



# INSPECTORS INLAND REVENUES ACADEMY

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“ With faith, discipline and selfless devotion to duty,  
there is nothing worthwhile that you cannot achieve. ”



#IndependenceDay



اپنے من میں ڈوب کر پاجب اسراغ زندگی  
تو اگر میرا نہیں بنتا نہ بن اپنا تو بن  
علامہ محمد اقبالؒ

*The Sales Tax Act, 1990*

**Chapter-II**

**SCOPE AND PAYMENT OF TAX**

**3. Scope of tax** (1) Subject to the provisions of this Act, there shall be charged, levied and paid a tax known as sales tax at the rate of <sup>1</sup>[seventeen] per cent of **the value of**—

3۔ ٹیکس کا دائرہ کار:- (1) اس ایکٹ میں دی گئی شرائط کے تحت ٹیکس کو سیلز ٹیکس کے نام سے درج ذیل پر ان کی مالیت کے 17 فیصد کے حساب سے وصول، عائد اور ادا کیا جائے گا جو سیلز ٹیکس کے نام سے معروف ہے۔

- (a) **taxable supplies made** <sup>2</sup>[...] by a registered person in the course or furtherance of any <sup>3</sup>[taxable activity] carried on by him; and
- (b) goods imported into Pakistan, <sup>4</sup>[irrespective of their final destination in territories of Pakistan].

<sup>5</sup>[(1A) Subject to the provision of sub section (6) of section 8 or any notification issued thereunder, where taxable supplies are made to a person who has not obtained registration number, **there shall be charged, levied and paid a further tax at the rate of** <sup>6</sup>[three] percent of the value In addition to the rate specified in sub sections (1), (1B), (2), (5), <sup>7</sup>[(6) and section 4] provided that the Federal Govt. may, by notification in the official Gazette, specify the taxable supplies in respect of which the further tax shall not be charged, levied and paid.]

<sup>8</sup>[(1B) On the goods specified in the Tenth Schedule, in lieu of levying and collecting tax under sub-section (1), the tax shall be levied and collected, in the mode and manner specified therein—

- (a) on the production capacity of plants, machinery, undertaking, establishments or installation producing <sup>9</sup>[or] manufacturing such goods; or

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- (b) on **fixed basis**, from any person who is in a position to collect such tax due to the nature of the business,

and different rates may be so prescribed for different regions or areas.]

<sup>1</sup>[(2) Notwithstanding the provisions of sub-section (1): –

- (a) taxable supplies <sup>2</sup>[and import of goods] specified in the **Third Schedule** shall be charged to tax at the rate of <sup>1</sup>[**seventeen**] per cent of the retail price <sup>3</sup>[or in case such supplies <sup>4</sup>[or imports] are also specified in the **Eighth Schedule**, at the **rates specified therein and the retail price thereof**,] along with the amount of sales tax shall be legibly, prominently and indelibly printed or embossed by the manufacturer <sup>5</sup>[, or the importer, in case of imported goods, on each article, packet, container, package, cover or label, as the case may be; <sup>6</sup>[:]<sup>7</sup>[ ]

<sup>8</sup>[Provided that the Federal Government, may, by notification in the official Gazette, exclude any taxable supply <sup>9</sup>[or import] from the said Schedule or include any taxable supply <sup>10</sup>[or import] therein; <sup>11</sup>[...]

- (aa) <sup>12</sup>[goods specified in the Eighth schedule shall be charged to tax at such rates and subject to such conditions and limitations as specified therein; and]

<sup>13</sup>[(b) the <sup>14</sup>[**Federal Government**] may, subject to such conditions and restrictions as it may impose, by notification in the official Gazette, declare that in respect of any taxable goods,

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**This section gave the power to the government they can change the tax rate any time in a year by the official notification**

اس سیکشن نے حکومت کو یہ اختیار دیا کہ وہ سرکاری نوٹیفکیشن کے ذریعے سال میں کسی بھی وقت ٹیکس کی شرح تبدیل کر سکتے ہیں

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the tax shall be charged, collected and paid in such manner and at such higher or lower rate or rates as may be specified in the said notification.]

- (3) The **liability** to pay the tax shall be,-
- (a) in the case of supply of goods<sup>1</sup>[...], of the person making the supply, and
- (b) in the case of goods imported into Pakistan, of the person importing the goods.

<sup>2</sup>[(3A) Notwithstanding anything contained in clause **(a)** of **sub-section (3)**, the <sup>3</sup>**[Board, with the approval of the Federal Minister-in-charge,**] may, by a notification in the official Gazette, specify the goods in respect of which the liability **to pay tax shall be of the person receiving the supply.**]

<sup>4</sup>[(3B) Notwithstanding anything contained in sub section (1) and (3), sales tax on the import and supply of the goods specified in **the Ninth Schedule** to this Act shall be charged, collected and paid at the rates, in the manner, at the time, and subject to the procedure and conditions as specified therein or as may be prescribed, and the liability to charge, collect and pay the tax shall be on the persons specified therein.]

<sup>5</sup>[(4) \*\*\*]

<sup>6</sup>[(5) The <sup>7</sup>[Federal Government] may, in addition to the tax levied under sub-section (1) <sup>8</sup>[...], <sup>9</sup>[...] sub-section (2) and sub-section (4), levy and collect <sup>10</sup>["tax at such extra rate or amount"] **not exceeding** <sup>11</sup>**[seventeen]** per cent of the value of such goods or class of goods and on

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such persons or class of persons, in such mode, manner and at time, and subject to such conditions and limitations as it may, by rules, prescribe.]

**Govt Has empowered to change**

<sup>1</sup>[(6) The Federal **Government** or <sup>2</sup>**the Board** may, in lieu of the tax under sub-section (1), by notification in the official Gazette, levy and collect such amount of tax as it may deem fit on any supplies or class of supplies or on any goods or class of goods and may also specify the mode, manner or time of payment of such amount of tax.

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**during the year and**

**incidence who will pay.**

<sup>3</sup>[(7) The tax shall be withheld <sup>11</sup>[\*\*\*] at the rate as specified in the Eleventh Schedule, by any person or class of persons <sup>4</sup>[being purchaser of goods or services] as withholding agent for the purpose of depositing the same, in such manner and subject to such conditions or restrictions as the Board may prescribe in this behalf through a notification in the official Gazette.]

<sup>5</sup>[(8) Notwithstanding anything contained in any law or notification made thereunder <sup>6</sup>[, but subject to the provisions of clause (b) of sub-section (2)] in case of supply of natural gas to CNG stations, the Gas Transmission and Distribution Company shall charge sales tax from the CNG stations at the rate of seventeen per cent of the value of supply to the CNG consumers, as notified by the Board from time to time, but excluding the amount of tax, as provided in clause (46) of section 2.

<sup>7</sup>[(9) Notwithstanding anything contained in subsection (1), tax shall be charged from retailers <sup>8</sup>[, other than those falling in Tier-1,] through their monthly electricity bills, at the rate of five percent where the monthly bill amount does not exceed rupees twenty thousand and at the rate of seven and half per cent where the monthly bill amount exceeds the aforesaid amount, <sup>9</sup>[and the electricity supplier shall deposit the amount so collected directly without adjusting against his input tax]:

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Provided that the tax under this sub-section shall be in addition to the tax payable on supply of electricity under sub section (1), (1A) and (5)<sup>1</sup>[:]

<sup>2</sup>[Provided further that the Commissioner of Inland Revenue having jurisdiction shall issue order to the electricity supplier regarding exclusion of a person who is either a Tier-1 retailer, or not a retailer.]

<sup>3</sup>[(9A) Notwithstanding anything contained in this Act, Tier-1 retailers shall pay sales tax at the rate as applicable to the goods sold under relevant provisions of this Act or a notification issued there under:

<sup>4</sup>[\*\*\*\*]

Provided further that from such date, and in such mode and manner, as prescribed by the Board, all Tier-1 retailers shall integrate their retail outlets with Board's computerized system for real-time reporting of sales.]

<sup>5</sup>[(9AA) In respect of goods, specified in the **Thirteenth Schedule**, the **minimum production** for a month shall be determined on the basis of a single or more inputs as consumed in the production process as per criterion specified in the Thirteenth Schedule and if minimum production so determined exceeds the actual supplies for the month, such minimum production shall be treated as quantity supplied during the month and the liability to pay tax shall be discharged accordingly.]

<sup>6</sup>[3A. \*\*\*]

<sup>7</sup>[3AA. \*\*\*]

<sup>8</sup>[3AAA. \*\*\*]

<sup>9</sup>**[3B. Collection of excess sales tax etc.–** (1) Any person who has collected or collects any tax or charge, whether under misapprehension of any provision of this Act or otherwise, which was not payable as tax or

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charge or which is in excess of the tax or charge actually payable and the incidence of which has been passed on to the consumer, shall pay the amount of tax or charge so collected to the Federal Government.

<sup>1</sup>[(2) Notwithstanding anything contained in any law or judgement of a court, including the Supreme court and a High court, any amount payable to the Federal Government under sub-section (1) shall be deemed to be an arrear of tax or charge payable under this Act and shall be recoverable accordingly and any claim for refund in respect of such amount shall neither be admissible to the registered person nor payable to any court of law or to any person under direction of the court.]

(3) The burden of proof that the incidence of tax or charge referred to in sub-section (1) has been or has not been passed to the consumer shall be on the person collecting the tax or charge.]

**4. Zero rating.**— Notwithstanding the provisions of section 3 <sup>2</sup>[**except those of sub-section (1A)**], <sup>3</sup>[...] the following goods shall be charged to tax at the rate of zero per cent:--

- (a) **goods exported, or the goods specified in the Fifth Schedule;**
- (b) supply of stores and provisions for consumption aboard a **conveyance proceeding** to a **destination outside Pakistan** as specified in section 24 of the Customs Act, 1969 (IV of 1969);
- <sup>4</sup>[(c) such other goods, as the Federal Government may specify by notification in the official Gazette, whenever circumstances exist to take immediate action for the purposes of national security, natural disaster, national food security in emergency situations and implementation of bilateral and multilateral agreements:”]; and]
- <sup>5</sup>[(d) omitted.]

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### **5. Change in the rate of tax.**– If there is a change in the rate of tax-

- (a) a taxable supply made <sup>1</sup>[\*\*\*] by a registered person shall be charged to tax at such rate as is in force at the time of supply;
- (b) imported goods shall be charged to “tax at such rate as” is in force,-
  - (i) in case the goods are entered for home consumption, on the date on a <sup>9</sup>[goods declaration] is presented under section 79 of the Customs Act, 1969 (IV of 1969);
  - (ii) in case the goods are cleared from warehouse, on the date on which a <sup>2</sup>[goods declaration] for clearance of such goods is presented under section 104 of the Customs Act, 1969 (IV of 1969);

Provided that where a <sup>9</sup>[goods declaration] is presented in advance of the arrival of the conveyance by which the goods are imported, the tax shall be charged as is in force on the date on which the manifest of the conveyance is delivered:

Provided further that if the tax is not paid within seven days of the of the <sup>3</sup>[goods declaration] <sup>4</sup>[under section 104 of the Customs Act,] the tax shall be charged at the rate as is in force on the date on which tax is actually paid.

**6. Time and manner of payment.** – (1) The tax in respect of goods imported into Pakistan shall be charged and paid in the same manner and at the same time as if it were a duty of customs payable under the Customs Act, 1969 <sup>5</sup>[and the provisions of the said Act <sup>6</sup>[including section 31A thereof], shall, so far as they relate to collection, payment and enforcement <sup>7</sup>[including recovery] of tax under this Act on such goods where no specific provision exists in this Act, apply,].

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<sup>1</sup> Words “in Pakistan” omitted by Finance Act, 2003

<sup>2</sup> Substituted for “bill of entry” by Finance Act, 2005

<sup>3</sup> Substituted for “bill of entry” by Finance Act, 2005

<sup>4</sup> Words, figure and comma inserted by the Finance Act, 1996.



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<sup>5</sup> The Words inserted in place of "IV of 1969" by Finance Act, 1996

<sup>6</sup> The words inserted by Finance Act, 1998.

<sup>7</sup> Words "including recovery" inserted by Finance Act, 2015.

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<sup>1</sup>[(1A) Notwithstanding anything contained in any other law for the time being in force, including but not limited to the Protection of Economic Reforms Act, 1992 (XII of 1992), and notwithstanding any decision or judgment of any forum, authority or court whether passed, before or after the promulgation of the Finance Act, 1998 (III of 1998), the provisions of section 31-A of the Customs Act, 1969 (IV of 1969), referred to in sub-section (1) shall be incorporated in and shall be deemed to have always been so incorporated in this Act and no person shall be entitled to any exemption from or adjustment of or refund of tax on account of the absence of such a provision in this Act, or in consequence of any decision or judgment of any forum, authority or court passed on that ground or on the basis of the doctrine of *promissory estoppel* or on account of any promise or commitment made or understanding given whether in writing or otherwise, by any government department or authority.]

(2) The tax in respect of taxable supplies made <sup>2</sup>[\*\*\*] during a tax period shall be paid by the registered person <sup>3</sup>[by the date as prescribed in this respect] <sup>4</sup>[:]

<sup>5</sup>[Provided that the Board may, by a notification in the Official Gazette, direct that the tax in respect of all or such classes of supplies (other than zero-rated supplies) of all or such taxable goods, as may be specified in the aforesaid notification, shall be charged, collected and paid in any other way, mode, manner or at time as may be specified therein.]

<sup>6</sup>[(3) The tax due on taxable supplies <sup>7</sup>[\*\*\*] shall be paid by any of the following modes, namely:-

- (i) through deposit in a bank designated by the Board; and

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<sup>1</sup> Sub Section (1A) inserted by Sales Tax (amendment) Ordinance, 2002 dated June 07, 2002 and shall be deemed to have always been so inserted.

<sup>2</sup> Words "in Pakistan" omitted by Finance Act, 2013

<sup>3</sup> Words substituted through Finance, Act, 2016.

<sup>4</sup> Substituted for full stop by Finance Act, 1997

<sup>5</sup> Proviso inserted by Finance Act, 1997

<sup>6</sup> Sub Section III substituted by Finance Act, 1996.

<sup>7</sup> Words "made in Pakistan" omitted by Finance Act, 2003.

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- (ii) through such other mode and manner as may be specified by the Board.]

<sup>1</sup>[4. \*\*\*]

**7. Determination of tax liability.** – (1)  
<sup>2</sup>[Subject to the provisions of <sup>3</sup>[section 8 and] 8B, for] the purpose of determining his tax liability in respect of taxable supplies made during a tax period, a registered person shall <sup>4</sup>[, subject to the provisions of section 73,] be entitled to deduct input tax <sup>5</sup>[paid <sup>6</sup>/or payable <sup>7</sup>/during the tax period for the purpose of taxable supplies made, or to be made, by him/ from the output tax <sup>8</sup>[excluding the amount of further tax under sub-section (1A) of section 3.] <sup>9</sup>[ ] that is due from him in respect of that tax period and to make such other adjustments as are specified in Section 9 <sup>10</sup>[:]

<sup>11</sup>[Provided that where a registered person did not deduct input tax within the relevant period, he may claim such tax in the return for any of the six succeeding tax periods.]

(2) A registered person shall not be entitled to deduct input tax from output tax unless,-

- (i) in case of a claim for input tax in respect of a taxable supply made <sup>12</sup>[\*\*\*], he holds a tax invoice <sup>13</sup>[in his name and bearing his registration number] in respect of such supply <sup>14</sup>[, or in case of supply of electricity or gas, a bill bearing his registration number and the address where the connection is installed] <sup>15</sup>[:]

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<sup>1</sup> Sub Section 4 omitted by Finance Act, 1996.

<sup>2</sup> Substituted for the word "for" by Finance Act, 2007

<sup>3</sup> The word "section" substituted by the words and figure "section 8 and" in Finance Act 2014.

<sup>4</sup> Comma and word etc, inserted by Finance Ordinance, 2001

<sup>5</sup> Words inserted by Finance Act, 1996

<sup>6</sup> Words inserted by Finance Act, 2004.

<sup>7</sup> Words inserted by Finance Act, 1998.

<sup>8</sup> Inserted by Finance Act 2014

<sup>9</sup> Words etc "excluding the amount of tax" omitted by Finance Act, 2004

<sup>10</sup> Substituted for the full stop by Finance Act, 2003

<sup>11</sup> Proviso substituted by Finance Act, 2008.

<sup>12</sup> Words "in Pakistan" omitted by Finance Act, 2003.

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<sup>13</sup> Words inserted by Finance Act, 2003.

<sup>14</sup> The expression substituted through Finance Act, 2019.

<sup>15</sup> A Colon substituted the semi colon & Proviso added through Finance, Act, 2016.

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Provided that from the date to be notified by the Board in this respect, in addition to above, if the supplier has not declared such supply in his return or he has not paid amount of tax due as indicated in his return;

- (ii) <sup>1</sup>[in case of goods imported into Pakistan, he holds bill of entry or goods declaration in his name and showing his sales tax registration number, duly cleared by the customs under section 79 <sup>2</sup>[, section 81] or section 104 of the Customs Act, 1969 (IV of 1969);]
- (iii) <sup>3</sup>[in case of goods purchased in auction, he holds a treasury challan, <sup>4</sup>[in his name and bearing his registration number,] showing payment of sales tax;]
- <sup>5</sup>[(iv) \*\*\*]

<sup>6</sup>[(3) Notwithstanding anything in sub-sections (1) and (2), <sup>7</sup>[Board, with the approval of the Federal Minister-in-charge,] may, by a special order, subject to such conditions, limitations or restrictions as may be specified therein allow a registered person to deduct input tax paid by him from the output tax determined or to be determined as due from him under this Act.]

<sup>8</sup>[(4) Notwithstanding anything contained in this Act or rules made there under, the <sup>9</sup>[Federal Government] may, by notification in the official Gazette, subject to such conditions, limitations or restrictions as may be specified therein, allow a registered person or class of persons to deduct such amount of input tax from the output tax as may be specified in the said notification.]

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<sup>1</sup> Clause (ii) substituted by Finance Act, 2003.  
<sup>2</sup> Expression “, section 81” inserted by Finance Act, 2015.  
<sup>3</sup> Clause (iii) inserted by Finance Ordinance, 2002  
<sup>4</sup> Comma and words inserted by Finance Act, 2004.  
<sup>5</sup> Clause (iv) omitted by Finance Act, 1997.  
<sup>6</sup> Sub Section (3) inserted by Finance Ordinance, 2002.  
<sup>7</sup> The expression substituted by Finance Act, 2019.  
<sup>8</sup> Sub Section (4) inserted by Finance Act, 2007.  
<sup>9</sup> Words “Federal Government” substituted by Finance Act, 2018.

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<sup>1</sup>[(5) Notwithstanding anything contained in this Act or the rules made thereunder, the Board, by notification in the official Gazette, may impose restrictions on wastage of material on which input tax has been claimed in respect of the goods or class of goods.]

<sup>2</sup>**[7A. Levy and collection of tax on specified goods on value addition.** – <sup>3</sup>[(1) Notwithstanding anything contained in this Act or the rules made there under, the <sup>10</sup>[Federal Government] may specify, by notification in the official Gazette, that sales tax chargeable on the supply of goods of such description or class shall, with such limitations or restrictions as may be prescribed, be levied and collected on the difference between the value of supply for which the goods are acquired and the value of supply for which the goods, either in the same state or on further manufacture, are supplied.]

<sup>4</sup>[(2) Notwithstanding anything contained in this Act or the rules made thereunder, in respect of the goods or class of goods specified in the Twelfth Schedule, the minimum value addition tax, against the value added by the registered person, shall be payable, at the rate and by the registered persons or class of registered persons, specified therein, subject to the conditions, limitations, restrictions and procedure specified therein:

Provided that the Federal Government may, through a notification published in the official Gazette, amend any provision of the said Twelfth Schedule.]