

SALES TAX

The amendments are applicable from July 01, 2010 specified otherwise.

SECTION	PRESENT POSITION AS ON 30 TH JUNE, 2010	PROPOSED AMENDMENT THROUGH FINANCE BILL 2010
2		Change in nomenclature for authority, Appellate Tribunal, etc. to bring inline with Inland Revenue Department. Initially the amendment was brought through Finance (Amendment) Ordinance, 2009 to give legal cover and become part of the Act the amendment has been repeated.
3	Subject to the provisions of this Act, there shall be charged, levied and paid a tax known as sales tax at the rate of sixteen per cent of the value of--	<i>The sales tax rate has been enhanced by 1% across the board i.e.</i> <i>The increase in rates is effective from July 1, 2010.</i>
24	Retention of record and documents for five years.- A person who is required to maintain any record or documents under this Act, shall retain the record and documents for a period of five years after the end of the tax period to which such record or documents relate.	The retention period of sales tax record was enhanced to six years through Finance (Amendment) Ordinance, 2009. Now in order to give legal cover the amendment has been repeated to be part of the Act.

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25(2)	<p>Pre-commencement expenditure-</p> <p>The officer of Sales Tax, on the basis of the record, obtained under sub-section (1), may, once in a year, conduct audit:</p> <p>Provided that in case the Collector has information or sufficient evidence showing that such registered person is involved in tax fraud or evasion of tax, he may authorize an officer of sales tax, not below the rank of Assistant Collector, to conduct an inquiry or investigation under section 38:</p> <p>Provided further that nothing in this sub-section shall bar the sales tax officer from conducting audit of the records of the registered person if the same were earlier audited by the office of the Auditor-General of Pakistan;</p>	<p><i>It has been proposed to substitute this sub-section namely:</i></p> <p>The officer of Inland Revenue authorized by the Commissioner, on the basis of the record, obtained under sub-section (1), may, once in a year, conduct audit:</p> <p>Provided that in case the Commissioner has information or sufficient evidence showing that such registered person is involved in tax fraud or evasion of tax, he may authorize an officer of inland revenue, not below the rank of Assistant Collector, to conduct an inquiry or investigation under section 38:</p> <p>Provided further that nothing in this sub-section shall bar the officer of inland revenue from conducting audit of the records of the registered person if the same were earlier audited by the office of the Auditor-General of Pakistan;</p> <p><i>Through this amendment the authorization from Commissioner is mandatory to conduct audit by the Officer of Inland Revenue.</i></p>
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25(3)	<p>The Assistant Collector (Audit), shall issue audit observation pointing out the contraventions of the Act or rules, as the case may be, and the amount of tax evaded therein, on the basis of scrutiny of such records, as prescribed under the Act or rules or in any other manner by the Board. The registered person may, within a period of fifteen days of the receipt of audit observation, submit his point of view in writing</p>	<p><i>It has been proposed to substitute this sub-section namely:</i></p> <p>After completion of the audit under this section or any other provision of this Act, the officer of Inland Revenue may, if considered necessary, after obtaining the registered person's explanation on all the issues raised in the audit shall pass an order under section 11 or section 36, as the case may be, imposing the amount of tax under this Act, charging default surcharge, imposing penalty and recovery of any amount erroneously refunded.</p> <p><i>Now the Officer Inland Revenue not below the rank of Assistant Commissioner may pass an order u/s. 11 and 36 as the case may be, the condition of issuance of audit report and contravention report has been done away as such there is no requirement to issue audit and contravention report, the Assistant Commissioner Inland Revenue may initiate proceeding directly u/s. 11 and 36 of the Sales Tax Act, 1990. This provision has been brought at par with Section 177 of the Income Tax Ordinance, 2001.</i></p>
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25(4)	<p>If, within the period prescribed in sub-section (3), no reply is received or the reply furnished by the registered person is found unsatisfactory, the Assistant Collector shall issue an audit report specifying the amount of tax or charge that has not been levied or has been short levied or has been erroneously refunded or any other violation of any provision of Act or rules made thereunder.</p>	<p><i>It has been proposed to omit this sub-section.</i></p>
25(5)	<p>Provided if a registered person wishes to deposit the amount of tax short paid or amount of tax evaded along with default surcharge during the audit, or at any time before issuance of show cause notice in lieu of the audit report, he may deposit the evaded amount of tax, default surcharge under section 34, and twenty five per cent of the penalty payable under section 33:</p>	<p>Provided if a registered person wishes to deposit the amount of tax short paid or amount of tax evaded along with default surcharge during the audit, or at any time before issuance of show cause notice, he may deposit the evaded amount of tax, default surcharge under section 34, and twenty five per cent of the penalty payable under section 33:</p> <p><i>The word “audit report” has been omitted to bring this sub-section inline with sub-section 3 of Section 25.</i></p>

<p style="text-align: center;">25AA</p>	<p style="text-align: center;"><i>Non-existent</i></p>	<p>Transactions between associates.- The Commissioner or an officer of Inland Revenue may, in respect of any transaction between persons who are associates, determine the transfer price of taxable supplies between the persons as is necessary to reflect the fair market value of supplies in an arm's length transaction;</p> <p><i>This section was initially inserted through Finance (Amendment) Ordinance, 2009, in order to become part of the Act the amendment has been repealed.</i></p>
<p style="text-align: center;">32</p>	<p>Delegation of powers.— (1) The Board may, by notification in the official Gazette and subject to such limitations or conditions as may be specified therein, empower by name or designation - (a) any Additional Collector of Sales Tax or Deputy Collector of Sales Tax to exercise any of the powers of a Collector of Sales Tax under this Act; (b) any Deputy Collector of Sales Tax or Assistant Collector of Sales Tax to exercise any of the powers of an Additional Collector of Sales Tax under this Act; (c) any Assistant Collector of Sales Tax to exercise any of the powers of a Deputy Collector of Sales Tax under this Act; and</p>	<p>(1) The Board may, by notification in the official Gazette and subject to such limitations or conditions as may be specified therein, empower by name or designation - (a) any Additional Collector of Sales Tax or Deputy Collector of Sales Tax to exercise any of the powers of a Collector of Sales Tax under this Act; (b) any Deputy Collector of Sales Tax or Assistant Collector of Sales Tax to exercise any of the powers of an Additional Collector of Sales Tax under this Act; (c) any Assistant Collector of Sales Tax to exercise any of the powers of a Deputy Collector of Sales Tax under this Act; and</p>

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	<p>(d) any other officer of Sales Tax to exercise any of the powers of an Assistant Collector of Sales Tax under this Act.</p> <p>(2) Unless the Board in any case otherwise directs, the Collector may authorize an officer subordinate to him to exercise within any specified area, any of the powers of the Collector or of any other officer of Sales Tax under this Act.</p> <p>(3) The officer to whom any powers are delegated under this section shall not further delegate such powers.</p>	<p>(d) any other officer of Sales Tax to exercise any of the powers of an Assistant Collector of Sales Tax under this Act.</p> <p>(2) <i>OMITTED.</i></p> <p>(3) The officer to whom any powers are delegated under this section shall not further delegate such powers.</p> <p><i>The sub-section has been omitted bring sub-section 1 at par.</i></p>
<p>38</p>	<p>Authorized officers to have access to premises, stocks, accounts and records—</p> <p>(1) Any officer authorized in this behalf by the Board shall have free access to business or manufacturing premises</p>	<p>(1) Any officer authorized in this behalf by the Board or the Commissioner shall have free access to business or manufacturing premises</p> <p><i>Through this amendment now Commissioner has also been empowered to exercise this Section. It was pervious position which has been restored.</i></p>

46	<p>Appeals to Appellate Tribunal.–</p> <p>(1) Any person including an officer of Sales Tax not below the rank of an Additional Collector, aggrieved by any order passed by–</p> <p>(a) the Collector of Sales Tax (Appeals) under section 45B,</p> <p>(b) the Collector of Sales Tax through adjudication or under any of the provisions of this Act or rules made thereunder,</p> <p>(c) the Board under section 45A, may, within sixty days of the receipt of such decision or order, prefer appeal to the Appellate Tribunal.</p>	<p>(1) Any person including an officer of Inland Revenue not below the rank of an Additional Commissioner, aggrieved by any order passed by–</p> <p>(a) the Collector of Inland Revenue (Appeals) under section 45B,</p> <p>(b) the Collector of Inland Revenue through adjudication or under any of the provisions of this Act or rules made thereunder,</p> <p>(c) the Board under section 45A, may, within sixty days of the receipt of such decision or order, prefer appeal to the Appellate Tribunal.</p>
	<p>(2) The Appellate Tribunal may admit an appeal preferred after the period of limitation specified in sub-section (1) if it is satisfied that there was sufficient cause for not presenting it within the specified period.</p> <p>(3) The appeal shall be accompanied by a fee of one thousand rupees paid in such manner as the Board may prescribe.</p>	<p>(2) The Appellate Tribunal may admit an appeal preferred after the period of limitation specified in sub-section (1) if it is satisfied that there was sufficient cause for not presenting it within the specified period.</p> <p>(3) The appeal shall be accompanied by a fee of one thousand rupees paid in such manner as the Board may prescribe.</p> <p><i>The domestic taxes i.e. income tax sales tax & federal excise duty has been brought under Appellate Tribunal Inland Revenue.</i></p>

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72A	<i>Non-existent</i>	<p>Reference to authorities.-</p> <p>Any reference to Collector, Additional Collector, Deputy Collector, Assistant Collector, Superintendent, Senior Auditor and an Officer of Sales Tax, wherever occurring, in this Act and the rules, notifications, clarifications, general orders or orders made or issued thereunder, shall be construed as reference to Commissioner Inland Revenue, Additional Commissioner Inland Revenue, Deputy Commissioner Inland Revenue, Assistant Commissioner Inland Revenue, Superintendent Inland Revenue, Inland Revenue Audit Officer and an officer of Inland Revenue, respectively.</p>
		<p><i>The amendment was brought through Finance (Amendment) Ordinance, 2009 to give legal cover as Act the amendment has been repeated.</i></p>

72B	<p><i>Non-existent</i></p>	<p>Selection for audit by the Board.-</p> <p>(1) The Board may select persons or classes of persons for audit of tax affairs through computer ballot which may be random or parametric as the Board may deem fit.</p> <p>(2) Audit of tax affairs of persons selected under sub-section (1) shall be conducted as per procedure given in section 25 and all the provisions of this Act shall apply accordingly.</p> <p>(3) For the removal of doubt, it is hereby declared that the Board shall be deemed always to have had, the power to select any persons or classes of persons for audit of tax affairs under this section.</p> <p><i>This proposed amendment empowers Board to select cases in addition to cases selected by Commissioner Inland Revenue u/s. 25 of the Sales Tax Act, 1990.</i></p>
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NOTIFICATIONS

The following SROs have been notified dated: June 5, 2010.

<i>SRO</i>	<i>Brief</i>
395(I)/2010	Sales tax on items listed subject to higher rate from 21% to 22% effective from July 1, 2010.
396(I)/2010	Sales tax on import of soybean seed by solvent extraction unit has been increased from 6% to 7% effective from July 1, 2010.
397(I)/2010	Sales tax on import of rape seed, sunflower seed and canola seed by solvent extraction unit has been increased from 14% to 15% effective from July 1, 2010.
398(I)/2010	The rate of sales tax in case of supply of natural gas to CNG stations has been increased from 25% to 26% effective from June 5, 2010.