

## MASOOD AZIZ & ASSOCIATES

*Consultants: Customs, Sales Tax, Federal Excise and WTO matters*

**Mission Statement:** To provide professional input to business houses, the manufacturing sector, and trade bodies on all matters pertaining to indirect taxes namely Customs duties, Sales Tax (GST), Federal Excise, and World Trade Organization (W.T.O) to enhance their capacity to fulfill the mandatory requirements of these laws.



## Summary of Budgetary Measures

*for the fiscal*

# 2011-2012

**Customs  
Sales Tax  
Federal Excise**

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**BUDGET HIGHLIGHTS****1.1 CUSTOMS:**

➤ Extension of facility of repayment of custom duty on supplies against international tenders.
➤ The limitation period extended to five years for cases unearthed during audit.
➤ Refund of custom duty to be filed within one year of the decision or judgment.
➤ Imposition of transit fee on transit to foreign territory across Pakistan.
➤ Abolition of Regulatory duty on certain items, particularly edible items.
➤ List of pharma ingredients subject to 5% concessionary rate of custom duty extended.
➤ Tariff rationalization on bars, rods and profiles of refined copper and copper alloy.
➤ Creation of separate PCT headings for brass scrap and armoured cash carrying vehicle.

**1.2 SALES TAX:**

➤ Rate of Sales Tax reduced from 17% to 16%.
➤ Adjustments of sales tax on acquisition of fixed asset allowed in one go.
➤ Adjustment of sales tax disallowed on the invoices of blacklisted units.
➤ Withdrawal of sales tax exemption on certain goods [omission of various serials of Sixth Schedule to the Sales Tax Act, 1990].
➤ Withdrawal of exemption of sales tax on dump trucks for off-highway use, dump trucks of 320 HP and above and transit concrete mixers.
➤ Withdrawal of sales tax exemption on locally manufactured / imported agricultural machinery..
➤ Withdrawal of sales tax exemption on CKD Kits of single cylinder agricultural diesel engine of 3 to 36 HP
➤ Withdrawal of sales tax exemption on CNG Kits, Cylinders and Valve for CNG Kits, Commercial Catalogue, Rock Phosphate, Phosphoric Acid & Mineral Oils.
➤ Sales Tax on white crystalline sugar and reclaimed lead if supplied to recognized manufacturers of lead batteries has been exempted.
➤ Rate of value addition tax on commercial imports enhanced from 2% to 3% w.e.f. 4 <sup>th</sup> June 2011.
➤ Withdrawal of zero-rating of sales tax on Diapers.
➤ Withdrawal of zero-rating of sales tax on dedicated CNG buses, trucks and dumpers, trailers and semi-trailers for transport of goods, road tractors for semi-trailers and road tractors for trailers.

**1.3 FEDERAL EXCISE:**

➤ Special Excise Duty abolished.
➤ Federal Excise Duty on aerated waters / aerated waters containing sugar reduced to 6% from 12% of retail price.
➤ Federal Excise Duty on juices reduced to 6% from 10% of retail price.
➤ Rate of Federal Excise Duty on Tobacco enhanced to Rs. 10 per Kg from Rs. 5 per Kg.
➤ Rate of Federal Excise Duty on Cigarettes enhanced.
➤ Rate of Federal Excise Duty on cement reduced to Rs. 500 per metric ton from Rs. 700 per metric ton.
➤ Federal Excise Duty on Solvent Oil, Fuel Oils, mineral greases, transformer oil, waste oil, carbon black oil, methyl tertiary butyle ether (MTBE), greases, organic composite solvent and thinners, motor cars, air conditioners and deep freezers abolished.
➤ Federal Excise Duty on filter rods reduced from Rs. 1 per filter rod to 20% ad-val.
➤ Imposition of Federal Excise Duty on White Crystalline Sugar @ 8% ad-val in VAT mode.

**2.1 AMENDMENTS IN CUSTOMS LAW:**

<b>Serial No.</b>	<b>Proposed Amendments</b>	<b>Section</b>
1.	<p><b>Refund of Customs duty to be claimed within one year:</b></p> <p>The Finance Bill proposes to amend Section 33 by incorporating a new subsection catering the cases of refund of custom duty arising out of any decision or judgment by any appropriate officer of Customs or the Board or the Appellate Tribunal or the Court. In such cases the claimant has to file refund claim within one year from the date of judgment / order.</p>	<b>Section-33</b>
2.	<p><b>Board empowered to levy transit fee</b></p> <p>A new Section-129A has been proposed to be inserted after Section-129 empowering the Federal Board of Revenue to levy transit fee on any goods or class of goods in transit across Pakistan to a foreign territory.</p>	<b>Section-129A</b>
3.	<p><b>Amendment in SRO 565(I)/2006</b></p> <p>Through this notification certain amendments have been made in SRO 565(I)/2006 substituting and amending raw materials for certain categories of finished goods. These amendments / substitution include industries like air conditioner, washing machine, CNG compressors etc.</p>	<b>SRO-475(I)/2011</b>
4.	<p><b>Amendment in SRO 567(I)/2006</b></p> <p>Through SRO 476(I)/2011 category (A) of Table III of SRO 567(I)/2006, which provides concessionary rate of duty to Active Pharmaceutical Ingredients has been substituted extending the said benefit to 47 items as against prevalent 23 items.</p>	<b>SRO-476(I)/2011</b>
5.	<p><b>Amendment in SRO 575(I)2006</b></p> <p>Through SRO 477(I)/2011 amendment has been made in preamble to SRO 575(I)/2006 withdrawing the exemption of Sales Tax on Agriculture Machinery, CNG Kits, Cylinders, Dispensers, Compressors, Storage Cylinders, Plant and Machinery imported by any industrial concern / commercial importer, Dump Trucks. Similarly exemption of sales tax on specialized vehicles imported by local authorities vis-à-vis aircrafts spares and import of certain goods by Civil Aviation Authority has been withdrawn.</p>	<b>SRO-477(I)/2011</b>

	<p>The rationale being to harmonize exemption of sales tax granted under Sales Tax Act, and customs notifications.</p> <p>Further through amendment in Serial No. 8, the exemption of Customs duty and Sales Tax for setting up and expansion of hotels (3 star and above) shall now be extended by Tourism Department of the concerned province.</p>	
6.	<p><b>Regulatory Duty abolished</b></p> <p>Through SRO 479(I)/2011 list of items on which Regulatory Duty was imposed through SRO 482(I)/2008 has now been reduced to 60 items only. The new list mainly contains betel nuts, tobacco and tobacco products, weapons, ceramic and sanitary wares and vehicles.</p>	<p><b>SRO- 479(I)/2011</b></p>

**2.2 AMENDMENTS IN SALES TAX LAW:**

<b>Serial No.</b>	<b>Proposed Amendments</b>	<b>Section</b>
1.	<b>Rate of Sales Tax Reduced</b>  The Finance Bill proposes to reduce the rate of sales tax by one percent. The reduced standard rate of sales tax shall be 16% w.e.f.1 <sup>st</sup> July 2011.	3
2.	<b>Sales Tax Adjustment on Fixed Assets</b>  The Finance Bill proposes to allow the adjustment of input sales tax on acquisition of fixed assets in one go rather than in twelve equal monthly adjustments. This has been done by proposing to substitute the proviso to Section 8B to the Sales Tax Act, 1990.	8B
3.	<b>Adjustment of Sales Tax on invoices of blacklisted units</b>  The Bill seeks to add sub-section (3) to Section 21 of the Sales Tax Act, 1990 putting a restriction on the registered persons to claim input sales tax adjustment on the sales tax invoices of the registered person who were subsequently declared blacklisted. The Bill proposes to impose restriction even in respect of invoices which were issued prior to blacklisting by the supplier. Earlier this restriction was imposed through Rule-12(5) of the Sales Tax Rules, 2006.	21
4	<b>Withdrawal of sales tax exemption</b>  The Finance Bill proposes to withdraw exemption of sales tax on items like surgical tapes, ultrasound gel, diapers for adults, bricks, building blocks including ready mix concrete blocks, computer software, ambulances & fire fighting vehicles, waste disposal trucks, brake down lorries, special purpose vehicles, aircrafts, ships, defence stores, spare parts / equipments for aircrafts, equipments / machinery for usage at ports/ airports, equipments / machinery for air navigation, fully dedicated CNG Euro-2 buses, and on supply of agricultural implements etc. by omitting various serials of Sixth Schedule to the Sales Tax Act, 1990. This withdrawal is applicable w.e.f. 4 <sup>th</sup> June 2011.	Sixth Schedule
5.	<b>Withdrawal of exemption on dump trucks</b>  The Federal Government has withdrawn exemption of sales tax on dump trucks for off-highway use, dump trucks of 320 HP and above and transit concrete mixers, agricultural machinery and CKD Kits of single cylinder agricultural diesel engine of 3 to 36 HP. The exemption on these items has been withdrawn w.e.f 4 <sup>th</sup> June 2011.	SRO 480(I)/11

6.	<b>Imposition of Sales Tax on CNG Kits etc.</b>  The Federal Government has imposed sales tax on items like CNG Kits, Cylinders and Valve for CNG Kits, Commercial Catalogue, Rock Phosphate and Phosphoric Acid & Mineral Oils by withdrawing exemption earlier available to these items vide SRO 551(I)/2008.	SRO 481(I)/2011
7.	<b>Exemption on Sugar and Reclaimed Lead</b>  The Federal Government has exempted sales tax on white crystalline sugar and reclaimed lead if supplied to recognized manufacturers of lead batteries. However, through Finance Bill, FED @ 8% ad-val on White Crystalline sugar is proposed.	SRO 481(I)/2011
8	<b>Rate of Value Addition Tax on Commercial Imports enhanced</b>  The Federal Government has enhanced the rate of Value Addition Tax on commercial imports from 2% to 3% by amending the Rule 58 B of the Sales Tax Rules, 2006. This amendment is applicable from 04 <sup>th</sup> June 2011.	SRO 482(I)/2011
9.	<b>Zero-rating of Sales Tax on Diapers withdrawn</b>  Zero-rating of sales tax available to diapers in case these were locally manufactured under SRO 1161(I)/2007 has been withdrawn.	SRO 485(I)/2011
10.	<b>Zero-rating of sales tax on CNG Buses withdrawn</b>  The Federal Government through this notification has withdrawn zero-rating of sales tax on dedicated CNG buses, trucks and dumpers, trailers and semi-trailers for transport of goods, road tractors for semi-trailers and road tractors for trailers.	SRO 486(I)/2011

**2.3 AMENDMENTS IN FEDERAL EXCISE LAW:**

<b>Serial No.</b>	<b>Proposed Amendments</b>	<b>Section</b>
1.	<b>Special Excise Duty Abolished</b>  The Finance Bill proposes to abolish Special Excise Duty imposed @ 2.5% on import / manufacture of goods specified in the Table to SRO 655(I)/2007 by omitting Section 3A of the Federal Excise Act, 2005 and by rescinding the said notification. This abolition would be applicable w.e.f 1 <sup>st</sup> July 2011.	3A
2.	<b>FED on aerated waters / Juices &amp; Cement reduced</b>  The Finance Bill proposes to reduce the rate of Federal Excise Duty aerated waters / aerated waters with added sugar and juices from 12 % & 10 % of the retail price to 6% of the retail price respectively. Similarly, Federal Excise Duty on cement is proposed to be reduced from Rs. 700 per metric ton to Rs. 500 per metric ton. These proposed amendments would also be applicable w.e.f. 1 <sup>st</sup> July 2011.	Table-I to 1 <sup>st</sup> Schedule
3.	<b>Rate of FED on un-manufactured tobacco enhanced</b>  The rate of FED on un-manufactured tobacco is proposed to be enhanced from Rs. 5/- per Kg to Rs. 10/- per Kg. This increase is proposed to be made from 4 <sup>th</sup> June 2011.	Table-I to 1 <sup>st</sup> Schedule
4.	<b>Rate of FED on Cigarettes enhanced</b>  The Finance Bill proposes to enhance rate of FED on cigarettes depending upon their retail price. This change is also made effective from 4 <sup>th</sup> June 2011.	Table-I to 1 <sup>st</sup> Schedule
5.	<b>Abolition of FED on certain items</b>  The Finance Bill proposes to abolish Federal Excise Duty on goods like Solvent Oil, Fuel Oils, Mineral Greases, Transformer Oil, Waste Oil, Carbon Black Oil, Methyl Tertiary Butyle Ether, Greases, Organic Composite Solvent and Thinners, Motor Cars, Air Conditioners and Deep Freezers. This abolishment of FED would be applicable w.e.f. 1 <sup>st</sup> July 2011.	Table-I to 1 <sup>st</sup> Schedule
6.	<b>Rate of FED on filter rods changed</b>  The rate of Federal Excise Duty on filter rods is proposed to be changed from one rupee per filter rod to 20% ad-val. This proposed rate of change would be applicable w.e.f 1 <sup>st</sup> July 2011.	Table-I to 1 <sup>st</sup> Schedule



7.	<b>FED imposed on Sugar</b>  The Finance Bill proposes to impose Federal Excise Duty on white crystalline sugar @ 8% ad-val in VAT mode allowing the adjustment of FED against output sales tax liability for a particular tax period. This amendment is also proposed to be made applicable w.e.f. 4 <sup>th</sup> June 2011.	Table-I to 1 <sup>st</sup> Schedule
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**TARIFF RATIONALIZATION:**

- Tariff rationalization on bars, rods and profiles of refined copper and copper alloy.
- Corrections in descriptions of PCT codes 2923.9010 and 2930.9060.
- Creation of separate PCT codes for brass scrap and armoured cash carrying vehicle.
- Tariff correction to remove ambiguity in re-import scheme.

<b>THE SCHEDULE</b>			
<b>"TABLE</b>			
<b>PCT Code</b>	<b>DESCRIPTION</b>	<b>CD%</b>	<b>Amendments</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	
2923.9010	- - - Betaine	5	Correction in description
2930.9060	- - - O.O. diethyl O-(3,5,6-trichloro 2-pyridyl) phosphorothioate	5	Correction in description
<b>74.04</b>	<b>Copper waste and scrap.</b>		
7404.0010	- - -Brass scrap	0	New entry
7404.0090	- - -Other	0	New entry
7407.1010	- - - Bars	5	New entry
7407.2100	- - Of copper-zinc base alloys (brass)	5	New entry
<b>87.10</b>	<b>Tanks and other armoured fighting vehicles, motorised, whether or not fitted with weapons, and parts of such vehicles.</b>		
8710.0010	- - -Armoured cash carrying vehicles	20	New entry
8710.0090	- - -Other	20	New entry
9918	Machinery not produced or manufactured in Pakistan which is re-imported by industrial concerns after having been exported and have not undergone any process outside Pakistan since their exportation. In case the machinery has undergone any alterations, renovations, addition or repairs prior to its re-import into Pakistan, the cost incurred on such alterations, renovations, additions or repairs (excluding the element of freight and other incidentals) shall be	0"	The words goods has been replaced with Machinery. Earlier this PCT covered any goods. Now through this amendment this PCT has been dedicated to temporary import or export of machinery only.

liable to duty as leviable under its respective PCT heading determined at the time of original import provided the machinery was exported under a contract of alteration, renovation, addition or repairs and that the supplier and the receiver as well as the make, model, weight and other specifications remain the same as were at the time of the original import of the machinery.

**DECLARATION UNDER THE PROVISIONAL  
COLLECTION OF TAXES ACT, 1931 (XVI OF 1931)**

The provisions of sub-clause (9) of clause (2), sub-clauses (11)(a) and (11)(b) of clause 4 and sub-clauses (10)(a)(iii), (10)(a)(iv), (10)(a)(viii), (10)(a)(ix) and (11) of clause 12 of the bill shall have effect for the purpose of this declaration and of the provisions of Provisional collection of Taxes Act, 1931 (XVI of 1931), as if they were provisions of imposition of duties of customs, sales tax and Federal Excise Duty and it is hereby declared accordingly in terms of section 3 of the said Act that it is expedient in the public interest that the provisions of the said clauses have effect from 4th June, 2011 under the Act.

**STATEMENT OF OBJECTS AND REASONS**

The purpose of this Bill is to make financial provisions for the year beginning on the first day of July, 2011. Various provisions have been explained in the Notes on clauses.