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# **SALES TAX UPDATES**

**APRIL 2025**

## Minimum Value of Sugar for Payment of Sales Tax



The Federal Board of Revenue [FBR] issued Notification vide No. SRO 577(I)/2025 dated 8 April 2025 whereby the minimum ex-mill value of domestically produced white crystalline sugar has been fixed by connecting with the retail price of refined sugar published by Pakistan Bureau of Statistics [PBS]. The said notification is applicable with effect from 1 April 2025, retrospectively. Previously, such minimum ex-mill value was fixed at Rs.72.22 per kg as notified through SRO 1027(I)2021 dated 16 August 2021. SRO 1027 rescinded by FBR based on the decision of Lahore High Court [LHC] in case of Writ Petition vide No. 53924 of 2022. LHC set-aside SRO 1027 and directed FBR to consult with sugar mills before issuance of any such notification.

By virtue of the said notification, the supplier of such domestically produced white crystalline sugar is required to pay sales tax on average national retail price of refined sugar excluding Rs.16 which was published by BPS before 1st & 16th of every month. Such value will be applicable for respective fortnight starting on 1st & 16th every month. It is notable that such BPS's notified price is inclusive of sales tax. Therefore, the supplier will have to exclude the sales tax from such price notified by BPS.

For instance, on 27 March 2025, PBS notified the national average price of refined sugar per KG @ Rs. 168.8/-. Since such price is inclusive of sales tax @ 18%. By adopting the above formula, the minimum ex-mill value of such sugar will be Rs.129.5 per KG which is subject to sales tax. In case when supplies are made to manufacturing, processing or packaging entity, Federal Excise Duty of Rs.15/- per KG will require to include in said value before charging sales tax.

## Changes in Federal Sales Tax Return



Through SRO 578 (I)/12025 dated 8 April 2025, Federal Board of Revenue has introduced amendments in Form STR-7 (Sales Tax Return) which is annexed to Sales Tax Rules 2006. Changes are made in Annex-A (Domestic Purchase Invoices) & Annex-C (Domestic Sales Invoice) to include Description Column.

This amendment will enable the supplier to declare an actual description of goods in Annex as mentioned on the sales tax invoice in addition to the standard description associated with HS Code.

Besides the above amendments, Annex-C1 has been introduced for suppliers to declare the receipt of payment against sales tax invoices issued by the supplier. This amendment helps tax authority to monitor the compliance of Section 73 of the Sales Tax Act, 1990 electronically and conduct electronic audits through IT tools. This declaration will also assist tax authority to connect the declaration of sales tax invoices with Bank Statements. Considering the above changes, FBR will soon incorporate Annex-C1 into Sales Tax Return available at IRIS.

This requirement will entail additional resources for the taxpayers. FBR needs to issue circular explaining rational for introducing such new reporting requirement. Previously, Annex-F (Carry Forward Summary) is inadvertently perceived by tax authority as Stock Statement which also led to increase in litigation cost.

FBR is introducing such amendments in Sales Tax Return without taking stakeholders consultation and understanding practical issues to be faced by businesses. Besides all, FBR may provide implementation time to taxpayer so that businesses may equip their internal reporting mechanism with FBR's reporting requirements.



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