

Zero-rated supplies Senate panel concerned at levy of further ST

The Senate Standing Committee of Finance has expressed concern over 2 percent further sales tax on zero-rated supplies to unregistered persons through Finance Bill 2017 and deferred amendment made in section 4 of the Sales Tax Act, 1990. During the committee proceedings to review Finance Bill 2017, committee members objected that there is no justification of "further sales tax" within the zero-rated regime when supplies can only be consumed by zero-rated sectors. The Finance Bill 2017 has imposed 2 per cent "further sales tax" on zero-rated supplies to unregistered persons.

FBR Member Inland Revenue Policy, Dr Muhammad Iqbal informed the Senate Standing Committee on Finance that no further tax is applicable on supplies made by registered person to another registered person. However, 2 per cent further sales tax is applicable on supplies made from registered persons to unregistered persons. If supply is made outside the zero-rated sectors, the chain is broken and 2 per cent tax will be collected on supplies to un-registered persons.

The FBR was already collecting further sales tax last year and only the scheme of further tax has been regularised through Finance Bill 2017. On the issue of provisions introduced for retailers under Sales Tax Act, Dr Muhammad Iqbal explained that the scheme of retailers was applicable under a statutory regulatory order (SRO) - a subordinate legislation. Last year, the scheme of retailers notified through an SRO was challenged in high court. Now the scheme of the retailers has been regularised through the Finance Bill 2017.

Referring to the Finance Bill 2017, tax officials informed the committee that Tier-1 retailers mean a retailer operating as a unit of a national or international chain of stores; a retailer operating in an air-conditioned shopping mall, plaza or centre, excluding kiosks; a retailer whose cumulative electricity bill during the immediate preceding twelve consecutive months exceeds rupees six hundred thousand; and a wholesaler-cum-retailer, engaged in bulk import and supply consumer goods on wholesale basis to the retailers as well as retail basis to the general body of the consumers.

Tier-1 retailers shall pay sales tax at the rate specified in sub-section (1) and shall observe all the applicable provisions of the Act and rules made thereunder, including the requirement to file monthly sales tax returns in the manner prescribed in Chapter II of the Sales Tax Rules, 2006: Provided that the retailers making supplies of finished goods of the five sectors specified in Notification # SRO 1125(I)/2011, dated the 31 December, 2011 shall pay sales tax in respect of such supplies at the rates prescribed in the said notification: Provided further that Tier-1 retailers, in lieu of net tax payable at the applicable rate shall, shall have an option to pay sales tax under the turnover regime at the rate of two percent of their total turnover, including turnover relating to exempt supplies, without adjustment of any input tax whatsoever: Provided also that retailers opting to pay sales tax on the basis of total turnover shall file an option to the chief commissioner of regional tax office or large taxpayers unit having jurisdiction by fifteenth day of July opting to pay sales tax on the basis of turnover and such an option shall remain in force for the whole financial year, the FBR officials quoted the Finance Bill 2017.

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