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Kind Regards,

Huzaima Bukhari
Editor

Online Update is a special e-mail service that is part of your online subscription
AA Consultants & Publishers
Suite # 14, 2nd Floor, Sadiq Plaza, Regal Chowk, Mall Road,
Lahore, Pakistan
Phone. 042-36365582 & 042-36280015 Fax 042-35310721
Email: sales@aacp.com.pk website: http://aacp.com.pk

Dar and data

by
Anjum Ibrahim

Federal Finance Minister Ishaq Dar has blamed the caretakers and the PPPP-led coalition government for the current rise in inflation in the country during his briefing to the Cabinet and the media. Dar then proceeded to provide highly implausible data -implausible not only because the Pakistan Bureau of Statistics simply does not have the requisite data gathering machinery to be able to provide quarterly Gross Domestic Product (GSP) growth rate irrespective of the Finance Minister's directives but also because the released 5.2 percent growth is simply not backed by supporting data.

There are no independent economists who can possibly defend Dar's blame-game, except possibly those who are either desirous of a government post or those who are currently employed by the state. Dar took his blame-game to the level of the ridiculous when he presented two summaries to the cabinet and the media pertaining to the caretaker set-up approving the rise in electricity tariff and 190 billion rupee rise in taxes as per an agreement with the International Monetary Fund (IMF) as proof that his hands were tied in negotiations for the 6.4 billion dollar Extended Fund Facility. Given the Finance Minister's select and limited recall of what he himself said on the floor of the House it is appropriate to remind him of his statement on June 27 on the floor of the House: "The IMF programme shall be in the interest of Pakistan and on our terms and conditions... I have my own plans if we do not agree on the new loan programme." In his usual repetitive mode he added "even if the IMF does not give us a loan, we will not impose new taxes...in case of IMF programme or no programme, there would be no danger of any crisis. I have my own plans if we do not agree on the new loan programme."

There is clearly a discrepancy between what he said in June and what he said last week. Dar is guilty of three major falsehoods. First, he belied his own oft repeated claim that he successfully negotiated a package with the IMF that was on his terms and in the nation's interest rather than proposed by the Fund team; or the caretakers. IT needs to be restated that the IMF like other multilaterals is sensitive to support for its programme from an elected political leadership as opposed to a short-term caretaker set-up that has no public support or in other words, Dar's ownership of the programme in June is credible relative to his 2014 blame-game.

Secondly, Dar overlooked the fact that the present government decided not only to keep the Caretaker Water and Power Minister Musaddaq Malik as an advisor to the Water and Power Ministry, a man who no doubt proposed among other steps the rise in tariffs, to reduce the subsidy which was unsustainable during the caretaker set-up. Of course in his defence the SBP Governor may argue that he did say that the need to go on an IMF programme surfaced by the middle of 2013. However the Governor would be hard-pressed to justify that it is better to negotiate from a position of strength than doing it when one is on his knees.

And finally and most obviously, any elected government can change the taxes levied at a moment's notice and in this context it is relevant to note that Dar enhanced the sales tax by one percent - from 16 to 17 percent in the budget effective less than a week after he was sworn in as the Finance Minister, which further fuelled inflationary pressures. A great majority of economists would argue in favour of tax cuts when economy is slowing down. He also imposed the income support levy without first clearing it from the Ministry of Law, which has been challenged in a court of law, and has also been compelled to withdraw his budgetary measures designed to enhance documentation of the parallel illegal economy because the PML-N's main support base, the business community, threatened strike action and withdrawal of support. Dar had also budgeted a rise in income tax payable by those who earn less than 150,000 rupees per month - a severely flawed decision that he was forced to withdraw when the *Business Recorder* pointed it out. The list of his blunders within the taxation measures proposed in the budget is longer than during the tenure of previous finance ministers and by blaming the caretakers he has simply let the genii out of his own bag of too obvious badly performed tricks.

Dar also claimed in the briefing that he anticipates the inflow of 10 billion dollars this year alone. Such a large amount has no precedence in the history of this country. After 9/11 when Pakistan decided to support the US in the war on terror and the US literally opened the floodgates of assistance total support in nearly a decade was around 10 billion dollars. Be that as it may, Dar budgeted a little more than 5 billion dollars (576.4 billion rupees) or a little less than half of what he now claims. There is no doubt that post-September 2013 Extended Fund Facility IMF programme approval there would be a jump in programme lending/budgetary support given that since 2010 there was no inflow under this head subsequent to the suspension of the 2008 IMF Stand-By Arrangement due to failure to comply with the power sector and tax reforms. Dar budgeted 110 billion rupees (a little over one billion rupees) as programme loans but in his cabinet/media briefing he upped the amount from the World Bank to 1 billion dollars and in this context, it is relevant to note that the World Bank has never ever extended that large a support under programme lending. What is surprising however is the fact that project lending, which one assumed would have increased given the numerous much publicised deals with China and Turkey, is budgeted to decline to 159 billion rupees from 183 billion rupees in the revised estimates of last year.

So where is the 10 billion dollars expected to be generated from? According to the budget, 79 billion rupees would be generated from divestments of public sector entities which Dar rounded off rather inexplicably in his presentation to one billion dollars. The question is if the climate for privatisation in the country (including from outside investors) is favourable and the response has to be in the negative for two reasons. First, while Dar has been compelled to back down from several of his tax proposals and announced yet another amnesty scheme designed to lure black money into documentable investments yet past precedence indicates that its success would be limited. And secondly, investors continue to shy from Pakistan due to law and order issues. Besides while our numerous past governments have been over-optimistic as far as budgeting privatisation proceeds is concerned yet they have never ever been credited in the time period specified.

So where does Dar expect the 10 billion dollars from? More borrowing at higher interest rates sourced to Eurobond floatation (one billion dollars), remittance-based bond floatation (one billion dollars - not likely as remittance income is largely to meet the housing and monthly needs of a family), global rupee bond (one billion dollars) privatisation proceeds (800 million dollars) despite no agreement with a UAE entity in sight, and shares divestment one billion dollars. In other words, the inflow of 5.8 billion dollars is extremely iffy. Add the Coalition Support Fund that as per Dar's briefing has not been cleared since October 2012 and it is doubtful if more than 750 million dollars will be remitted - given the cessation of Nato trucks via Khyber Pakhtunkhwa by the Pentagon.

One can only hope that the Prime Minister takes cognisance of his Finance Minister's tall claims with absolutely no finesse that appears to be very obvious to all but the Prime Minister.

Russia

Russia adjusts law on car recycling tax

Russia has changed the law on its vehicle recycling fee following complaints made to the World Trade Organization (WTO) by the European Union (EU) and others.

The amendment, which was enacted on January 01, 2014, requires domestic automakers to pay the same recycling fee as foreign manufacturers, as requested by Japan in WTO dispute settlement consultations.

The recycling fee, introduced on September 01, 2012, is levied on imported cars, trucks, buses and other motor vehicles at rates ranging from EUR420 (USD571) to EUR147,700. Although the fee also applies to domestic manufacturers, exemption was granted to vehicles from Russia's Customs Union partners Kazakhstan and Belarus, as well as domestic manufacturers which agreed to handle waste safely.

The fee was disputed by the EU, Japan and the United States on the grounds that it appeared to conflict with Article III of the General Agreement on Tariffs and Trade 1994 by giving preferential treatment to Russian and Customs Union car makers.

The amendment removes the exemptions for vehicles produced in Russia, Kazakhstan and Belarus. – *Courtesy tax-news.com*

Austria

Austria submits "provisional" budget for approval

Austrian Vice Chancellor and Finance Minister Michael Spindelegger has finally submitted the Government's provisional budget for 2014 for examination, providing for a raft of tax increases totaling approximately EUR1bn.

Agreed within the framework of the coalition accord between the Social Democrats (SPÖ) and the Austrian People's Party (ÖVP), the provisional budget is due to be approved by the Austrian National Council by the end of the month.

Austria's provisional budget for this year provides for a reform and tightening of the country's group tax regime. In addition, the bill introduces a new model for the standard consumption tax (*Normverbrauchsabgabe*), and modifies the profit allowance for self-employed workers in Austria.

Furthermore, the draft legislation provides for a rise in the motor vehicle insurance tax, for an increase in the tax levied on alcohol and tobacco, as well as for the reintroduction of a sparkling wine tax in Austria.

Finally, the provisional budget for 2014 abolishes the tax break accorded for so-called “golden handshakes,” amends the bank levy, and raises the special contribution to the stability levy to 45 percent.

Commenting, Finance Minister Michael Spindelegger confirmed that the provisional budget is to be supplemented by a “regular” budget for 2014, which will be finalized by the spring. Insisting that a solid budget is the basis for the next few years, Spindelegger concluded by announcing that the medium-term financial plan to 2018, as well as the 2015 Budget, will also be in place by the spring.

The Austrian Government remains committed to achieving a structural “zero deficit” in 2016. – *Courtesy tax-news.com*

South Korea

South Korea expands tax breaks for foreign companies

In support of President Park Geun-hye’s message, during a meeting with executives of foreign companies operating in the country, that South Korea as an ideal home for their businesses, the Ministry of Trade, Industry and Energy has announced further tax incentives for foreign investors.

In particular, rather than simply increasing the amount of foreign direct investment in the country, the Government would like to encourage more foreign multinational companies to site their regional headquarters or research and development centers in South Korea.

The range of incentives to be provided will include a permanent income tax reduction for foreign employees working in foreign companies that have operations in South Korea. Such employees will continue to pay a 17 percent income tax rate, regardless of their salary levels.

In addition, the KRW10m (USD9,400) corporate income tax deduction that foreign firms can currently take each local worker employed is to be increased to KRW20m.

Other incentives will include an extension from three to five years in the maximum visa duration for foreign employees of a corporate headquarters in South Korea, while a foreigners' investment promotion bill has already been passed by the National Assembly that allows the setting up of joint ventures with foreign businesses with a minimum South Korean ownership of 50 percent, rather than the current 100 percent.

Finally, President Park pointed to the fact that South Korea can also offer benefits arising from its wide range of free trade agreements, including those with the United States and the European Union. However, South Korea needs to improve the present situation where, while foreign businesses account for around one-fifth of South Korea's export volume, employment in those companies account for only 6 percent of total jobs. – *Courtesy tax-news.com*

Exports to be allowed through Ghulam Khan checkpost

The federal government has decided in principle to allow export of Pakistani goods, except cement, through the Ghulam Khan checkpost and the traders would also be allowed to carry out transaction in the US dollar in place of the Pakistan rupee.

This was told by President of the Khyber Pakhtunkhwa Chamber of Commerce and Industry (KPCCI), Zahidullah Shinwari, who called on Federal Minister Finance Muhammad Ishaq Dar at meeting in Islamabad on Thursday.

The meeting was also attended by Secretary for Finance Dr Masud Khan, Federal Commerce Secretary Qasim Niaz, State Bank of Pakistan Governor Yasin Anwar, Chairman of Federal Board of Revenue (FBR) Tariq Bajwa and member of Customs Nisar Khan. Zahid Shinwari told The News he briefed the finance minister, besides other problems being faced by the traders and business community in Khyber Pakhtunkhwa, on the impediments to the implementation of the Afghanistan Pakistan Transit Trade Agreement (APTTA).

He said the finance minister assured that cigarettes and auto parts would be removed from the APTTA negative list and exports of Pakistani goods, except cement, would be allowed through the Ghulam Khan checkpost. Soon notifications would be issued to this effect, Zahid Shinwari quoted Finance Minister Ishaq Dar as informing the meeting.

He said that the minister also agreed to his (Shinwari) proposal that Pakistani exporters should be given 60 days to complete their transaction and those cigarettes and auto parts would be removed from the APTTA negative list. The exporters would also be allowed to carry out their transaction in American currency. Zahid Shinwari also said federal secretary for commerce and FBR chairman would visit the KPCCI in the third week of the current month. – *Courtesy International The News*

Govt ends Pak-Afghan trade in rupee

In an apparent move to support foreign exchange reserves, Pakistan on Thursday decided to stop trade with Afghanistan in rupee and discourage persons going abroad from taking out foreign exchange in cash.

The decisions were taken at two back-to-back meetings, presided over by Finance Minister Ishaq Dar and heads of State Bank of

Pakistan, Federal Board of Revenue, Secretaries of Commerce and Finance.

Rana Assad Amin, a finance ministry spokesman and adviser, told Dawn that there were reports that unscrupulous elements were taking out foreign currency in bulk, taking advantage of central banks' lenient view.

The governor of State Bank, Dr Yasin Anwar, told the meeting that the present limit of $10,000 for each person per trip abroad was being misused and believed that the limit be reduced by half to $5000 per person per visit.

Rana said it was felt that genuine travelers never took out such a huge amount of foreign exchange in cash and instead preferred credit cards and foreign exchange bearer certificates because of the risk factor.

This meant people related to currency business might be involved in pilferage of foreign exchange.

It was, therefore, decided to impose a limit of $5,000 or equivalent in other currencies per person per trip who wanted to carry currency notes.

At the same time, each child up to 12 years of age would be entitled to 50 per cent allowance while an infant would be permitted an allowance of 25pc.

"Every civilised nation had its own foreign currency exchange control regime that is adjusted according to changing situation and Pakistan is no exception," he said.

Rana said Pakistan had allowed trade with Afghanistan in Pakistani currency in 2001-02 when there were no banking facilities.

Now it had been felt that enough time had passed since then and both the countries have established banking channels, therefore, there was a need to introduce normal trading arrangements as is the case with the rest of the world.

He said the head of Khyber Pakhtunkhwa Chamber of Commerce and Industry Zahidullah Shinwari was also consulted on the issue who reported that they had in fact proposed to the government to shift to the normal trading system in foreign exchange.

The meeting was informed that Pakistan's export to Afghanistan during 2012-13 amounted to $2.3bn but half of this trade took place in rupee.

After consultations with the relevant ministries, the finance minister decided that payments against exports to Afghanistan would no longer be in rupee and the normal trading regime would apply from Mar 17.

A two-month period was, however, allowed to exports to complete their transactions already in the pipeline.

The KCCI president drew the attention of the finance minister to difficulties being faced by exporters to utilise the route of Ghulam Khan as it was restricted for export of cement only.

He suggested that other items should also be allowed to be exported through Ghulam Khan route.

On being supported by the FBR chairman and the ministry of commerce, the finance minister decided to allow export of all exportable items also from Ghulam Khan, saying this would help develop business in the backward areas of KPK and also stimulate growth of exports to Afghanistan.

The relevant ministries were directed to immediately take steps for implementation of the decisions through necessary amendments in the procedures.

The minister said the decision was expected to earn foreign exchange of $1bn, raise exports to Afghanistan, benefit businesses as well as the people of Khyber Pakhtunkhwa and reflect actual export figures of the country. – *Courtesy Dawn.com*

Beverage makers: FBR to fix net rate of FED/ST per spout

The Federal Board of Revenue has decided to fix net rate of federal excise duty/sales tax per valve/spout (filler machines) of beverage manufacturers under the capacity tax regime to overcome massive shortfall from the beverage industry in remaining months of 2013-14. Sources told here on Thursday that the beverage manufacturers would not be entitled to input tax adjustment or refunds under the revised capacity tax regime.

The FBR has proposed Rs 0.225 million per spout per month (factories with imported filler machines or mix of imported and local filler machines); Rs 0.175 million per spout per month (factories with exclusively local filler machines) and Rs 0.05 million per spout per month (factories having less than 40 spouts).

The FBR has moved a proposal to the Finance Minister for approval. The FBR will amend the capacity tax rules through issuance of a notification following approval of the Finance Minister, sources added. Details of the issue revealed that on the request of major manufacturers of aerated waters, and their assurance/commitment to enhance the revenue paid by the industry by 25 percent over the previous year, the mode of collection of sales tax and Federal Excise Duty (FED) was changed to capacity-based taxation vide SRO 649/2013 with effect from July 9, 2013. As per provisions of this S.R.O. the beverage industry was required to pay sales tax/FED on the basis of the number of spouts/valves installed in each factory, as per rates and schedule provided in the said notification. The factories having only foreign origin filling machines or a mix of foreign and local origin filling machines, whether used for manufacturing foreign or local brands, the rate of tax per filling value or spout is Rs 4,700,000; factories exclusively having local origin filling machines, whether used for manufacturing foreign or local brands, rate of tax per filling value or spout is Rs 3,760,000 and factories where the total number of filling machines or spouts installed are less than 40, rate of tax per filling value or spout is Rs 1,175,000.

Sources said that the FBR has been monitoring the performance of capacity regime since July 2013, and has found that it has resulted in a sizable decline in duty and tax collection by the government from the industry. The major reasons for such decline have been analysed and found to be as follows: By indicating a higher number of filling valves/spouts than actually installed, the industry managed to get the rate per valve fixed at a lower level and some of the manufacturers started claiming excessive input tax adjustments, in contrast to the earlier assurances given in this regard.

Firstly, there is a sizable decrease in growth of taxes. Against the targeted figure of Rs 7.7 billion for the year, the industry is projected to pay only Rs 1.6 billion till December 2013, which is just 21 percent of the targeted figure. Secondly, there is an unprecedented increase in input tax adjustments of 24 percent, creating refunds in some cases.

Thirdly, there is substantial reduction in the growth of FED payment by one of the concentrate sellers. Fourthly, there has been a reduction in the number of spouts brought into the system. Fifthly, some of the bottlers have gone into litigation, and have obtained stay from the Lahore High Court against working under the notification.

The prices of aerated waters have been increased by 22-28 percent, but the government is not getting any additional revenue on the enhanced prices because the rates were fixed on per spout basis. In order to address loopholes in the system and to ensure that the required growth in net taxes paid by the industry, several meetings were held with the industry representative since early November, 2013. In these meetings it was impressed upon the industry to fulfil their commitment of 25 percent growth in revenue, sources said.

In order to make up the shortfall in revenue, the calculations suggest that either the rate of tax per spout has to be enhanced or the industry should revert back to the normal mode of collection. Accordingly, the industry was informed about the current situation and was offered the following options:

OPTION 1: Fixation of net rate of duty/tax per valve (without input tax adjustment). The proposed net rate per spout was as follows:

Rs 0.225 million per spout per month (factories with imported filler machines or mix of imported and local filler machines); Rs 0.175 million per spout per month (factories with exclusively local filler machines) and Rs 0.05 million per spout per month (factories having less than 40 spouts).

OPTION 2: Enhancement of gross rate of duty/tax per valve, with restriction on claiming input tax adjustment over 75 percent of output taxes. Proposed gross rate per spout was as follows: Rs 0.9 million per spout per month (factories with imported filler machines, or mix of imported and local filler machines); Rs 0.7 million per spout per month (factories with exclusively local filler machines) and Rs 0.2 million per spout per month (factories having less than 40 spouts).

OPTION 3: Reversion to the normal FED and sales tax regime as existed on July 1, 2013 (with 9 percent FED and l7 percent Sates Tax on the printed retail price). After prolonged discussions, the emergent situation is that although both leading bottlers desire continuation of the capacity regime, there is no consensus on the policy options. One top beverage company want to pursue Option 1 but with reduced rate of Rs 0.175 million per spout per month, whereas second bottler want to adopt Option 2, with some adjustments in rates and other changes. Despite all efforts, the bottlers of the two major companies could not arrive at a mutually agreeable position due to serious disputes among them.

As of now, both these groups of bottlers are enjoying substantial benefits, including exemption from audit and the requirement to print retail price and amount of tax on the bottles. Since prices of soft drinks have been enhanced, the bottlers are recovering the full amount from the general public but are only paying a fraction of it as tax to the national exchequer. The revenue loss as compared to the old regime is estimated to be around Rs 3 billion till December 31, 2013. In view of the above scenario, the FBR would enforce option-1 for the remaining part of the financial year by fixing net rate of federal excise duty/sales tax per valve/spout installed at factories, they added. – *Courtesy Business Recorder*

Bullish bourses Pasha sees Rs 100 billion CGT potential

Renowned economist Dr Hafiz A Pasha has estimated around Rs 100 billion as potential of Capital Gains Tax (CGT) from bullish stock exchanges and asked the Federal Board of Revenue (FBR) to take appropriate measures for exploiting full potential of taxes from capital market in Pakistan.

Top economist has given viable proposals to FBR during a day-long workshop on "Study to design the revamped/reformed FBR strategy," organised by the FBR on Thursday. It was an internal workshop of the FBR to prepare a strategy paper containing tax policy measures to raise tax-to-GDP ratio up to 15 percent.

According to sources, the viable suggestions of Dr Hafiz A Pasha would be incorporated in the next federal budget for improving tax policy of the country, resulting in expanding the tax-base and increasing overall revenue collection. Tax policy proposals of the top economist were appreciated by the FBR's team of tax managers headed by FBR Chairman Tariq Bajwa.

During the presentation of Dr Hafiz A Pasha, he presented his working on the CGT and proposed that the FBR can generate Rs 100 billion as tax from the stock exchanges in view of current bluish trend at the bourses. The ongoing positive trend in stock exchange should also be reflected in the tax payments. In India, tax authorities are getting Rs 150 billion from stock exchanges. On the other hand, the CGT collection from stock exchanges is around Rs 1.2 billion whereas the actual potential is around Rs 100 billion in Pakistan.

Renowned economist also proposed imposition of the regulatory duty (RD) on the import of non-essential items or luxury goods.

Except essential commodities, the non-essential items be subjected to the RD to curtail the import of such items. He further proposed the FBR to take away unnecessary concessions and reduction in taxes granted to the automobile sector. Car manufactures are earning huge profits due to such tax concessions which need to be checked through effective tax policy.

He proposed that the exemption notifications and statutory regulatory orders (SROs) be rescinded to provide level plying field to all businesses and remove distortions in the tax regime. Dr Hafiz A Pasha also talked about effective audit, integration of taxes and other policy and administrative measures to improve overall taxation system in the country. The proposals relating to tax policy and administration, aiming at increasing tax to GDP ratio to 15% in next 5 years would be formulated by the FBR for incorporation in the strategy paper.

It has been decided that the FBR will convene more internal workshops to finalise strategy paper to raise tax-to-GDP ratio. The purpose of the whole exercise is to raise the Tax-to-GDP ratio in the next five years for which new tax policy measures would be finalised, sources added. – *Courtesy Business Recorder*

Revenue leakage: Ship breakers, gold importers face action

The Federal Board of Revenue (FBR) has decided to tighten noose around ship breakers, gold importers and others to plug revenue leakage. The decision was made by Syed Ijaz Hussain Director General, Intelligence and Investigation (I&I), Inland Revenue (IR) during recent visit to Karachi, sources said here on Thursday.

They said the DG I&I had convened a meeting with the officials of Inland Revenue and directed them to expedite the process of tax recovery besides taking appropriate measures to plug revenue leakage. Sources said that DG Ijaz Hussain had ordered field formations to take action against tax evaders in ship breaking industry and gold import.

They said field formations had also been tasked to deal with non-taxpayers, having luxury vehicles and bogus refund claimants with an iron hand. Replying to a question, sources said the I&I, IR, Karachi had so far gone hammer and tongs against unscrupulous elements and remained successful in establishing deterrence.

Sources said investigation in a fake refund case had been initiated by I&I-IR Karachi in April 2012 and since then, the department had identified a colossal revenue loss of Rs 4 billion. They said the department had not only recovered around Rs 2 billion in this case but also averted further revenue loss by blocking fake refunds amounting to Rs 2.7 billion.

Consequently, officials from all three Regional Tax Offices (RTOs) at a meeting with DG I&I-IR avowed that measures taken by I&I-IR, Karachi would ensure upsurge in its revenue collection. The official figures presented by all the three RTOs at a meeting revealed that RTO-I, Karachi has shown 9389 percent growth in its revenue collection.

RTO-I has accumulated Rs 3.047 billion during first quarter of current fiscal year as compared to Rs 32.12 million collected in the corresponding period last year. Similarly, RTO-II has registered 350.94 percent growth generating Rs 5.116 billion against Rs 1.134 billion in previous period. The revenue collection of RTO-III has also increased by 191 percent as it has succeeded in generating Rs 2.81 billion as compared to last Rs 966.56 million. – *Courtesy Business Recorder*

Lower ST payments: FBR initiates probe against tea sector

The Federal Board of Revenue has started investigation against the tea sector to ascertain reasons for not showing substantial increase in sales tax payments in 2013-14, after withdrawal of concessionary rate of 5 percent sales tax on the commodity and imposing standard rate of 17 percent sales tax.

Sources told here on Thursday that the FBR had notified lower rate of 5 percent sales tax on import and supply of black tea through SRO.608(I)/2012 dated June 01, 2012. According to the notification, Federal Government had specified that sales tax shall be charged at the lower rate of five percent on import and supply of black tea. In 2012, sales tax was reduced on tea from 16 to 5 percent as a measure to check smuggling of the commodity.

Later, the Board in March 2013 had imposed the standard rate of sales tax on the import of tea and issued a notification in this regard. The Board had withdrawn the concessionary rate of 5 percent sales tax on tea and imposed standard rate of sales tax on the commodity. The FBR had taken the plea that tea manufacturers failed to pass on the benefit of major reduction in sales tax to consumers during the last six months of 2012-13. The second commitment made by tea industry was that smuggling would be controlled due to reduced rate of sales tax. However, smuggling of tea continues despite applicability of lower rate of sales tax in 2012-13. The legal import of the commodity was also not increased during the last six months of 2012-13.

According to the sources, the FBR was expecting 300 percent increase in sales tax payment due to increase in sales tax from 5 percent to 17 percent. Three times increase in rate of sales tax should have resulted in 300 percent increase in sales tax contribution by the tea sector. However, the tea sector has not contributed 300 percent increase as far as sales tax payments are concerned during first half (July-December) of 2013-14. Contrary to this, the FBR had witnessed increase of 20-25 percent in sales tax from tea manufacturers. The FBR is ascertaining the reasons behind such sales tax payments before taking some enforcement action against the said sector, sources added. – *Courtesy Business Recorder*

C.No.4(10)ST-L&P/2011-4443 Islamabad, the 9th January, 2014

SALES TAX GENERAL ORDER NO. 02/2014

Subject: **Amendment in STGO 07/2007 dated 13-09-2007 – allowing facility of zero-rating on supply of electricity.**

In exercise of the powers conferred by clause (d) of section 4 of the Sales Tax Act, 1990, the Federal Board of Revenue is pleased to make the following further amendments in its Sales Tax General Order No. 07 of 2007 dated 13th September, 2007, namely:–

In the aforesaid General Order, in the Table, after serial number 1325 in column (1) and the entries relating thereto in columns (2), (3) and (4), the following new serial number and the entries relating thereto shall be **added,** namely:–

S. #	Name of Unit	Registration No.	Consumer No.
1326	M/S A.A.A. Dyeing & Finishing	1200520939173	AP 045954

C.No.4(3)ST-L&P/2011-4452 Islamabad, the 9th January, 2014

SALES TAX GENERAL ORDER NO. 03/2014

Subject: **Amendment in STGO 16/2007 dated 13-09-2007 – allowing facility of zero-rating on supply of gas.**

In exercise of the powers conferred by clause (d) of section 4 of the Sales Tax Act, 1990, the Federal Board of Revenue is pleased to make the following further amendments in its Sales Tax General Order No. 16 of 2007 dated 13th September, 2007, namely:–

In the aforesaid General Order, in the Table, after serial number 1022 in column (1) and the entries relating thereto in columns (2), (3) and (4), the following new serial number and the entries relating thereto shall be **added,** namely:–

S. #	Name of Unit	Registration No.	Consumer No.
1023	M/S A.A.A. Dyeing & Finishing	1200520939173	1576480000 (7)

2014 TRI 45 (H.C. Ker.)

HIGH COURT OF KERALA AT ERNAKULAM

V. Chitambaresh, J.

Narath Mapila LP School
v.
1. Union of India
2. Central Board of Direct Taxes
3. Commissioner of Income Tax (TDS)
4. Commissioner of Income Tax, Aayakar Bhavan
5. Deputy Commissioner of Income Tax

FACTS/HELD

Section 234E: High Court grants interim stay on levy of fee for failure to file TDS statement

1. S. 234E of the Income-tax Act, 1961 inserted by the Finance Act, 2012 provides for levy of a fee of Rs. 200/- for each day's delay in filing the statement of Tax Deducted at Source (TDS) or Tax Collected at Source (TCS). The constitutional validity of s. 234E has been challenged in the Kerala High Court. Vide an interim order dated 18.12.2013, the High Court has admitted the Petition and granted a stay of proceedings for a period of two months

Order accordingly.

Writ Petition(C) No. 31498/2013(J).

Decided on: 18th December, 2013.

Present at hearing: S. Arun Raj, for Petitioner.

Writ Petition (civil) praying inter alia that in the circumstances stated in the affidavit filed along with the WP(C) the High Court be pleased to stay all the proceedings initiated against the petitioner by the 5th respondent under section 234E of the Income Tax Act pending final disposal of the Writ Petition and render justice.

This petition coming on for admission upon perusing the petition and the affidavit filed in support of WP(C) and upon hearing the arguments of Sri. S. Arun Raj, Advocate for the petitioner, Standing Counsel for respondents, the court passed the following.

JUDGMENT

V. Chitambaresh, J.–

Standing Counsel takes notice for the respondents.

There will be an interim order as prayed to enure for a period of 2 monhts.