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TAX BRIEFING 2004

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SECTION 1	INCOME TAX
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1. SALARY

1.1. BASIC EXEMPTION THRESHOLD

The non-taxable limit has been proposed to be enhanced from the current amount of Rs. 80,000/- to Rs. 100,000/-.

The table for tax rates applicable would therefore be as follows:

<table>
<tr><th colspan="2">Taxable income</th><th colspan="3" rowspan="2">Rate of tax</th></tr>
<tr><th colspan="2">------ Rupees ------</th></tr>
<tr><td colspan="2">Up to 100,000</td><td colspan="3">0%</td></tr>
<tr><td>From</td><td>To</td><td>Rupees</td><td colspan="2"></td></tr>
<tr><td>100,001</td><td>150,000</td><td colspan="3">7.5% of the amount exceeding Rs. 100,000.</td></tr>
<tr><td>150,001</td><td>300,000</td><td>3,750</td><td rowspan="4">PLUS</td><td>12.5% of the amount exceeding Rs.150,000</td></tr>
<tr><td>300,001</td><td>400,000</td><td>22,500/-</td><td>20% of the amount exceeding Rs.300,000</td></tr>
<tr><td>400,001</td><td>700,000</td><td>42,500</td><td>25% of the amount exceeding Rs.400,000</td></tr>
<tr><td colspan="2">Above 700,000</td><td>117,500</td><td>35% of the amount exceeding Rs.700,000</td></tr>
</table>

1.2. TAX CREDIT ON INTEREST ON HOUSE BUILDING LOAN FROM EMPLOYERS

The scope of tax credit has been broadened to include interest paid on house building loan by employees of statutory bodies and listed companies to their employers.

1.3. WEALTH STATEMENT

It has been proposed to raise the minimum income limit for mandatory filing of wealth statement from 200,000/- to 500,000/-.

2. BUSINESS INCOME

2.1.	PAYMENTS THROUGH BANKING CHANNEL	Minimum allowable limit against expenditures under any single head and salary paid otherwise than by crossed cheque, bank draft or a direct transfer through banking channel proposed to be raised from 5,000/- to Rs. 10,000/-. The exemptions to certain transactions including freight charges, travel fair, postage, utilities, taxes, duties, fee, fines or other statutory obligation persist.
2.2.	DEPRECIATION	Restriction on proportionate allowablilty of depreciation on business usage basis sought to be withdrawn. Accordingly, full year's depreciation would be claimable on additions during the year.
2.3.	INITIAL ALLOWANCE	The confusion as the availability of initial allowance in case of undertakings which have not commenced activity has been clarified. In case of such entities, the initial allowance would be claimable in the year the commercial production commences.
2.4.	GROUP RELIEF	A new concept of group relief has been proposed to be introduced whereby a listed (holding) company which holds 75% or more of the capital of a manufacturing subsidiary can benefit from the current tax losses of the subsidiary in current year and two succeeding tax years. Balance of loss remaining unadjusted after three years will be transferred back to the subsidiary to be carried forward under normal provision of law.

A subsidiary can so transfer its losses for a total of three years.

The relief is available subject to the following further conditions:

i. the holding up to the minimum of 75% has to be maintained for five continuous years;
ii. the subsidiary continues the same business during the said period of five years.

In case of dilutions in the holdings in subsidiary below 75%, the holding company's profits on which taxes have not been paid due the effect of this relief.

2.5. WORKERS PARTICIPATION FUND

The position of allowability of contributions to Workers Profit Participation Fund has been clarified as an admissible deduction.

3. UNEXPLAINED INCOME OR ASSETS

One of the most disputed change brought vide Income Tax Ordinance, 2001 was the unlimited time period for the powers of tax authorities for investigating issues relating to the unlimited time period for identification and assessment of income or assets of earlier years. The proposed amendment would revert to the original restriction of five years on this count.

The bill also seeks to rectify the difficulty faced by tax authorities due the requirement of amount or value of unexplained income or asset in the current tax year. Now the effect would be taken to the income of immediately preceding tax year.

4. MINIMUM TAX

A very appreciable proposal that virtually seeks to cease the applicability of minimum tax in general through the concept of carry forward to succeeding five years and setoff minimum tax at 0.5% of the turnover, as computed in loss cases and cases where income is below taxable limits.

5. PRESUMPTIVE TAX

5.1.	RETAILERS	Retailers doing business in the capacity of Individuals and Associations of Persons (firms) having annual turnover up to Rs. 5 Million may opt for final discharge by payment of a tax at 0.75% of their turnover along with the prescribed statement of final tax.
5.2.	EDIBLE OIL	Imports It has been sought that the tax collected @ 3% at import stage be treated as discharge of final liability instead of treating the same as minimum tax liability. Local purchases Local purchases of edible oil by the manufacturers of cooking oil and/ or vegetable ghee have been proposed to be brought under the ambit of final tax by way of payment of tax @ 1% of the purchase price.
5.3.	PETROL PUMP OPERATORS	The bill seeks to bring the tax deducted @ 10% at source from amount of commission or discount allowed to petrol pump operators under the ambit of final discharge of tax.
5.4.	BROKERAGE & COMMISSION	Brokerage and commission is sought to be brought under the ambit of final tax as under:

Recipient	*Rate*
Travel and Insurance agents	10%
Others	5%

6. WEALTH STATEMENT

It has been proposed to raise the minimum income limit for mandatory filing of wealth statement from 200,000/- to 500,000/- in salaried cases and further the same minimum to be followed in case of non-salary cases instead of present mandate.

7. REVISION BY COMMISSIONER

Historically, an option was available tax payers to file a revision petition to the Commissioner in case the time limit for appellate forums had lapsed or the person waives his right of appeal. However, the promulgation of Income Tax Ordinance, 2001 did not specifically include the right of tax payers, there was still a view in certain quarters that the option persists. The amendment seeks to clarify that the options has been withdrawn and the Commissioner may, only on his own motion, revise an order or a deemed order.

8. APPEALS

8.1. The proposed amendment seeks to award right of appeal before Commissioner (Appeals) against a recovery order passed against a person from whom tax was deductible from payments received and such tax was not so deducted;

8.2. The bill also seeks to waive the required payment for appeal being the lower of:

- i. 15% of the disputed tax demand, or
- ii. 20% of the amount of tax assessed for the immediately preceding tax year, and where a person has not been assessed to tax for that tax year, 30% of the amount of tax payable with return.

8.3. It should be noted that, for preferring the appeal, the amount payable with return should have been paid in full.

9. ALTERNATE DISPUTE RESOLUTION

Like the Sales tax law, the bill proposes the concept in the Income Tax Ordinance, 2001 through an alternate dispute resolution scheme. The features of the scheme include:

9.1. The CBR, on application of an aggrieved person, may constitute a Committee;

9.2. Based on the recommendations of the Committee, the CBR may pass an order on the case;

9.3. In case the matter is already sub-judice before any forum or tribunal or the court, an agreement between the person and the CBR shall be submitted for consideration before that forum, tribunal or the court;

9.4. All decisions, orders and judgments made or passed shall stand modified to that extent and all proceedings under the Ordinance or the rules by any authority or forum shall abate if the aggrieved persons, being satisfied with the order of the CBR, opts to pay the amount due.

9.5. In case of dissatisfaction, an appeal may be preferred before the appropriate forum within sixty days.

10. ADVANCE TAX

10.1. The basis for payment of quarterly advance tax for companies and association of persons is proposed to be shifted from the turnover-based approach to the payment of one-fourth amount of tax for the immediately preceding year;

10.2. Due dates for payment of advance have also been proposed to be changed to be the 15th day of the last month of the respective quarter (viz. 15th of September, December, March and June);

10.3. If a taxpayer fails to pay advance tax up to a minimum of 80% of the tax chargeable for the relevant tax year, he shall be liable to pay additional tax @ 12% per annum of the shortfall;

10.4. The additional tax shall be calculated from the first day of April in that year to the earlier of:

i. date on which assessment is made; or

ii. the thirtieth day of June of the financial year next following.

11. WITHHOLDING TAX

11.1. ADVERTISEMENT CONTRACTS	Tax to be deductible at 5% from payments to non-resident T.V. satellite channels against contract for advertisement services.
11.2. IMPORTS	Machinery Requirement tax payment by manufactures @ 6% at import stage proposed to be withdrawn. Agricultural Tractor in CBU Condition Reduction from existing 6% to proposed 1%.
11.3. PROPERTY RENTALS	It has been proposed that the threshold for applicability of withholding tax be increased from

		Rs. 200,000/- to Rs. 300,000/-.
11.4.	PETROLEUM PRODUCTS	Tax proposed to be deducted @ 10% at source from amount of commission or discount allowed to petrol pump operators by suppliers of petroleum products.
11.5.	BROKERAGE & COMMISSION	Principals sought to deduct tax @ 10% from payments made to their Travel and Insurance agents. Deductions from other payments on account of brokerage and commissions maintained at existing rate of 5%.
11.6.	PRIZES & WINNINGS	The existing uniformity for deduction of tax has been proposed to be changed and categorized as under:

	Category	*Rate*
i.	Prize on prize bonds	10%
ii.	Winnings from a raffle, lottery, prize on winning a quiz, prize offered by companies for promotion of sale, or cross-word puzzle	20%

12. ADVERTISEMENT CONTRACTS FOR NON RESIDENTS

Tax is proposed to be deductible at 5% from payments to non-resident T.V. satellite channels against contract for advertisement services will be the final tax for such non-residents.

13. ADDITIONAL PAYMENTS ON DELAYED REFUNDS & ADDITIONAL TAX

Keeping in view the decrease in interest rates prevailing in the local economy, the bill proposes to bring the financial costs of both the Revenue and the Taxpayers down accordingly as tabulated below:

	Existing	Proposed	Reduction (%)	Reduction (Times)
Cost to Revenue	15%	6%	9%	0.60
Cost to Taxpayers	18%	12%	6%	0.33

14. AUDIT

14.1. The concept of deemed assessment promulgated under the Income Tax Ordinance, 2001 was mitigated through selection of cases for audit by the Commissioner of Income Tax. In addition to the existing criteria for selection by the Commissioner, the proposed amendment seeks to bestow a further autonomy to the Commissioner for selection of cases as to any other matter which in his opinion is material for determination of correct income. Moreover, the selection by Commissioner will first be based on the confidential criteria laid down by the CBR.

14.2. The CBR may also appoint a firm of Chartered Accountants on a case-specific scope, who shall have the same powers of a Commissioner vis-à-vis entering and searching premises and obtaining information and evidence.

15. NON-TAXABLE LIMIT INDIVIDUALS & ASSOCIATION OF PERSONS

The non-taxable limit has been proposed to be enhanced from the current amount of Rs. 80,000/- to Rs. 100,000/-.

16. EXEMPTIONS FROM TOTAL INCOME

The bill seeks to grant, rescind and amend the exemptions to total income available as under:

17.1.	FOREIGN CURRENCY CERTIFICATES OF INVESTMENT (COIs)	In addition to the availability of exemption from taxability of profit on foreign currency accounts held with authorized banks in Pakistan, profit on COIs issued by investment banks to be exempted.
17.2.	INCOME FROM VOCATIONAL & TECHNICAL INSTITUTES	Profits and gains derived by a taxpayer from recognized vocational, technical or poly-technical institute set up between July 1, 2004 and the June 30, 2008 for a period of five years beginning from the tax year in which such institution is recognized.

17.3. CAPITAL GAINS

Exemption period from taxability of capital gains from sale of modaraba certificates, listed redeemable capital and shares and PTC vouchers extended up to tax year ending June 30, 2007.

17.4. EXEMPTIONS WITHDRAWN

I. Profit on fresh investments in FCBCs;

II. Profit on debt received by foreign banks form Pakistani banks, which was available subject to certain conditions;

III. Income of non-residents from fresh investments in Federal Government securities and redeemable capital.

17. REDUCTION IN TAX RATES

17.1. SENIOR CITIZENS

Income limit for application of reduced rates to senior citizens is proposed to be raised to Rs.300,000 from Rs.200,000/-.

17.2. REDUCED RATES FOR IMPORTS

The bill seeks to grant further concessions in tax rates as applicable to imports as under:

Description of Goods	*Applicable Rate*
Di-ammonium phosphate (DAP) fertilizer	1%
Agricultural tractors imported in CBU condition	2%
Other goods under specified HS codes	2%

17.3. COLLECTION OF TAX ON EDIBLE OIL

The bill also proposes a reduction to 1% from existing 1.5% on withholding tax on local purchase of edible oil by manufacturers of manufacturers of cooking oil and/ or vegetable ghee.

18. EXEMPTION FROM SPECIFIC PROVISIONS

18.1.	COLLECTION OF TAX AT IMPORT STAGE	Requirement of tax payment by manufactures @ 6% at the time of import of plant and machinery, subjected to reduced or nil rate for customs duty, has been proposed to be waived.
18.2.	BAHBOOD SAVING CERTIFICATE/ ACCOUNT	Exemption has been sought from applicability of tax @ 10% on Bahbood Saving Certificate/ Account.
18.3.	EXPORTS TO AFGHANISTAN	The bill seeks to exempt the exports of imported cooking oil or vegetable ghee to Afghanistan, which have suffered tax at import stage.

ANNEX

APPLICABLE RATES FOR WITHHOLDING/ ADVANCE TAX

Nature of payment	Tax Rate	Advance tax/ Final tax
Dividend paid to public or insurance companies	5%	Final tax
Dividend paid to any other person	10%	Final tax
Royalty or fee for technical services paid to a non-resident	15%	Final tax
Imports by commercial importer (other than specified goods)	6%	Final tax
Imports by industrial undertaking (other than machinery)	6%	Advance tax
Edible oil ❑ Imports ❑ Local purchases	 3% 1%	Final tax
Profit on debt ❑ Yield under the National Savings Schemes (other than Bahbood Certificates) ❑ On deposit with banks and financial institutions ❑ On securities issued by Federal or provincial government	 10% 10% 20%	Advance tax
Payments for goods other than imported goods ❑ In the case of the sale of rice, cotton, cotton seed or edible oils ❑ In the case of the sale of any other goods	 1% 3.5%	Final tax (other than for manufacturer)
Payments for services ❑ In the case of transport services ❑ In any other case	 2% 5%	Advance tax
Payment on account of execution of contract ❑ In the case of a contract with a value exceeding thirty million rupees ❑ In any other case	 6% 5%	Final tax
Payments to non-residents ❑ Royalty or fee for technical services paid to a non-resident ❑ Other than royalty or fee for technical services	 15% 30 %	Final tax
Payments to non-residents for contracts ❑ In the case of a turnkey contract ❑ In the case of a contract or sub-contract for the design, construction, or supply of plant or equipment – ✓ under the hydel power project or a transmission line project ✓ under any other power project ❑ Advertisement contracts with satellite T.V. channels ❑ in the case of any other contract – ✓ where the value of the contract exceeds thirty million rupees ✓ where the value of the contract does not exceed thirty million rupees	 8% 5% 4% 5% 6% 5%	Final tax

Nature of payment	Tax Rate	Advance tax/ Final tax
Exports	0.75% 1% & 1.25%	Final tax
Indenting commission	10%	Advance tax
Payments for rental of property	7.5%	Advance tax
Prizes and winnings ❑ Prize on prize bonds ❑ Winnings from a raffle, lottery, prize on winning a quiz, prize offered by companies for promotion of sale, or cross-word puzzle	 10% 20%	Final tax
Brokerage and commission (received by) ❑ Travel and Insurance agents ❑ Others	 10% 5%	Final tax
Commission or discount allowed to petrol pump operators	10%	Final tax
Tax on vehicles ❑ in the case of road transport and passenger transport vehicle ❑ in the case of private vehicles	Various rates	Final tax Advance tax
Electricity bills	Various rates	Advance tax
Telephone bills	Various rates	Advance tax
Mobile phone bills and prepaid telephone cards	10%	Advance tax
Shipping income of non-residents	8%	Final tax
Air transport income of non-residents	3%	Final tax

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SECTION 2 SALES TAX

1. ELIMINATION OF FURTHER TAX

Chargeability of further tax at 3% on supplies to unregistered persons is sought to be eliminated.

2. ABOLISHMENT OF HIGHER RATE OF TAX

SRO 489(I)/ 2004 has been promulgated rescinding SRO 389(I)/2001 thereby extinguishing the charging of tax @ 20%. Hence, list of items included in the later are re-subjected at normal rate of 15%.

3. NON-CLAIMABILITY OF INPUT TAX

The purview of non-claimability of input on certain items held otherwise than as stock-in-trade has been restricted to only three of the categories as against the existing list of twelve vide rescindment of SRO 578(I)/98 through promulgation of SRO 490(I)/2004:

3.1. Vehicles falling in chapter 87 of the First Schedule to the Customs Act, 1969 (IV of 1969);

3.2. Food, beverages, garments, fabrics, etcetera and consumption on entertainment; and

3.3. Gifts and give-aways

4. THRESHOLD FOR EXEMPT SUPPLIES AND ABOLISHMENT OF TURNOVER TAX

4.1. The existing thresholds for exemption as to value of supplies being Rs. 0.5 Million and Rs. 1 Million for manufacturers and retailers respectively proposed to be enhanced to a uniform limit of Rs. 5 Million.

Category	Exemption Threshold	
	Existing	Proposed
Manufacturers	0.5 M	5 M
Retailers	1 M	5 M

4.2. The bill also seeks to abolishment the scheme of turnover tax presently available to manufacturers and retailers whose turnover from taxable and total supplies respectively ranged between above Rs. 0.5 Million up to Rs. 2.5 Million and Rs. 1 Million up to Rs. 20 Million.

5. ACCRUAL OF INPUT TAX

A clarification to the existing anomaly as to the claimability or otherwise of input tax not yet paid has been proposed, which lays that input tax not yet paid can be adjusted against output tax while determining the sales tax liability.

6. MINIMUM VALUE ADDITION

Finance Act, 2003 introduced section 7A laying the concept of levy of tax on value addition, whereby tax has to be paid on the basis of value addition, irrespective of the actual value of sales. Through the proposed amendment in the section and promulgation of SRO 484(I)/2004, following categories and respective minimums have been prescribed:

Category	Minimum Value Addition
Commercial Importers	14% of value of imports
Retailer	15% of value of purchase
Steel Melters	Rs. 1,667/- per Metric ton
Steel Re-rollers	Rs. 1,335/- per Metric ton

Immunity from audit will also be available to commercial importers and retailers if prescribed minimums are followed, however, in case of retailers, the immunity is also to be subjected to a minimum increase of 6% in annual turnover.

7. SCOPE OF SUPPLY

Through the proposed requisite amendment of the definition of supply and promulgation of SRO 445(I)/2004, it has been sought to exclude the following transaction from the ambit of supply:

i. Forward transactions of commodities at the National Commodity Exchange Limited; and

ii. Delivery of goods under a Murabaha financing arrangement to or by a bank or an approved financial institution.

8. REFUNDS AND DELAYS THEREOF

The time period of refunds under section 10 of the Act has been reduced by substituting the proviso thereto and prescribing the time period to six months vide SRO 510(I)/2004 as against the prevailing period of one year. Moreover the interest payable on delayed refunds has also been proposed to be reduced to 6% instead of existing of 14% per annum.

9. MONTHLY RETURNS – SUMMARY OF PURCHASES & SALES BY CERTAIN PERSONS

The bill proposes to empower the CBR to require a person or a class of persons to submit particulars or details of imports, purchases and supplies made during a tax period or periods. Accordingly, SROs 508(I)/2004 and 509(I)/2004 oblige the following categories for such submissions on monthly basis:

i. Manufacturers, suppliers and exporters of yarn, textile fabrics and textile made-ups; and

ii. Commercial importers of polypropylene granules (tape yarn grade falling under specified PCT heading).

10. PENALTIES

The bill seeks certain reductions and enhancements in penalties governed under the Act for enforcing governance. A detail of the revised position is annexed.

11. APPEALS AGAINST REFUNDS

To do away with disputes and grievances of registered persons, the bill has sought the allowability of appeals against refunds under sections 10 and 66 of the Act in addition to appeals under section 11, 36 and 45.

12. ALTERNATE DISPUTE RESOLUTION

The process was originally brought with the promulgation of SRO 737(I)/2002 and the Bill seeks to form the process a part of the Act with certain amendments. Significant amendments so proposed comprise:

12.1. Restriction on suo-moto constitution of Committee by the CBR.

12.2. Resolution can now also be sought on matters decided by High Courts or the Supreme Court.

12.3. Right of appeal to be filed in sixty days awarded to registered person in case of a disagreement.

13. INADMISSIBILITY OF CERTAIN TRANSACTIONS

Significant proposed amendments to one of the most debated section 73 of the Act include:

13.1. Restrictions on transactions exceeding Rs. 50,000/- otherwise through following instruments of payment:

a. crossed cheque drawn on a bank,
b. crossed bank draft;
c. crossed pay order;
d. any other crossed banking instrument

13.2. The instrument of payment should show transfer of the amount of the sales tax invoice in favour of the supplier from the business bank account of the buyer

13.3. The amount transferred as above shall be deposited in the business bank account of the supplier,

13.4. Payments to be made within one hundred and eighty days of issuance of the tax invoice;

It has been clarified that the restriction of Rs. 50,000/- excludes payments against a utility bills. Further, the term "business bank account" has been defined to mean a bank account utilized by a registered person for business transactions, declared to the Collector in whose jurisdiction he is registered.

14. RECORDS TO BE MAINTAINED

For the sake of maintaining conformity with proposed amendment in section 73, among the prevailing records to be maintained by a registered person, retention of banking instruments is also sought to be mandatory.

15. ZERO-RATING

Certain additional items and class of transactions have also been zero-rated vide proposed amendment in fifth schedule and promulgation of SROs as under.

15.1.	SUPPLIES TO GAWADAR SPECIAL ECONOMIC ZONE	Zero-rating of supplies, except vehicles covered under PCT heading 87.02) to Gawadar Special Economic Zone has been proposed through the Finance Bill.

15.2	PLANT AND EQUIPMENT	Supply of imported and locally manufactured plant and machinery has been zero-rated through promulgation of SRO 500(I)/ 2004.

16. EXEMPTIONS

The bill seeks to grant, rescind and amend the exemptions under the Act as contained in the Sixth Schedule as under:

16.1.	THRESHOLD OF TAXABLE TURNOVER	The existing thresholds for exemption as to value of supplies being Rs. 0.5 Million and Rs. 1 Million for manufacturers and retailers respectively proposed to be enhanced to a uniform limit of Rs. 5 Million.
16.2.	EDIBLE OIL	It has been proposed to exempt cooking oil and vegetable ghee, including cooking oil and vegetable ghee. Through the promulgation of SRO 502(I)/2004, these items are to be subjected to Central Excise to be chargeable in the manner of Sales Tax.
16.3.	AGRICULTURAL MACHINERY	Import of specified agricultural machinery has also been proposed to be exempted together with the existing exemption on local purchases.
16.4.	EXEMPTIONS WITHDRAWN	a. Cattle feed; b. Cotton seeds used in the manufacture of cotton seed oil; and c. Supply of crude vegetable oil produced from locally produced seeds.

Through promulgation of SRO 497(I)/2004, Import of Plant and Machinery not being manufactured in Pakistan, used for specified purposes has also been exempted from levy and collection of sales tax at import.

17. RULES

17.1. SPECIAL PROCEDURES RULES, 2004	With a view to institute simplicity and consistency related to special procedures laid down vide numerous SROs, SRO 484(I)/2004 has been promulgated, which, whilst bringing certain procedural changes, lays down set of procedures for special cases. These rules are applicable w.e.f. July 1, 2004 except for ginned cotton, which is applicable with immediate effect. a. Filing of NIL return; b. Payment of sales tax by commercial importers on value addition; c. Payment of retail tax; d. Payment of sales tax by jewelers; e. Collection and payment of sales tax on electric power; f. Collection and payment of sales tax on natural gas; g. Supply of ginned cotton; h. Spinning industry; i. Procedure for supply of sugar to Trading Corporation of Pakistan; j. Payment of sales tax on supply of food; k. Providing or rendering taxable services; l. Payment of sales tax steel melters and steel re-rollers; m. Ship breaking industry rules; and n. Zero-rating of hand-knitted carpets.
17.2. SALES TAX RULES, 2004	SRO 485(I)/2004 has been promulgated for the purposes of consolidation and updation of prescribed procedures, applicable w.e.f. July 1, 2004 except in case of refunds, which will be

operative on specific notification from CBR, SRO 485(I)/2004 have been promulgated.

Following prevailing necessary rules have been accordingly been rescinded.

Rules Rescinded	*SRO Ref.*
The Registration, Voluntary Registration and Deregistration Rules 1996.	550(I)/96
The Filing of Monthly Return Rules, 1996.	551(I)/96
The Debit and Credit Note and Destruction of Goods Rules, 1996.	696(I)/96
Apportionment of Input Tax Rules, 1996.	698(I)/96
The Sales Tax Refund Rules, 2002.	575(I)/2002
The Sales Tax Special Audit Rules, 1998.	1001(I)/98
The Zero-rating of Supplies against International Tender for Afghan Refugees Rules, 2001.	712(I)/2001
The Supply of Zero-rated Goods to Diplomats, Diplomatic Missions, Privileged Persons and Privileged Organization, Rules, 1996.	490(I)/96
The Tax Payers (Authorized Representatives) Rules, 2001.	768(I)/2001
The Alternate Dispute Resolution Rules, 2002	737(I)/2002
The Sales Tax Recovery Rules, 1992.	1178(I)/92

18. SALES TAX GENERAL ORDER (STGO) NO. 3/ 2004

The general order has been promulgated with a view to consolidate certain of its predecessors, without substantially changing the essence thereof.

PENALTIES UNDER THE SALES TAX ACT, 1990

ANNEX

<table>
<tr><th colspan="2">CONTRAVENTION OR OFFENCE</th><th colspan="2">PENALTY</th></tr>
<tr><td colspan="2">Filing of return within fifteen days of the due date</td><td colspan="2">Rs. 100/- for each day of default.</td></tr>
<tr><td colspan="2">Failure to furnish a return within the due date</td><td colspan="2">Rs. 5,000/-</td></tr>
<tr><td rowspan="3">Failure to:</td><td>Issue an invoice when required</td><td rowspan="2">Amount of sales tax payable in the return</td><td rowspan="2">Amount of Penalty</td></tr>
<tr><td>Notify the changes of material nature in the particulars of registration or taxable activity</td></tr>
<tr><td>Deposit the amount of tax due or any part thereof in the laid down time or manner</td><td rowspan="2">i. Exceeds Rs.5,000/-</td><td rowspan="2">Higher of Rs. 5,000/- or 3% of the amount of the tax involved</td></tr>
<tr><td colspan="2">Repetitions of erroneous calculations in the return during a year whereby amount of tax paid is less than the actual tax due</td></tr>
<tr><td colspan="2">Unauthorized issue of an invoice in which an amount of tax is specified</td><td>ii. Does not exceed Rs.5,000/-</td><td>Rs. 1,000/-</td></tr>
<tr><td rowspan="3">Failure to:</td><td>Apply for registration under this Act fails to make an application for registration before making taxable supplies, if the person is required to apply for registration</td><td colspan="2" rowspan="3">Higher of Rs. 10,000/- or 5% of the amount of tax involved</td></tr>
<tr><td>Maintain required records</td></tr>
<tr><td>Furnish summary of imports, purchases and supplies, where required</td></tr>
<tr><td colspan="2">Submission of false or forged document to any officer of Sales Tax</td><td colspan="2" rowspan="7">Higher of Rs. 25,000/- or 100% of the amount of tax involved</td></tr>
<tr><td colspan="2">Destruction, alteration, mutilation or falsification of the records</td></tr>
<tr><td rowspan="2">Knowingly or fraudulently</td><td>Making false statement, false declaration, false representation, false personification, giving any false information</td></tr>
<tr><td>Issuing or using a forged or false document</td></tr>
<tr><td colspan="2">Denying or obstructing the access of an authorized officer to business premises, registered office or to any other place where records are kept</td></tr>
<tr><td colspan="2">Obstructing the authorized officer in the performance of his official duties</td></tr>
<tr><td colspan="2">Committing, causing to commit or attempting to commit a tax fraud</td></tr>
<tr><td colspan="2">Additional penalty on the Chief Executive for above offences committed in case of companies</td><td colspan="2">Rs. 25,000/-</td></tr>
<tr><td rowspan="3">In connection with an audit, failure to:</td><td>Produce the record on receipt of first notice</td><td colspan="2">Rs. 2,500/-</td></tr>
<tr><td>Produce the record on receipt of second notice</td><td colspan="2">Rs. 10,000/-</td></tr>
<tr><td>Produce the record on receipt of third notice</td><td colspan="2">Rs. 50,000/-</td></tr>
<tr><td colspan="2">Contravening any of the provision of the Act for which no penalty has specifically been provided</td><td colspan="2">Higher of Rs. 2,500/- or 3% of the amount of tax involved</td></tr>
</table>