

Special Procedure for Electric Power

APPLICATION – Rule 11

Applicable on electric power **imported, generated, produced, transmitted and supplied by** following companies, licensed under the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997-

- Electricity Generation Companies;
- Electricity Transmission Companies; and
- Electricity Distribution Companies.

Including their distributors, dealers and agents, or by any other person, dealing in importation, generation, production, transmission, distribution and supply of electric power.

Distribution is defined as the ownership, operation, management or control of distribution facilities for the movement or delivery or sale to consumers or electric power **but shall not include** the ownership, operation, management and control of distribution facilities **located on private property** and used **solely** to move or deliver electric power to the persons, owning, operating, managing and controlling those facilities or to tenants thereof shall not constitute distribution.

Generation is defined to include the ownership, operation, management or control of generation facilities for delivery or sale of electric power and not solely for consumption by the person owning, operating, managing and controlling those facilities.

Special Procedure for Electric Power

REGISTRATION – Rule 12

Registration to be made under Sales Tax Rules 2006 by following persons-

- Every electricity generation, transmission and distribution company licensed by NEPRA;
- A distributor, dealer and agent of such company;
- Independent Power Producer, a Public Sector Project, Private Sector Project, or any other person dealing in importation, generation, production, transmission, distribution and supply of electric power

IPP is defined as the one established in private sector operating under a license issued by the NEPRA for the purposes of generation, transmission, distribution and sale of electric power, and governed by various implementation Agreements executed between Pakistan and such IPPs including HUBCO and KAPCO.

Private Sector Project is defined as a facility for generation, transmission or distribution of electric power constructed, owned, managed or controlled by any one or more organisations or locally incorporated companies.

Public Sector Project is defined as a facility for generation, transmission or distribution of electric power constructed, owned, managed or controlled by the Federal Government, Provincial Government, a local authority or any body owned or controlled by such governments or authority.

Special Procedure for Electric Power

LEVY AND COLLECTION OF SALES TAX – Rule 13

- Sales Tax is to be charged and collected at normal rates specified in section 3(1)
- **Stages on which sales tax on electric power is to be levied and collected**

Stage	Responsibility	Value of supply
Importation	Importer	As determined for the Customs Duty, including the amount of custom duties and excise, levied thereon.
Generation, Transmission, Distribution and supply by a Public Sector Project (like WAPDA), a private sector project including an IPP, a Captive Power Unit or any other person	Person making the supply	<p>Price of electric power including all charges, surcharges excluding the amount of late payment charge, rents, commissions and all duties and taxes whether, local, Federal or Provincial, but excluding the amount of sales tax.</p> <p>In case of WAPDA, the additional charge of Rs 0.10 per kwh on account of Neelum Jhelum Hydropower Development Fund shall not be included.</p>

Special Procedure for Electric Power

LEVY AND COLLECTION OF SALES TAX – Rule 13 (Contd.)

- In case of an **IPP, HUBCO, KAPCO or WAPDA Hydroelectric Power**, value of supply shall be the amount received by such suppliers on account of **Energy Purchase Price (EPP)** and any amount in excess of EPP received on account of Capacity Purchase Price, Energy Price Premium, Excess Bonus, Supplemental Charges, etc., is not deemed as a component of the value of supply.
- In case of **disputed amount by WAPDA / KESC**, a certificate is to be issued for such amount alongwith the tax involved and such certificate is treated as **credit note for the IPP**. The amount subsequently received by IPP on this account is treated in the month of receipt.

FILING OF RETURNS AND DEPOSIT OF SALES TAX – Rule 14

- In case of **WAPDA and KESC**, sales tax levied and collected during a tax period has to be deposited on **accrual basis i.e. the amount actually billed to the consumers / purchasers for the tax period**. **Monthly returns** are required to be filed by 21st day of the month following the month in which the bill or invoice was raised. Tax due is required to be deposited alongwith the return.

Special Procedure for Electric Power

FILING OF RETURNS AND DEPOSIT OF SALES TAX – Rule 14 (contd.)

- In case of **an IPP**, the due date for the purpose of filing monthly sales tax return and for payment of sales tax is 25th day of the month following the month to which the sales tax invoice relates.
- Any person **other than IPP, WAPDA or KESC**, who supplies electric power has to file a monthly sales tax return and deposit the sales tax due for the tax period, by the due date as applicable for other taxpayers (i.e. 15th and 18th of the following month)

DETERMINATION OF SALES TAX LIABILITY IN RESPECT OF WAPDA AND KESC (Rule 15)

- Any person, **except WAPDA and KESC**, which supplies electric power is entitled to claim admissible input tax adjustment in normal manner laid down in sections 7, 8 and 8B.
- **WAPDA and KESC** are entitled to claim admissible input tax adjustment against sales tax paid on their taxable purchases **made in the month immediately preceding the tax period**.
- **WAPDA** also entitled to claim input tax paid by it on price differential of Low Sulphur Furnace Oil and High Sulphur Furnace Oil to PSO on behalf of KAPCO subject to issuance of invoice by PSO in the specified manner.

Special Procedure for Electric Power

INPUT TAX ADJUSTMENT FOR REGISTERED CONSUMERS – Rule 16

- In case of **registered consumers**, the electric power bill issued by electric power distribution company is treated as tax invoice.
- Registered consumers are entitled to claim input tax adjustment against such invoice **after the bill has been paid, provided the bill contains registration number and address of the business premises declared to the Commissioner by such consumer.**

Consumer is defined as a person or his successor-in-interest who purchases or receives electric power for consumption and not for delivery or resale thereof to others and includes a person who owns or occupies a premises where electric power is supplied.

RECORD KEEPING AND INVOICING – Rule 17

- Record maintenance requirement of section 22 or relevant notifications are applicable
- Invoice / Bill should mention the registration number of the consumer (if applicable), rate and the amount of sales tax charged
- Computer generated sales tax invoice can be issued by persons using computerised accounting system. Invoices are however required to be kept in record on computer in the prescribed format.

Section 4

***Special Procedure for Collection
and Payment of Extra Tax on
supplies of electric power and
natural gas consumed by
unregistered and inactive
persons
(Chapter IVA)***

Extra Tax on electric power and natural gas

APPLICATION – Rule 18A

Supplies of Electric Power and Natural Gas consumed by **persons having industrial or commercial connections. Under SRO 509, Extra Tax not applicable on supply of natural gas to CNG stations.**

MODE AND MANNER OF COLLECTION – Rule 18B

- Extra Tax to be collected at notified rate [5% of the total billed amount excluding the amount of federal taxes - SRO 509] from **(1)** every consumer having an industrial or commercial connection, **(2)** where the bill of a month exceeds Rs 15,000; **and (3)** the consumer has either not provided his sales tax registration number to the supplier **or** his name is not shown as active on Active Taxpayers List (ATL).
- The amount of Extra Tax is required to be shown separately on the bill / invoice, which will be collected and paid alongwith the normal sales tax in the prescribed manner.

CONDITIONS & LIMITATIONS – Rule 18C

- The amount of Extra Tax is not adjustable by the supplier / consumer in their returns and should be paid in full by the supplier to the Treasury.

Extra Tax on electric power and natural gas

CONDITIONS & LIMITATIONS – Rule 18C (Contd.)

- A person claiming to have a Sales tax registration number is required to produce his registration certificate, which will be verified by the supplier from the ATL and also the name, address and other particulars are the same as appearing on registration certificate / ATL.
- A person having multiple places of business has to ensure that all such places of business are properly declared and entered on his registration certificate and ATL.
- Once the verification of consumer's sales tax registration status is done, the supplier is required to incorporate his sales tax registration number on the billing system for printing on future bills. Thereafter no extra tax will be charged by the supplier.
- If, however, the consumer is de-registered from sales tax or does not remain active, Extra Tax shall be charged from the month in which such event takes place.

Section 5

Special Procedure for Collection and Payment of Sales tax on natural gas (Chapter IV)

Special Procedure for Natural gas

APPLICATION – Rule 19

Applicable on Natural Gas **including** Compressed Natural Gas (CNG) **imported, produced, transmitted and supplied by**

- Gas well-head companies; and
- Gas transmission and distributions companies.

Licensed under the Natural Gas Rules, 1960, including their distributors, dealers sales agents, retailers, or by any other person, dealing in importation, production, or distribution and supply of Natural Gas including CNG and LPG (Liquefied Petroleum Gas).

Natural Gas defined as the gas obtained from bore-holes and wells whether unmixed or mixed with artificial gas consisting primarily of hydrocarbons whether gaseous or in liquid form which are not oils and includes LPG and CNG.

LEVY AND COLLECTION OF SALES TAX – Rule 20

- Every person who supplies natural gas is liable to be registered
- Sales Tax is required to be charged and paid at the rates specified in section 3(1)

Special Procedure for Natural gas

LEVY AND COLLECTION OF SALES TAX – Rule 20 (contd.)

- Sales Tax on natural gas is levied and collected at the following stages and manner.

Stage	Responsibility	Value of supply
Importation	Importer	As determined for the Customs Duty, including the amount of custom duties and excise, levied thereon.
In case of production and supply from bore-holes and wells	Person making the supply at bore-holes or the well-heads	Includes price of natural gas, charges, rents, commissions and all duties and taxes, local, provincial and Federal but excluding the amount of sales tax.
In case of supply of natural gas by a gas transmission and distribution company	Gas transmission and distribution company	<p>Total amount billed including price of natural gas, charges excluding the amount of late payment surcharge, rents, commissions and all duties and taxes, local, provincial and Federal, but excluding the amount of sales tax.</p> <p>In the case of CNG stations, sales tax rate is 9% of the value in addition to normal sales tax.</p>

Special Procedure for Natural gas

LEVY AND COLLECTION OF SALES TAX – Rule 20 (contd.)

Stage	Responsibility	Value of supply
In case of supply of LPG	Manufacturer, distributor or a retailer of LPG	Value of LPG includes price of LPG, charges, rents, commissions and all duties and taxes, local, Provincial and Federal, but excluding the amount of sales tax.

- If the supplies are made free of charge or for some other consideration or a consideration which is lower than the billed or invoiced prices, the sales tax is charged as if it were supplied at open market price.

DETERMINATION OF TAX LIABILITY – Rule 21

- Person supplying or distributing natural gas is entitled for input tax credit for the tax paid on his purchases for making taxable supplies against output tax payable, subject to general limitations and restrictions.
- Gas distribution companies may deduct input tax paid by them on purchase of natural gas as is subsequently supplied by them in Azad Jammu and Kashmir from the output tax.

Special Procedure for Natural gas

RECORD KEEPING AND INVOICING – Rule 22

- Record keeping and invoicing requirements are similar to those applicable for suppliers of Electric Power. The additional requirement is maintenance of record of daily stocks and sales, stating therein the quantity and value of the gas supplied and the amount of sales tax charged thereon. This additional requirement is however, not applicable on gas transmission and distribution companies.
- **Registered consumers** are entitled to **input tax adjustment** against invoice after the bill has been paid and subject to the condition that the bill contains registration number and address of the business premises declared to the Commissioner by such consumer.

FILING OF MONTHLY RETURN – Rule 23

- Every person supplying or distributing natural gas is required to submit monthly return in the normal manner, however, the payment of sales tax has to be made by 15th of the month following the month in which the gas was supplied.
- In case of gas supplied by gas companies to its consumers directly where the charges are billed on a monthly basis, the due date is **15th day of the second month following the month in which supplies were made.**

Section 6

Special Procedure for Supply of sugar to Trading Corporation of Pakistan (Chapter V)

Special Procedure for Supply of sugar to TCP

APPLICATION – Rule 25

Applicable on **supply of sugar by the registered manufacturers** to the TCP for further supply or export thereof

MANNER AND PAYMENT OF TAX – Rule 26

- Upon successful grant to tender for purchase of sugar, TCP will only pay the value of supply of sugar to the sugar mills **excluding** the amount of sales tax against a commercial invoice issued by the mills.
- At the time of removal of sugar from the mill premises, the mill will issue a sales tax invoice in favour of TCP who will accordingly pay to the mill the amount of sales tax due on the quantity being removed from the sugar mill.
- In the event of removal of sugar by TCP for export purposes, the mill will issue a zero-rated tax invoice, against which no sales tax is payable.

RELEVANT TAX PERIOD – Rule 27

- The Mill shows the value of sugar sold to TCP and the tax chargeable thereon in the monthly tax return as well in the supply register relating to the tax period in which the sales tax invoice has been issued by the mill in favour of TCP.

Special Procedure for Supply of sugar to TCP

MONTHLY STATEMENT BY TCP – Rule 28

TCP is required to submit a monthly statement to the Commissioner in the format set out in Annex A of the Rules, which is used by the Commissioner for cross verification of the supplies declared by the sugar mills as having been made to the TCP.

Section 7

Special Procedure for persons providing or rendering services subject to sales tax under the Provincial Laws (Chapter VI)

Special Procedure for Services subject to Provincial Law

APPLICATION – Rule 29

- Applicable for collection and payment of Sales Tax by the persons providing or rendering services chargeable to sales tax under the respective Provincial Laws.
- After promulgation of Sindh Sales Tax on Services Act, 2011 (effective July 2011), Punjab Sales Tax on Services Act, 2012 (effective July 2012) and KPK Sales Tax Act, 2013 (effective July 2013), these Special Procedure Rules are applicable only for **sales tax on services covered by Islamabad Capital Territory (Tax on Services) Ordinance, 2001 and Baluchistan Sales Tax on Services Ordinance, 2001.**

REGISTRATION – Rule 30

- Every service provider providing or rendering taxable services to clients, customers or members, if not already registered, is required to obtain his registration under the procedure laid down in Sales Tax Rules, 2006.

LEVY & COLLECTION OF SALES TAX – Rule 31

- A service provider providing or rendering taxable services to customers, clients or members is required to charge, collect and pay sales tax at the rates specified in the respective Provincial Sales Tax Ordinances.

Special Procedure for Services subject to Provincial Law

FILING OF RETURN AND DEPOSIT OF SALES TAX – Rule 32

- A service provider is required to file his return in accordance with the procedure laid down in section 26 read with ST Rules, 2006.
- The tax due has to be deposited in the prescribed manner under the head “Sales tax on services collected on behalf of Provincial Governments”.
- In case a service is provided or rendered over a period of time and bill is to be issued on completion of service, time of supply is taken as the time when service is completed or the payment or consideration in money, in respect thereof is received whichever is earlier.

DETERMINATION OF TAX LIABILITY – Rule 23

A service provider is entitled to claim input tax credit for the tax paid on account of taxable purchases or imports made and utilities like telephone (excluding mobile phone), gas and electricity consumed in providing taxable services, against his output tax liability, subject to the general conditions and restrictions, as are otherwise applicable for supplier of goods.

INVOICING – Rule 24

- A service provider is required to issue a serially number sales tax invoice to its customers or clients or members, for the services provided or rendered containing all particulars prescribed under section 23.

Special Procedure for Services subject to Provincial Law

INVOICING – Rule 24 (Contd.)

- Customers or clients or members who have been extended credit facility by a service provider, may, for taxable services provided or rendered during the month, be issued serially numbered sales tax invoices at the end of each month.
- A service provider using computerised accounting system may issue computer generated sales tax invoice containing all the prescribed entries.

SPECIFIC PROVISIONS – Rule 35

The specific provisions relating to the particular categories of service providers are contained in following parts.

Part I Advertisements on Television and Radio

Part II Customs Agents and Ship Chandlers

Part III Stevedores

Special Procedure for Services subject to Provincial Law

PART I – ADVERTISEMENT ON TELEVISION AND RADIO

SCOPE AND VALUE – Rule 36

In relation to advertisements, the expression taxable services is defined as the services in respect of advertisements-

- a) Broadcast or telecast by T.V or radio stations based in Pakistan;
- b) Booked in Pakistan for broadcasting or telecasting on TV or radio stations based abroad, whether or not possessing landing rights in Pakistan; and
- c) Transmitted on closed circuit T.V or cable T.V network.

Value of taxable services is defined as the total consideration in money received or the gross amount charged by a service provider from his clients for broadcasting or telecasting of any advertisement on radio or television, including all Federal and Provincial levies but excluding the amount of sales tax.

INPUT TAX ADJUSTMENT BY THE CLIENT – Rule 37

A registered person (client) whose advertisement is released on radio or television, and to whom the sales tax invoice is issued and routed through the advertising agency, can claim input tax adjustment for the amount of tax paid on account of release of advertisement on radio or television

Special Procedure for Services subject to Provincial Law

PART I – ADVERTISEMENT ON TELEVISION AND RADIO

INPUT TAX ADJUSTMENT BY THE CLIENT – Rule 37 (contd.)

subject to the following conditions:-

- (a) Payments for all such advertisements are made by such registered person through banking channels in such manner that payment against a particular invoice is easily verified;
- (b) All invoices issued by the service provider are in accordance with the specimen invoice set out in Annex B of the Rules.

Special Procedure for Services subject to Provincial Law

PART II – CUSTOMS AGENTS AND SHIP CHANDLERS

SCOPE AND VALUE – Rule 38

In relation to customs agents, **value of taxable services** is defined as the total consideration or charges received by a Customs Agent for providing and rendering the service, excluding the amount of sales tax. It **shall not include** consideration received on account of-

- (a) Demurrage
- (b) Wharfage
- (c) Customs duties
- (d) Excise Duty
- (e) Sales Tax
- (f) Provincial duties or taxes
- (g) Toll taxes
- (h) Municipal charges
- (i) Port charges
- (j) Handling charges,
- (k) packing charges, labour payments and such other reimbursable expenses which a Customs Agent pays on behalf of his clients against a proper receipt or invoice or bill.

Special Procedure for Services subject to Provincial Law

PART II – CUSTOMS AGENTS AND SHIP CHANDLERS

SCOPE AND VALUE – Rule 38 (Contd.)

The sales tax registration number alongwith license number of the Customs Agent is required to be quoted on the “Goods Declaration” or the drawback or refund claim, as the case may be.

SCOPE AND LEVY IN RELATION TO SHIP-CHANDLERS – Rule 39

In relation to Ship Chandlers, value of taxable services for the purposes of levy of sales tax, is defined as the total consideration received or the gross amount charged by a ship chandler for providing or rendering the taxable services, including all Federal and Provincial Levies but excluding the amount of Sales Tax. It shall not include consideration received on other accounts such as-

- (a) Transportation charges
- (b) Toll taxes
- (c) Municipal charges
- (d) Port charges
- (e) Handling charges
- (f) Packing charges and labour charges, which a ship chandler pays on behalf of his clients against a proper receipt or bill.

Special Procedure for Services subject to Provincial Law

PART III – SERVICES PROVIDED BY STEVEDORES

TAX LIABILITY OF STEVEDORES – Rule 39A

- A stevedore is required to issue serially numbered sales tax invoice under section 23.
- Requirement to file monthly sales tax return in the normal manner
- Cases or disputes relating to the Stevedores will be deal by LTU, Karachi.

Stevedore is defined as a person, company or commercial concern engaged in loading and unloading of cargo, including bulk cargo, from ships whether mechanically or otherwise, and whether or not licensed by the respective port authorities.

Special Procedure for Services subject to Provincial Law

GENERAL DEFINITIONS

Courier Services

Delivery of documents, goods or articles utilising the services of a person, either directly or indirectly, to carry or accompany such documents, goods or articles for consideration.

Value of taxable services

In relation to **hotel** and **courier services**, the gross amount charged or the consideration in money including all Federal and Provincial levies, if any, which a service provider receives from the clients or customers or members for providing or rendering taxable services, but excluding the amount of sales tax.

In case the consideration is in **kind** or is **partly in kind** or **the service provider and recipient are associated persons** and the service is provided for no consideration or for a consideration lower than the open market value, the value of taxable services is taken as the open market value excluding the amount of tax.

In relation to **clubs**, value of services does not include consideration received on account of membership fees, refundable deposit or security unless the same is deducted or adjustable in full or in part as settlement or recovery of dues for services.

Section 8

Special Procedure for Collection and Payment of Sales Tax from the Oil Marketing Companies (Sharing or Product) (Chapter VII)

Special Procedure for Sales Tax from OMCs

APPLICATION – Rule 40

Applicable for the collection and payment of sales tax from the Oil Marketing Companies against sharing of taxable petroleum products, whether imported or otherwise, which are stored at joint installation of the OMCs (JIMCO), located at Mehmood Kot, District Gujrat, by or on behalf of OMCs.

Product sharing is defined as acquiring a product by one OMC from another OMC on loan basis, without payment of price under an arrangement of returning the product of the same description by the former to the latter, within such time as may be agreed between the parties.

SHARING OF PRODUCT – Rule 41

- The OMCs are entitled to share their products without payment of sales tax at JIMCO.
- No Sales tax invoice is required to be issued for the product shared between OMCs, however, OMCs are not barred from adhering to an internal invoicing system for the purposes of stock sharing.
- The OMC which has borrowed the product from another OMC shall return the product of the same description within the time agreed between them.

Special Procedure for Sales Tax from OMCs

REGISTER FOR STOCK SHARING – Rule 42

- Each OMC benefiting from stock sharing facility is required to maintain a separate register for recording movements of stocks under sharing arrangements between OMCs.
- The stock sharing register is required to contain such information about credit and debt of the shared or returned stocks as is necessary to identify the movement of such stocks between the concerned OMCs
- The Terminal Operator has to certify the bona fides of all the credit and debit entries made in the stock sharing register by 10th of the each month following the month to which the entries relate.
- The Stock Sharing register duly certified by the Terminal Operator is required to be produced to the Tax Department as and when required for inspection, audit or any other authorised purposes.

Terminal Operator is defined as the Company or person managing the affairs of joint installation (JIMCO) at Mehmood Kot, District Gujrat.

TAX LIABILITY – Rule 43

- The OMC which has given a product to another OMC on stock sharing basis, is entitled to avail input tax adjustments.
- The OMC which has taken the product from another OMC is required to pay sales tax on its subsequent supply or sale to the consumers, without claiming any input tax adjustment thereon.

Special Procedure for Sales Tax from OMCs

TAX LIABILITY – Rule 43 (Contd.)

- The OMC, to whom a product taken on stock sharing basis is returned, shall pay sales tax on its supply or sale to the buyer or consumer and input tax thereon shall be admissible, if not already availed.

MISCELLANEOUS – Rule 44

- The stock of a product moved for exchange under these Rules is not required to be declared on the sales tax return unless finally supplied or sold on payment of sales tax.
- The OMC, which has taken any stock of a product on sharing basis under these Rules, shall not normally charge the price, over and above the price which would have been fetched by such stock had it been supplied or sold by the lending OMC.
- No adjustment, refund or remission or sales tax is allowed under any circumstances on account of variation or difference in sales price of the exchanged stocks.

Section 9

***Special Procedure for Collection
and Payment of Sales Tax by
Vehicle Dealers
(Chapter VIII)***

Special Procedure for Sales Tax on Vehicle Dealers

REGISTRATION – Rule 45

All vehicle dealers are required to be registered who are engaged or otherwise deal in the sale of locally manufactured vehicles and all types of imported vehicles, whether new or old or used, on the basis of commission or otherwise, whether or not such dealer is appointed or authorised by the manufacturer or importer of vehicles.

Vehicles include all vehicles covered by Chapter 87 of Customs Tariff other than certain vehicles generally used for the transportation of persons or goods including three and two wheelers.

BOOKING OF VEHICLES – Rule 46

- The manufacturer and importer is not allowed to book a vehicle through a dealer unless the particulars of such dealer and the concerned buyer are clearly mentioned in the relevant booking documents.
- The above conditions are not applicable in case of vehicles imported under Personal Baggage, Transfer of Residence or Gift Scheme.

INVOICING – Rule 47

- Each dealer is required to issue a sales tax invoice in the name of the consumer or buyer, in case the manufacturer or dealer has issued invoice in the name of the dealer. In case of motorcycles, the manufacturer is required to supply the same to his dealer and the dealer is required to issue invoice in the name of buyer or consumer.

Special Procedure for Sales Tax on Vehicle Dealers

INVOICING – Rule 47 (Contd.)

- Where the vehicle is invoiced directly to customer through a dealer, the dealer is required to issue a delivery advice-cum-invoice as specified in the format given in Annex C to the Rules, indicating inter alia the amount and the sales tax, if any, charged by the dealer over and above the price indicated in the invoice issued by the assembler or as the case may be, importer directly in the name of consumer.
- Such deliver-cum-invoice shall be handed over to the buyer at the time of delivery of the vehicle alongwith the invoice issued by the manufacturer or importer.

DECLARATION OF COMMISSION – Rule 48

- Each manufacturer or importer of vehicles is required to declare to the respective Commissioner, the rates of commission payable to his dealers in case of each category, make and model of vehicle. Any change or alterations made therein are required to be communicated to the Commissioner within seven days.
- The Commissioner is not prohibited to ascertain or verify the accuracy of the declared rates or amounts of commissions and other information supplied under any provisions of these Rules.

Commission in case of a car dealer is defined as the amount payable by the consumer to the dealer for the purpose of intermediating sale, booking, delivery or other related services or activities in respect of a vehicle and includes any other amount charged from a consumer or seller over and above the price of vehicle.

Special Procedure for Sales Tax on Vehicle Dealers

INPUT TAX ADJUSTMENT – Rule 49

The dealers are entitled to input tax adjustment against their output tax liability, subject to general conditions and restrictions.

DETERMINATION OF TAX LIABILITY – Rule 50

- A dealer is not required to pay sales tax on such amounts of commission on which tax has been paid by the manufacturer or importer on whose behalf vehicles is sold by such dealer provided that in case any amount is received over and above such commission, the obligation to pay tax rests with the dealer. Such commissions and amounts not previously charged to sales tax are required to be declared in the value of taxable supplies in the return.
- In case of vehicles exchanged without involvement of any cash payment between the dealers exclusively for subsequent sale at respective ends, tax is required to be paid at the time of their actual sale to the public.

FILING OF RETURN AND PAYMENT OF TAX – Rule 51

Each dealer is required to file monthly sales tax return in the normal manner.

RECORDS – Rule 52

Each dealer is also required to keep proper record of all purchases, sales and tax invoices, etc.

Section 10

Special Procedure for payment of sales tax by importers (Chapter X)

Special Procedure for sales tax on importers

APPLICATION – Rule 58A

Applies to imports of all taxable goods as are chargeable to tax under section 3 of the Act or any notifications issued thereunder.

PAYMENT OF SALES TAX ON ACCOUNT OF MINIMUM VALUE ADDITION – Rule 58B

The sales tax on account of minimum value addition is required to be levied and collected at import stage on goods at the rate of 3% of the value of goods in addition to the normal tax.

Exceptions-

- (a) Goods as are imported by a manufacturer for in-house consumption;
- (b) The POL products, imported by an Oil Marketing Company for sale in the country, whose prices are regulated under a special pricing arrangement by the Government of Pakistan or by a regulatory authority working under the GOP;
- (c) Registered service providers importing goods for their in house business use or for furtherance of their taxable activity and not intended for further supply.

The Value Addition Tax forms part of input tax and the importer is entitled to deduct the same in normal manner, subject to general conditions and restrictions.

Special Procedure for sales tax on importers

TAX NOT TO BE REFUNDED – Rule 58C

- In no case, the refund of excess input tax over output tax, which is attributable to tax paid at import stage, can be refunded to a registered person.
- The registered person, if also dealing in goods other than imported goods, is entitled to file refund claim of excess carried forward input tax after deducting the amount attributable to the tax paid at import stage i.e. Sum of amounts paid during the claim period and brought forward to claim period. Such deducted amount may be carried forward to subsequent tax period.

FILING OF RETURN AND AUDIT – Rule 58E

- The importer paying value addition tax is required to file monthly return in the normal manner.
- There is no exemption from audit.

Section 11

Special Procedure for payment of sales tax by Wholesale-cum-retail outlets (Chapter XII)

Special Procedure for wholesale-cum-retail outlets

APPLICATION – Rule 58N

Applicable on such chains of wholesale-cum-retail outlets, engaged in bulk import and supply of consumer goods on wholesale basis to the retailers as well as on retail basis to general body of consumers and who maintain their records electronically.

RATE AND DETERMINATION OF SALES TAX – Rule 58O

A wholesaler-cum-retailer operating under these Rules is required to pay sales tax at the applicable rate on his supplies and his liability to sales tax shall be determined in normal manner provided in sections 7 and 8.

FILING OF RETURN, PAYMENT OF TAX AND RECORDS – Rule 58P

- The wholesaler-cum-retailer is required to file his sales tax return and deposit the sales tax in normal manner.
- Required to issue a serially numbered computer generated sales tax invoice, indicating the description of goods supplied alongwith the value and sales tax chargeable thereon.
- Entire sales tax records required under section 22 are to be maintained.

Special Procedure for wholesale-cum-retail outlets

SUPPLIES TO DIPLOMATS AND DIPLOMATIC MISSIONS AND REFUND OF TAX COLLECTION – Rule 58Q

- In case the supplies are made to diplomats and diplomatic missions, the same are charged at zero per cent provided an exemption certificate issued by the Ministry of Foreign Affairs is provided mentioning the description and quantity of goods to be purchased.
- The invoice issued against zero-rated supplies should mention the reference number and date of the exemption certificate.
- In case the supplies to a diplomat or diplomatic mission have been charged to sales tax at a rate other than zero, the wholesaler-cum-retailer may refund the amount charged after preparation of a credit note mentioning the particulars of the invoice and the exemption certificate.

MISCELLANEOUS – Rule 58R

- The provisions of Chapter II (Retailers) and X (Value Addition tax on imports) are not applicable on wholesaler-cum-retailers operating under these Rules.
- The purchases made by wholesaler-cum-retailers are not subjected to extra tax provided in Chapter XIII.
- Section 73 would not affect the admissibility of input tax adjustment where the wholesaler-cum-retailer receives consideration in cash against the supplies made by him.

Section 12

Special Procedure for payment of Extra Tax on Specified Goods (Chapter XIII)

Payment of Extra Tax on Specified Goods

APPLICATION – Rule 58S

Applicable to supplies of the goods specified as under, referred as “the specified goods”.

S. No.	Specified Goods
1	Household electrical goods, including air conditioners, refrigerators, deep freezers, televisions, recorders and players, electric bulbs, tube lights, electric irons, washing machines and telephone sets.
2	Household gas appliances, including cooking range, ovens, geysers and gas heaters.
3	Foam or spring mattresses and other foam products for household use.
4	Auto-parts and accessories.
5	Lubricating oils, brake fluids, transmission fluid, and other vehicular fluids and maintenance products.
6	Tyres and tubes.
7	Storage batteries.
8	Arms and Ammunitions.
9	Paints, distempers, enamels, pigments, colours, varnishes, gums, resins, dyes, glazes, thinners, blacks, cellulose lacquers and polishes sold in retail packing.
10	Tiles.
11	Biscuits, confectionary, chocolates, toffees and candies.

Payment of Extra Tax on Specified Goods

MODE, MANNER AND RATE OF EXTRA TAX – Rule 58T

- Extra Tax at the rate of 2% of value of supplies is levied and collected on the supplies of all specified goods by manufacturers and importers in addition to the tax payable under section 3(1) and 3(2).
- Extra tax is to be declared in the column relating to “other supplies” in the monthly return and forms part of output tax declared by the registered person.
- The supplier of specified goods has to mention the extra amount of sales tax charged separately on the invoice to be issued by them.
- Extra tax has to be charged by the importer even if he has paid any tax relating to the value addition at import stage.
- The specified goods on which extra tax has been paid in the above manner, are exempt from sales tax on subsequent supplies including those as made by a retailer.
- The retailers operating under Chapter II are entitled to deduct value of supplies subject to extra tax from their turnover, however, the rate of tax would be applicable on the basis of their total turnover.
- A registered person (other than retailer) also dealing in goods other than the specified goods is required to discharge tax liability in respect of such goods in normal manner, however, his entitlement to input tax adjustment would be restricted to such other goods.

Payment of Extra Tax on Specified Goods

MODE, MANNER AND RATE OF EXTRA TAX – Rule 58T (Contd.)

- A registered person exclusively engaged in purchases and sale of specified goods, paying extra tax, is required to file quarterly sales tax return, as specified in Rule 7 (i.e. applicable for retailers).

Section 13

Sales Tax Special Procedure (Withholding) Rules, 2007 (SRO 660(I)/2007)

Sales Tax Special Procedure (Withholding) Rules

APPLICATION – Rule 1

Applicable to taxable goods and services as are supplied to following persons (referred as Withholding Agents):-

- (a) Federal and provincial government departments;
- (b) Autonomous bodies;
- (c) Public Sector Organisations;
- (d) Companies as defined in the Income Tax Ordinance, 2001, which are registered for Sales Tax, Federal Excise Duty or Income Tax;
- (e) Recipients of service of advertisement, who are registered for sales tax; and
- (f) Persons registered as exporters.

RESPONSIBILITY OF WITHHOLDING AGENT – Rule 2

- The withholding agent, intending to make purchases of taxable goods, is required to indicate in an advertisement or notice regarding deduction of withholding tax under these Rules.
- A withholding agent (other than recipient of advertisement) has to deduct 1/5th of the total sales tax shown in the sales tax invoice issued by a registered person.

Sales Tax Special Procedure (Withholding) Rules

RESPONSIBILITY OF WITHHOLDING AGENT – Rule 2 (Contd.)

- A withholding agent is required to **deduct 1/10th of the total sales tax**, shown on the sales tax invoice issued by persons **registered as a wholesaler, dealer (including petroleum dealer) or distributor**.
- A withholding agent having Free Tax Number and falling within the categories of Federal & Provincial Government departments, autonomous bodies, public sector organisations, on purchase of taxable goods from **persons liable to be registered but not registered**, deduct sales tax **at the applicable rate of the value of taxable supplies made to him**. Unless otherwise specified in the contract, the amount of sales tax is worked out on the basis of gross value of taxable supply. It was earlier clarified by FBR to APTMA that sales tax would be worked out on tax fraction formula basis.
- Other withholding agents (i.e. Companies, recipients of advertisement services and exporters) are required to deduct **1% of the value of taxable supplies** made to them by a person **who is required to be registered but not registered**.
- The Withholding agent is not entitled to reclaim or deduct the withholding tax as input tax.
- **Recipient of advertisement service** is required to **withhold 100% sales tax** mentioned on the invoice. If, however, no sales tax is mentioned, the tax is to be withheld at the applicable rate.

Sales Tax Special Procedure (Withholding) Rules

RESPONSIBILITY OF WITHHOLDING AGENT – Rule 2 (Contd.)

- Withholding tax is deposited by registered withholding agents alongwith their monthly sales tax returns whereas other agents are required to file a prescribed return and deposit the tax in the same manner.
- A certificate showing deduction of sales tax should be issued to the supplier by the withholding agent duly specifying the name and registration number of the supplier, description of goods and the amount of sales tax deducted.

RESPONSIBILITY OF THE REGISTERED SUPPLIER – Rule 3

- The registered supplier has to issue a sales tax invoice in respect of every supply to a withholding agent in normal manner.
- Monthly return will also be filed in the normal manner, however, credit of sales tax deducted by the withholding agent will be accounted for by the supplier in his return.

Sales Tax Special Procedure (Withholding) Rules

EXCLUSIONS – Rule 5

- 1) Electrical Energy,
- 2) Natural Gas,
- 3) Petroleum Products supplied by production and exploration companies, oil refineries and oil marketing companies,
- 4) mild steel products,
- 5) products made from sheets of iron or non-steel alloy, stainless steel or other alloy steel, such as pipes, almirahs, trunks, etc.
- 6) Paper in rolls or sheets,
- 7) plastic products including pipes,
- 8) vegetable ghee and cooking oil,
- 9) telecommunication services,
- 10) goods specified in Third Schedule; and
- 11) supplies made by Commercial imports who have paid value addition sales tax on import stage.

Questions & Answers

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