

Government of Pakistan
Revenue Division
Federal Board of Revenue

C. No. 3(1)ST-L&P/2019 (Pt-I)/33186-R Islamabad, the 28th February, 2023

CIRCULAR NO. 01 OF 2023

Subject: Finance (Supplementary) Act, 2023—Explanation of Important Amendments in Sales Tax Act, 1990 and Federal Excise Act, 2005

Important amendments introduced in Sales Tax Act, 1990 (STA) and Federal Excise Act, 2005 (FEA) through Finance (Supplementary) Act, 2023 are explained as follows:

1. Enhancement in Standard Rate of Sales Tax

In order to reduce fiscal gap and increase tax to GDP ratio, the standard rate of sales tax has been increased from 17% to 18%.

Handwritten signature and date: 28/02/2023

2. Federal Government's Powers to enhance Sales Tax Rate

In line with the provision of section 3(2)(b) of STA, the Federal Government has been empowered to enhance the rate of sales tax in respect of goods falling in purview of the Third Schedule, through insertion of a new proviso in clause (a) of sub-section (2) of section 3 of the STA.

3. **Rationalization of Eighth and Ninth Schedule**

In the Eighth Schedule, S. No. 47 and 56 of Table-1 has been aligned with the increase in the standard rate of sales tax.

Similarly, imported cellular/mobile phones (CBU) valuing US\$ 200 and above were chargeable to 17% under Table-2 of the Ninth Schedule. The Schedule *ibid* has now been rationalized in line with the enhancement in standard rate of sales tax and the considered decision to introduce special rate of 25% for certain luxury goods. The new rates of sales tax for imported mobile phones are as follows:

<u>Value</u>	<u>New ST Rate</u>
US\$ 201 to US\$ 500	18%
US\$ 501 and above	25%

It is pertinent to point out that there is no change in sales tax regime of locally manufactured mobile phones and imported mobile phones valuing less than US\$ 200 which shall be continued to be chargeable as per the relevant provision of Table-2 of the Ninth Schedule.

Handwritten signature and date: 28/02/2023

4. **Increase in rate of FED on Aerated Water and Imposition of FED on Sugary Drinks**

The rate of federal excise duty on all types of aerated water has been increased from 13% to 20% and 10% FED has been imposed on sugary fruit juices, syrups and squashes, waters whether or not containing added sugar or artificial sweeteners excluding mineral and aerated water.

5. **FED on Locally Manufactured Cigarettes.**

The rate of federal excise duty under S. No. 9 and 10 of Table-1 of the First Schedule to the FEA has been increased through Finance (Supplementary) Act, 2023. The threshold of minimum price has also been enhanced by means of amendment in "Restriction-3-Minimum Price".

Furthermore, in order to secure revenue and ensure that no cigarette brands become liable to lesser FED as a result of changes in the price threshold, a new condition "Rate of Duty" has been added after the Table-1 in First Schedule to FEA.

6. **Enhancement of FED on Cement**


The rate of FED on cement was Rs. 2/kg which was reduced to Rs. 1.50/kg as part of the relief measure in the wake of Covid-19 pandemic through Finance Act, 2020. In order to bring at par with the rate prevailing prior to 1st July, 2020, the rate of FED on cement has been increased to Rs. 2/kg.

Handwritten signature and date: 28/02/2023

7. **Enhancement of FED on International Air Travel in Club, Business and First Class**

A fixed IATA region-wise FED has been imposed on international air travel in club, business and first class. It is pertinent to point out that there is no change in FED on international air travel in economy class and domestic air travel.

It is worth highlighting that the new rate of FED is only applicable in respect of air tickets issued on or after the date of commencement of Finance (Supplementary) Act, 2023.

 28/02/2023
(Akhtar Abbas)
Secretary (ST& FE-Policy)