

# Finance Act 2019

Presentation of

GCA Team

The logo for GCA CONSULTANTS features the company name in a white, bold, sans-serif font centered within a solid red rectangular background. The background of the entire slide is white, with abstract green geometric shapes in various shades and orientations on the right and bottom edges.

**GCA CONSULTANTS**

# Intended Users

The target audience for this GCA Budget video is **“ICAP Fraternity including Students & General Public”**. ICAP students who will appear in following upcoming attempts can use this video:

Winter-19,

Spring-20,

Summer-20

&

Autumn-20 only.

- ▶ Effective date of applicability of these changes will be July 1, 2019, unless otherwise mentioned.
- ▶ Nothing contained in this document shall be construed as our advice in general or on a given case, accordingly, for ascertaining any effect of these changes in general or particular, the wordings in the Bill should carefully be examined, taking into consideration the applicable laws and regulations, and precise advice should be sought before taking any decision based on, or acting up on any of the contents hereof.

A close-up photograph of a hand holding a small, rectangular wooden block. The block is light-colored with a natural wood grain and has the words "income tax" printed on it in a bold, black, sans-serif font. The block is held between the thumb and index finger. In the background, several gold-colored coins are stacked vertically, slightly out of focus. The overall lighting is soft and natural, highlighting the textures of the wood and the skin.

**income tax**

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Scroll  
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Insert

Home

Page  
Up

## SIGNIFICANT CHANGES

- ✓ Increase in tax burden on individuals, including salaried individuals.
- ✓ Minimum threshold of salary component in total income increased from 50% to 75% for taxation as salaried individual.

**EXEMPT**  
**ALLOWANCES**  
**& BENEFITS**



## Description

## Condition/ Limit

Medical benefit or reimbursement

Medical facility or hospital charges are fully exempt, if provided in accordance with the terms of employment.



**Note:** Exemption is available only when NTN of the hospital or clinic is disclosed and the employer certifies and attests the bills.

Medical Allowance | without any medical facility

Exempt up to 10% of basic salary.

Special allowance or benefit | Other than entertainment or conveyance allowance

Fully exempt, if granted to meet expenses wholly and necessarily incurred in the performance of duties.

Employer's contribution to provident fund

Exempt up to lower of Rs.150,000 and 10% of salary, such that the amount does not exceed employee's contributions.

**Gratuity/  
superannuation/  
Commutation of  
Pension | Received in  
Pakistan by residents**

<b>On retirement/ death</b>	
<b>Receipts from</b>	<b>Treatment</b>
<b>Approved Funds</b>	<b>Fully Exempt</b>
<b>Approved Schemes</b>	<b>Exempt up to Rs.300,000</b>
<b>Other cases</b>	
<b>Exempt up to lower of 50% of the amount or Rs. 75,000. Residual amount to be taxed at the current rate of tax.</b>	

**Pension**

Fully exempt, where the person does not continue to work for the same employer or an associate of the employer.  
**Note:** In case of pensions from more than one source, the pension representing the highest amount would be exempt.

ALLOWABLE

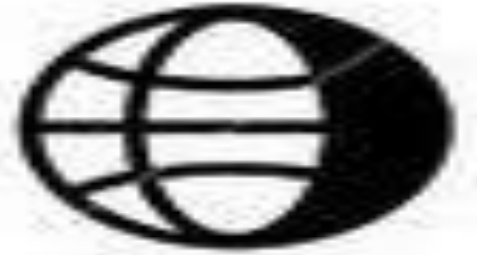
Tax

Deductions

Description	Criteria	Limit
Donations	To NPOs as per Clause (61) Part-I of 2nd Sched. to the I.T. Ordinance	Up to 30% of taxable income.
Zakat	Under the Zakat & Ushr Ordinance	100% (i.e. the full amount of zakat).
Profit on debt	Paid on loan acquired for purchase or construction of house   <b>Note1</b>	Lower of: a. 50% of taxable income; and b. Rs. 2 Million
Education expenses	On tuition fees paid to educational institution   <b>Note2</b>	Lower of: a. 5% of total tuition fee; b. 25% of taxable income; and c. Rs. 60,000 x No. of children

**Note1** | Profit on debt means profit/ share in rent and appreciation in value of house paid to banks, financial institutions, government, local authority, statutory body or listed company. This implies that loan from employer is also covered if it is a listed company or statutory body.

**Note2** | The deduction of allowance is restricted to individuals having annual taxable income up to Rs.1,500,000. The deduction is allowed upon furnishing of NTN or name of educational institution.



**Allowances**

Description	Remarks
Utilities allowance   Water, gas, electricity	Fully Taxable.
House rent allowance	Fully Taxable.
Accommodation   Whether furnished or not	45% of basic salary to be included in taxable salary.
Leave fare assistance	Fully Taxable.
Salary of domestic servant   House-keeper, gardener, etc.	Fully Taxable.
Capital receipt on termination of employment	Fully Taxable.
Tax paid by the employer	Fully taxable – salary is to be grossed-up by tax paid by the employer on behalf of the employee.

<p><b>Interest-free loans to employees or loans at concessional rates</b></p>	<p>The difference between benchmark rate and the rate charged (if lower) is taxable. The benchmark rate has been fixed at 10% w.e.f. July 1, 2012. Not taxable in case:</p> <ul style="list-style-type: none"> <li>a. the amount of loan is up to Rs.1,000,000; or</li> <li>b. where the employee waives interest on his account with the employer.</li> </ul>				
<p><b>Conveyance allowance</b></p>	<p>Fully Taxable.</p>				
<p><b>Motor vehicle</b>   Owned and maintained by employer</p>	<table border="1" style="width: 100%; text-align: center;"> <tr> <td style="background-color: #90EE90;"><i>Partly for private use</i></td> </tr> <tr> <td>Taxable at 5% of cost or 5% FMV in case of lease.</td> </tr> <tr> <td style="background-color: #90EE90;"><i>Wholly for private use</i></td> </tr> <tr> <td>Taxable at 10% of cost or 10% FMV in case of lease.</td> </tr> </table>	<i>Partly for private use</i>	Taxable at 5% of cost or 5% FMV in case of lease.	<i>Wholly for private use</i>	Taxable at 10% of cost or 10% FMV in case of lease.
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Taxable at 5% of cost or 5% FMV in case of lease.					
<i>Wholly for private use</i>					
Taxable at 10% of cost or 10% FMV in case of lease.					

**Description****Remarks**

Waiver of loan by the employer

Fully Taxable.

Discharge of debt by employer

Fully Taxable.

Transfer of assets or property

To be included in income of the employee at Fair Market Value less value of consideration paid.



## Employee share scheme

### *Value of right/ option*

Not chargeable to tax until:

- a. the right/ option is disposed;
- b. shares are acquired.

### *Disposal of right/ option*

The difference between 'a.' & 'b.' is chargeable to tax:

- a. consideration for right/ option;
- b. cost in respect of said right/ option.

### *Acquisition of shares*

The difference between 'a.' & 'b.' is chargeable to tax:

- a. fair value of shares;
- b. sum paid against acquisition of shares.

### *Shares acquired under transfer restriction*

Amount is taxable only at the earlier of:

- a. acquisition of transfer rights;
- b. at the time of actual disposal of shares.



**MONEY**

**Tips on  
Tax Saving**

Applicability	Red. Rate	Eligibility criteria
Senior citizens	50%	Age to be 60 yrs or more at beginning of tax year & income is up to Rs.1M
Disabled persons		Holding a CNIC for disabled persons & income is up to Rs.1M
Full time teachers & researchers	25%	<p>Employed in HEC recognized non-profit education or research institutions, including government research institutions.</p> <p><b>Exclusion</b>   Teachers of Medical Profession who are also engaged in private practice or receive share of consideration from patients.</p>

# TAX CREDITS

**Applicable Amount\***

**X**

**Tax before allowing any Tax Credit(s)  
Taxable Income for the Tax Year**

GC  
Consultants

Specified Items	*Applicable Amount		
	Lower of:		
Charitable Donations   <b>Note 1</b>	Amount of donation OR Fair value of donated property		30% of Taxable Income
Investment in Shares & Insurance Premium   <b>Note 2</b>	Cost of shares acquired or Premium paid	20% of Taxable Income	Rs.2,000,000
Health Insurance Premium   <b>Note 3</b>	Premium/ contribution paid	5% of Taxable Income	Rs. 150,000
Contribution to Approved Pension Fund	Amount Contributed	20% of Taxable Income   <b>Note 4</b>	

**Note1** | Profit on debt means profit/ share in rent and appreciation in value of house paid to banks, financial institutions, government, local authority, statutory body or listed company. This implies that loan from employer is also covered if it is a listed company or statutory body.

**Note2** | The deduction of allowance is restricted to individuals having annual taxable income up to Rs.1,500,000. The deduction is allowed upon furnishing of NTN or name of educational institution.

**Note3** | The benefit is restricted to resident person being filer (i.e. bome on Active Taxpayers List) and health insurance premium is paid to insurance companies registered with SECP.

**Note4** | Additional contribution allowed to persons joining a fund up to June 30, 2016, if the age at joining is 41yrs or above. The said additional contribution is allowed at 2% for each year exceeding the age of 40 years such that the applicable amount does not exceed 50% of last year's taxable income. The further 2% additional contribution is allowed upto June 30, 2019 provided that contribution amount does not exceed 30% of last year's taxable income.

# Section: 100(BA)

## [Person not appearing in ATL]

The concept of filers and non-filers was introduced in the Ordinance through the Finance Act, 2014.

A separate **10<sup>th</sup> schedule** in the Ordinance was inserted to deal with persons who are not on the ATL.

**The Tenth Schedule provides that the rate of withholding will be doubled in case of deduction or collection from such persons.**

However, the schedule provides exception in case of the following payments –

- Salary;
- Payment to non-residents other than on account of royalty, fees for technical service, insurance premium
- Payment to a Permanent Establishment in Pakistan of a non-resident person other than on account of providing services or contract or any general payment to a non-resident.
- Payment on account of exports
- Tax deductions from payment of rent
- Tax deductions from withdrawal of balance from pension funds
- Tax collection from cash withdrawal from a bank
- Tax collection on banking transactions
- Collection of tax by NCCPL
- Collection of tax on domestic or commercial electricity consumption
- Tax collection from steel melters



- Purchase of air tickets
- Functions and gatherings
- Cable operators
- Educational institutions
- Dealers and commission agents
- Purchase of international air tickets
- Non-cash banking transactions
- Payment for use of machinery and equipment
- Remittance of education related expenses
- Extractions of minerals
- Tobacco

The payer would be required to furnish an application to the Commissioner in writing electronically providing:

- details of the person from whom he intends not to collect tax,
- details about the payee
- the nature of payment and
- the basis on which he is not liable to be a tax filer.

The Commissioner on such application would decide the matter within 30 days and direct the payer accordingly.

# Assessment under 10th Schedule

- ▶ Commissioner shall undertake a provisional assessment of the person from whom tax has been withheld under the Schedule but he has failed to file the return of income within the prescribed time or extended time.
- ▶ Carried out within 30 days of the due date of filing of return.
- ▶ The income of shall be:
  - ▶ treated as imputed on the basis of tax that has been withheld at source
  - ▶ treated as un-explained income.
- ▶ Once the provisional assessment has been finalized and served on such person, he can file a return of income within 45 days of the service of the provisional order. In which case the provisional assessment shall stands abated.

- ▶ If a return of income is not filed within 45 days of service of order of provisional assessment, then such assessment is to be treated as final assessment order.
- ▶ In such a case the Commissioner is also proposed to be empowered to pass an order within 30 days of finalization of assessment for imposition of penalty on account of non-furnishing of return and concealment of income.
- ▶ Commissioner to amend an assessment on the basis of definite information from an audit or otherwise.
- ▶ The restrictions introduced on purchase of immovable property and moveable property on Non-filers in Section 227C be abolished.

- ✓ the person from whom tax is required to be collected or deducted, has also been allowed to furnish such notice to the Commissioner.

# Section: 37

## [Capital Gain]

New & separate mechanisms for computation of capital gain on disposal of:

- (i) open plot, and
- (ii) constructed property.

Consideration received	XXX
Cost of the asset	<u>(XXX)</u>
<b>Capital gain</b>	<b><u>XXX</u></b>

- ✓ Capital gain will continue to be a SBI.

- ▶ The capital gain will, however, be reduced by 25% depending on the holding period of the immovable property disposed of.

### Holding period

<b>Open plot</b>	exceeds 01 year but does not exceed 08 years
<b>Constructed property</b>	from 01 year to 04 years

- ▶ Where the immovable property is disposed of after holding period of 08 years for open plot and 04 years for constructed property respectively, the capital gain will be taken to be zero.
- ▶ An interesting outcome of this mode of taxation is that where the capital gain becomes zero depending upon the holding period as discussed above, super tax under Section 4B of the Ordinance will not apply for, there would not be any income recognizable for the purpose of computation of super tax.

The reduction of 50% of tax payable in respect of capital gains on disposal of immovable property on the first sale of immovable property acquired or allotted to ex-servicemen and serving personnel of Armed Forces or ex-employees or serving personnel of Federal and Provincial Governments, being original allottees of the immovable property, duly certified by the allotment authority remains intact.



<b>S. No.</b>	<b>Description</b>	<b>Rate of tax</b>
1.	Where the gain does not exceed Rs 5 million	5%
2.	Where the gain exceeds Rs 5 million but does not exceed Rs 10 million	10%
3.	Where the gain exceeds Rs 10 million but does not exceed Rs 15 million	15%
4.	Where the gain exceeds Rs 15 million	20%

# Set off of losses of companies operating hotels

- ✓ Under the income tax law, where a company registered in Pakistan or Azad Jammu and Kashmir (AJ&K), operating hotel in Pakistan or AJ&K sustains a business loss in any tax year, such company is entitled to have the amount of loss set-off against the company's income for tax year 2007 and onwards.
- ✓ Such entitlement shall now be restricted to public companies defined in the Companies Act, 2017. Further, the public companies operating hotels in Gilgit Baltistan shall also be entitled to avail the benefit of this provision.

## Section: 75(A)

### [Purchase of asset through banking channel]

- New section in the Ordinance.
- Purchase of assets set as out below shall now only be made through a crossed cheque drawn on a bank or through a crossed demand draft or crossed pay order or any other crossed banking instrument -
  - (a) Immovable property having fair market value greater than PKR 05 million;
  - (b) Any other asset having fair market value of more than PKR 01 million
- Fair market value means the value notified by FBR or the value fixed by the provincial authority for the purposes of stamp duty, whichever is higher.
- If transaction of purchase of the asset is not carried out in the manner prescribed above, such asset shall not be entitled for allowance of depreciation or amortization.
- Amount paid other than in the specified manner shall not be regarded as cost for the purpose of computing gain on disposal of such asset.
- Penalty of 5% of the fair market value of the asset so purchased.

# Section: 65(B)

## [Tax credit for investment]

- ▶ The tax credit currently available under Section 65B in respect of investment in the purchase of plant and machinery for the purposes of extension, expansion, balancing, modernization and replacement thereof, already installed in an industrial undertaking is proposed to be restricted in the following manner -
- ▶ the period of investment for availing tax credit be reduced from 30 June 2021 to 30 June 2019
- ▶ the existing rate of tax credit be reduced from 10% to 5% for the tax year 2019
- ▶ unadjusted tax credit if any, for the tax year 2019 can be carried forward and set off against the tax liability for the tax years 2020 and 2021.

# Section: 171(A)

## [Payment of refund]

- ▶ Sections 170 and 171 lays down the procedure for payment of refund due to a taxpayer along with additional payment for delayed refunds. However, due to liquidity crunch faced by the Government, taxpayer are unable to obtain the refunds which creates accumulation of refund in billions of rupees. This causes severe cash flow issues to the taxpayers.
- ▶ New Section 171A whereby income tax refunds may be paid through income tax refund bonds to be issued by FBR Refund Settlement Company Limited (the Company) instead of paying through cheques or bank debit advice, in case the claimant opts for such payment.
- ▶ The salient features of the above scheme may be summarized as under -

Refund bonds to be issued by the Company, in book-entry form through an establishment licensed by the SECP as a central depository under the Securities Act, 2015, in lieu of payment to be made through issuance of cheques of bank.

- FBR shall issue a promissory note to the Company, incorporating the details of refund claimants and the amount of refund determined as payable to each for issuance of income tax refund bonds of the same amount.
- The bonds shall be issued in values in multiples of one hundred thousand rupees.
- The bonds so issued shall have a maturity period of three years and shall bear annual simple profit at ten percent.
- The bonds shall be traded freely in the country's secondary markets.
- The bonds shall be approved security for calculating the statutory liquidity reserve.
- The bonds shall be accepted by the banks as collateral.

- There shall be no compulsory deduction of Zakat against the bonds and Sahib-e-Nisab may pay Zakat as per Shariah.
- After period of maturity, the Company shall return the promissory note to FBR and FBR shall make the payment of amount due under the bonds, along with profit due, to the bond holders.
- The bonds shall be redeemable before maturity only at the option of FBR along with simple profit payable at the time of redemption in the light of general or specific policy to be formulated by FBR.
- The Federal Government may notify procedure to regulate the issuance, redemption and other matters relating to the bonds, as may be required.

# Section: 177

## [Audit]

- ▶ Replaced Sub-section (6) and introduce Sub-section (6A), whereby, on completion of tax audit, the Commissioner will now be required to issue an audit report containing audit observations and findings.
- ▶ The audit report should contain all the issues that were raised during the course of audit proceedings and the findings of the Commissioner in respect of each of such issues.
- ▶ Commissioner can pass an amendment assessment if considered necessary by taking recourse to the provision of Section 122(4) and 122(9) of the Ordinance.
- ▶ The amendment order under Section 122 will be issued after the issuance of audit report.



# Section: 195(A)

## [Prosecution for Non-submission of Foreign Income and Asset Statement]

- ▶ Finance Act, 2018 introduced Section 116A which requires every resident taxpayer being an individual having foreign income of not less than US \$10,000 or having foreign assets with a value of not less than US \$100,000 to duly furnish foreign income and assets statement in the prescribed manner.
- ▶ Further, the Commissioner is empowered to issue a notice to a person (being an individual) who was required to furnish the 'Foreign Income and Assets Statement' but failed to do so, to furnish such a statement on the date specified in the notice.
- ▶ New Section 195A in terms of which any person who fails to comply with the requirements of notice issued under Section 116A shall be punishable on conviction with imprisonment up to 01 year or with a fine of PKR 50,000 or both.

# Section: Sections 2(38AB), 2(38AC), 2(38AD), 145(5), 182, 192B, 195B, 216 [Offshore tax evasion]

- ✓ Severely punish taxpayers involved in offshore tax evasions.
- ✓ The term offshore tax evasion has not been particularly defined either by the FA, 2019 or the Ordinance, internationally the concept refers to a situation where a taxpayer avoids paying taxes in the home jurisdiction in respect of foreign / offshore assets and income.
- ✓ Hence, if a Pakistan resident evades paying taxes on its foreign source assets and income, it may be regarded as indulging in offshore tax evasion.
- ✓ In this back drop following definitions are proposed to be inserted in Section 2 of the Ordinance -

- ▶ **“Offshore asset”** in relation to a person, includes any movable or immovable asset held, any gain, profit, or income derived, or any expenditure incurred outside Pakistan;
- ▶ **“Offshore enabler”** includes any person who, enables, assists, or advises any person to plan, design, arrange or manage a transaction or declaration relating to an offshore asset, which has resulted or may result in tax evasion;
- ▶ **“Offshore evader”** means a person who owns, possesses, controls, or is the beneficial owner of an offshore asset and does not declare, or under declares or provides inaccurate particulars of such asset to the Commissioner;
- ▶ **“specified jurisdiction”** means any jurisdiction which has committed to automatically exchange information under the Common Reporting Standard with Pakistan;
- ▶ **“unspecified jurisdiction”** means a jurisdiction which is not a specified jurisdictions.
- ▶ **“asset move”** means the transfer of an offshore asset to an unspecified jurisdiction by or on behalf of a person who owns, possesses, controls, or is the beneficial owner of such offshore asset for the purpose of tax evasion;

## Penalties for off-shore tax evasion

### Offshore tax evasion:

Higher of PKR 100,000 or an amount equal to 200% of the tax which the person sought to evade

**In case of offshore enabler:**

Higher of PKR 300,000 or an amount equal to 200% of the tax which was sought to be evaded

**Any person, who is involved in the transfer of an offshore asset to an unspecified jurisdiction**

**or**

**on behalf of a person who owns, possesses, controls, or is the beneficial owner of such offshore asset for the purpose of tax evasion, from one specified territory to an unspecified territory**

Higher of PKR 100,000 or an amount equal to 100% of the tax.

To deter the concealment of  
offshore assets

Prosecute the tax evader, as provided for under the newly proposed Sections 192B and 195B.

## Section : 192B

Any person who fails to declare an offshore asset or furnishes inaccurate particulars of an offshore asset where the financial impact of such concealment or furnishing of inaccurate particulars is PKR 100,000 or more:

- ✓ the same shall be treated as an offence,
- ✓ punishable on conviction with imprisonment up to 03 years or
- ✓ a fine up to PKR 500,000 or both.

Prosecution for	Punishment	
	Proposed in the Bill	Amendment through the Act
Concealment of an offshore asset. (The minimum revenue impact of such concealment has been increased Rs 10 million, as against proposed impact of Rs 100,000).	Imprisonment upto 7 years or with fine upto 200% of the amount of tax evaded, or both.	Imprisonment upto 3 years or with fine upto Rs 500,000, or both.
Non-compliance with notice under section 116A requiring filing of Foreign income and assets statement.	Imprisonment upto 2 years or with a fine up to a penalty of 2% of the offshore asset not declared or both.	Imprisonment upto 1 year or with a fine up to Rs 50,000 or both.



## Section: 195B

To hold any enabler who enables, guides or advises any person to design, arrange or manage a transaction or declaration in such a manner which results in an offshore tax evasion:

- ✓ the same will be treated as an offence
- ✓ punishable on conviction with imprisonment for a term not exceeding 7 years or
- ✓ with a fine up to PKR 5 million or both.

## Section: 145

- ✓ Commissioner is empowered to freeze any domestic asset of a person including any asset beneficially owned by him, where he has reason to believe that such person who is likely to leave Pakistan may be involved in offshore tax evasion or such person is about to dispose of any such asset.
- ✓ The asset frozen can be held by the Commissioner for a period of one hundred and twenty days or till the finalization of proceedings including but not limited to recovery proceedings under the Ordinance whichever is earlier.
- ✓ FBR is empowered to publish the names of offshore evaders and offshore enablers in the electronic and print media.

Section: 148(7) & 8(A)  
[Tax paid at import stage to be  
treated as “minimum tax”]

- ✓ Commercial importers is minimum tax.
- ✓ Import of ships by ship-breakers is also to be treated as ‘minimum tax’.

Section: 151  
[Profit on debt]

Old tax regime : FTR  
New tax regime : MTR

# Section: 152

## [Income earned by non-residents]

- ▶ Under Section 153, tax deducted from services rendered is minimum tax.
- ▶ Under Section 152, tax deducted from payments made to non-resident persons in respect of the following contracts and services is to be treated as 'minimum tax' -
  - ✓ Execution of contract or a sub-contract under a construction, assembly or installation project in Pakistan, including a contract for the supply of supervisory activities in relation to such project
  - ✓ Any other contract for construction or services rendered relating thereto
  - ✓ A contract for advertisement services rendered by T.V. Satellite Channels
  - ✓ Insurance premium or re-insurance premium to a non-resident person

Sub-section (1B) of Section 152 providing an option to non-resident person to opt out of final taxation in respect of income arising from execution of contracts has been omitted.

# Section: 153

## [Income from sale of goods or rendering of services]

- ▶ Currently, tax deductible under clauses (a) and (c) of Sub-section (1) of Section 153 on account of supply of goods and execution of contracts is treated as final tax.
- ▶ Similarly, tax deducted by an exporter / export house on payment to a resident person or permanent establishment of a non-resident person for rendering of or providing services of stitching, dying, printing, embroidery, washing, sizing and weaving, is a final tax.
- ▶ There is substantial shift with respect to taxation of following streams of income whereby tax deducted on such receipts is to be treated as MTR instead of FTR
  - (i) Income arising from supply of goods except where the company is a manufacturer of such goods or is a public listed company
  - (ii) Income arising from rendering of services
  - (iii) Income from execution of contracts

- ✓ Clause (94) in Part IV of the Second Schedule to the Ordinance was inserted whereby a reduced rate of 2% was prescribed on service providers in the corporate sector. Clause (94) *ibid* is omitted now.
- ✓ Sub-section (4A) of Section 153 relating to issuance of exemption certificate by the Commissioner to the abovementioned service providers is also omitted.
- ✓ 4% tax will be deducted for specified services as follows:



- Freight forwarding services
- Air cargo services
- Courier services
- Manpower outsourcing services
- Hotel services
- Security guard services
- Software development services
- IT services and IT enabled services as defined in clause (133) of Part I of the Second Schedule
- Tracking services
- Advertising services (other than by print or electronic media)
- Share registrar services
- Engineering services
- Car rental services
- Building maintenance services
- Services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited
- Inspection, certification, testing and training services

- ▶ Rate of tax on transport services is proposed to be enhanced from 2% to 4%.
- ▶ The above amendments have created an anomaly for non-resident persons having permanent establishment in Pakistan. The Finance Act, 2018 through an amendment in Section 152 of the Ordinance provided a similar option to such non-residents which have permanent establishment in Pakistan and were covered under Clause (94) referred above to file an option for offering their accounts for tax audit under Section 177 of the Ordinance. It was further provided that after paying tax @2% of their turnover they may obtain an exemption certificate in terms of Section 153(4A) of the Ordinance. Now since Sub-section (4A) of Section 153 and Clause (94) are being proposed to be omitted, the above non-resident persons would not be in a position to obtain the above exemption certificate. However, a similar amendment has not been proposed for such non-resident persons to provide for reduced rate of tax withholding of 4% (as is proposed for resident service providers). As a result the tax withheld @ 8% remains a minimum tax for those non-resident service providers.

# Withholding Tax from Payment to Non-Residents under Cohesive Business Operations

FB proposed that in case of payment that constitutes part of an overall arrangement of a cohesive business operation, on application made by the payer, the Commissioner may allow the person to make payment after deduction of tax equal to 30% of tax chargeable on such payment under section 152(2). FB inadvertently made reference to payments made under section 152(2) instead of section 152(1A) as a result of which effective withholding rate had become 6% (i.e., 30% of 20%). Such correction has been made through AFB resulting effectively in the rate of tax being worked at 2.1% (being 30% of 7%) in case of filer.

## Section: 233

### [Brokerage and commission income]

- ▶ Any payment on account of brokerage or commission paid to an agent by the Federal Government, a Provincial Government, a Local Government, a company or an association of persons or any payment on account of commission to an advertising agent, directly or through electronic or print media is subject to FTR.
- ▶ Now it is MTR.

Section: 234(A)  
[Tax on CNG stations]

Old tax regime : FTR  
New tax regime : MTR

## Section: 168 [Credit of tax collected or deducted]

- ▶ Section 168 deleted.
- ▶ Taxes deducted and collected under these sections will be available for adjustment against the ultimate tax liability of the taxpayer.

## Section: 169

[Tax collected / deducted or paid  
by a person not appearing on the  
ATL]

Section : 169 abolished  
and be replaced with  
'person not appearing in  
the Active Taxpayers'  
List'

Section: 2121(ca) & Section 108AB  
[Disallowance of commission expense /  
addition of dealer's margin in income of  
person making  
supplies to an unregistered person or a  
person not appearing in the active  
taxpayers list]

- ▶ New Sub-section namely (ca) in Section 21 of the Ordinance
- ▶ Restrict the claim of commission expense up to a maximum of 0.2% of gross amount of supplies made by a person of products listed in Third Schedule of the Sales Tax Act, 1990 to a person who is not registered under the Sales Tax Act, 1990 or is not appearing in the active taxpayers list.



- ▶ New section namely 108AB which seeks to make an addition of 75% of dealer's margin in income of a person supplying products listed in Third Schedule of the Sales Tax Act, 1990 and or any other products prescribed by FBR, to a person under dealership arrangement who is not registered under the Sales Tax Act, 1990 or is not appearing in the active taxpayers list. The amount of dealer's margin in such case is prescribed at 10% of the sale price of the manufacturer.
- ▶ The above change is being brought to compel the business to engage in transaction with registered persons and active taxpayers in order to promote a culture of tax compliance which would broaden the tax base in the country.

## Section: 39 [Gift]

- ▶ Any amount or fair market value of any property received without consideration or received as gift shall be taxable in the hands of the recipient under the head “Income from Other Sources”.
- ▶ Exceptions include gift received from:
  - ✓ grandparents,
  - ✓ parents,
  - ✓ spouse,
  - ✓ real brother,
  - ✓ real sister,
  - ✓ son or
  - ✓ a daughter,

# Section: 24

## [Intangibles]

### CURRENT:

Normal useful life of more than 10 years or an intangible that does not have an ascertainable useful life is treated as if it has a normal useful life of 10 years and amortized accordingly.

### FUTURE:

- ▶ The limit of 10 years be removed.
- ▶ Normal useful life is actual useful life.
- ▶ However, if an intangible's useful life is not ascertainable, it is proposed to be amortized over 25 years.

- ▶ Intangible assets not include:
  - ✓ self-generated goodwill
  - ✓ any accounting adjustment.

The proposed amendment appears to be in line with the general principles of taxation, whereby a deduction may only be claimed on account of actual expenditure incurred, as opposed to notional amounts recognized as expenses based on prescribed accounting treatments.

# Section: 7(B)

## [Profit on debt]

- ▶ Profit on debt, for taxpayers other than a company, falls under FTR regime.
- ▶ The rate of tax ranges from 10% to 15%; the highest being applicable where profit on debt exceeds PKR 25 million.
- ▶ Now tax range enhanced with the lowest slab being 15% and the highest slab being 20%, which would apply to profit on debt exceeding PKR 25 million but not exceeding PKR 36 million.
- ▶ Section 7B would not apply to any profit on debt that exceeds PKR 36 million. In effect, this would mean that if a taxpayer earns profit on debt in excess to PKR 36 million, the entire profit on debt would be taxable as part of the taxable income of the taxpayer for the year.

## Section: 64(C) [Tax Credit for Persons Employing Fresh Graduates]

- ▶ A person shall be allowed a tax credit in respect of the amount of annual salary paid to freshly qualified graduates employed by the person, in the tax year in which they are employed.
- ▶ The tax credit be allowed for salary paid to the number of such graduates not exceeding 15 % of the total employees of the company in the tax year.
- ▶ Freshly qualified graduates means any person who have graduated after the first day of July, 2017 from any institution or university recognized by the Higher Education Commission.
- ▶ The amount of tax credit allowed is computed at the effective tax rate of the person to the extent of the lessor of –
  - (a) the annual salary paid to the freshly qualified graduates; and
  - (b) five percent of the person's taxable income for the year.

# Section: 82

## [Resident individuals]

► **Old rule:**

An individual is a resident individual if stays for 182 days or more

► **New rule:**

Stays in Pakistan for 120 days or more in the tax year, and who in the four preceding tax years was present in Pakistan for 365 days in aggregate.

## Section: 100(C) [Tax Credits for Non-Profit Organizations]

Two additional pre-conditions to obtain the tax credit:

- ✓ With effect from 1st day of July, 2020, each of such non-profit organizations, trusts, and welfare institutions must mandatorily obtain approval of the Commissioner with regards to its status as a non-profit organization.
- ✓ None of the assets of the trust or welfare institutions may confer a private benefit to the relatives of the donors or authors.



Furthermore, since the requirement to seek approval from the Commissioner is now a pre-condition to obtain the tax credit, the powers of the Chief Commissioner to approved institutions for the purpose this credit have now been omitted.

# Section: 152

## [Payment to non-residents]

- ▶ Supply of goods by a non-resident in case of overall arrangements for Engineering, Procurement, Construction and Commissioning (EPCC) even if the supply is made outside of Pakistan and the importer on record is the purchaser.
- ▶ This created significant hurdles for existing and potential projects, particularly with regards to remittance of payments due to non-residents on account of off-shore supplies.
- ▶ In order to address the issue of making contractually obliged payments, the Bill proposes to empower the Commissioner to allow by order in writing, under a written application, the person to make payment after deduction of tax equal to 6% of the gross amount. The credit of the tax so deducted shall be available to the permanent establishment of the nonresident.

## Section: 153(B)

### [Payment of Royalty to Resident Persons]

- ▶ At present there is no withholding tax on payment of royalty to resident persons, except on account of use or right to use industrial, commercial, or scientific equipment, for which a rate of 10% has been prescribed under Section 236Q.
- ▶ New Section 153B, whereby every person paying an amount of royalty to a resident person shall deduct tax at the rate of 15% from the gross amount payable calculated as below:

Gross amount	XXX
FED	XXX
Provincial sales tax	<u>XXX</u>
<b>Total</b>	<b><u>XXX</u></b>

- ▶ The tax so deducted shall be adjustable.
- ▶ In order to ensure a level playing field, similar withholding tax is also introduced for a permanent establishment of a non-resident person.

## Section: 108(A)

# [Report from Independent Chartered Accountant or Cost and Management Accountant]

- ▶ New Section 108A, whereby if the Commissioner is of the opinion that a transaction has not been declared at arm's length, the Commissioner may, after approval from FBR, obtain a report, in the prescribed manner, from an independent chartered accountant or cost and management accountant to determine the fair market value of an asset, product, expenditure or service at the time of transaction.
- ▶ Where the Commissioner is satisfied with the report, the fair market value of the asset, product, expenditure or service determined in the report shall be treated as definite information for the purpose of Sub-section (8) of Section 122.

- ▶ Accordingly, the Commissioner may initiate proceedings for amendment of assessment of the taxpayer pursuant to Section 122 on the basis of such a report.
- ▶ Where the Commissioner is not satisfied with the report, he may record reasons for not being satisfied with the report and seek another report from another independent chartered accountant or cost and management accountant.

## Section: 181(D) [Business License Scheme]

New Section 181D introduced whereby every person engaged in any business, profession or vocation shall be required to obtain and display a business licence as prescribed by FBR.

## Section: 191

### [Prosecution for Failure to Furnish Details in Withholding Statements]

In relation to certain statutory non compliances, without reasonable excuse, Section 191 prescribes a punishment of a fine for imprisonment for a term not exceeding one year, or both. Now the failure to furnish particulars or the furnishing of incomplete or inaccurate details in withholding tax statements, of persons from whom tax has been deducted, as part of the list provided in Section 191.

# Section: 216(A)

## [Proceedings Against Tax Officials]

- ▶ Section 227 provides immunity to tax officials from prosecution by any Governmental agency for anything done in his official capacity, without the prior approval of FBR. This immunity was, at times, exploited by the tax officials for their own personal benefits.
- ▶ A new Section 216A, under which FBR shall prescribe rules for initiating proceedings, including criminal proceedings against any tax official who willfully and deliberately commits or omits an act which results in personal benefits and undue advantage to himself or a taxpayer or both.
- ▶ Furthermore, in addition to this FBR shall simultaneously intimate the relevant Governmental agency to initiate criminal proceedings against the taxpayer.



## Section: 182

### [Offences and Penalties]

S. No.	Offences	Existing Penalty	Proposed Penalty
1.	Failure to furnish a return of income as required under Section 114 within the due date	0.1% of the gross tax payable for that tax year for each day of default subject to a maximum penalty of 50% of the tax payable provided that if the penalty worked out is less than PKR 20,000 or no tax is payable for that tax year, a penalty of PKR 20,000 shall be payable	<p>0.1% of the gross tax payable for that tax year for each day of default subject to a maximum penalty of 50% of the tax payable provided that if the penalty worked out is less than PKR 40,000 or no tax is payable for that tax year, a penalty of PKR 40,000 shall be payable</p> <p>It is also proposed that if 75% of the income is from salary and such salary is less than PKR 05 million, the minimum amount of penalty shall be PKR 5,000</p>

1AA.	Failure to furnish wealth statement or wealth reconciliation statement under Section 116	0.1% of the taxable income per week or PKR 20,000 whichever is higher	0.1% of the taxable income per week or PKR 100,000 whichever is higher
3.	Failure to obtain tax registration under the Ordinance	PKR 5,000	PKR 10,000
6.	Erroneous calculation in the return of income for more than one year whereby amount of tax less than the actual tax payable under the Ordinance is paid	PKR 5,000 or three per cent of the amount of the tax involved, whichever is higher	PKR 30,000 or three per cent of the amount of the tax involved, whichever is higher
11.	Denial or obstruction of the Commissioner's access or any officer authorized by him to the premises, place, accounts, documents, computers or stocks	PKR 25,000 or one hundred per cent of the amount of tax involved, whichever is higher	PKR 50,000 or one hundred per cent of the amount of tax involved, whichever is higher

12.	Concealment of income or furnishing inaccurate particulars of income, including but not limited to the suppression of any income or amount chargeable to tax; claiming of any deduction for any expenditure not actually incurred or any act referred to in Sub-section (1) of Section 111, in the course of any proceeding under the Ordinance before any Income Tax authority or the Appellate Tribunal	PKR 25,000 or an amount equal to the tax sought to be evaded, whichever is higher	PKR 100,000 or an amount equal to the tax sought to be evaded, whichever is higher
15.	Failure to collect or deduct tax or failure to pay the tax collected or deducted as required under the Ordinance	PKR 25,000 or 10% of the amount of tax involved, whichever is higher	PKR 40,000 or 10% of the amount of tax involved, whichever is higher

## Offences

Any person who purchases immovable property having fair market value greater than rupees five million through cash or bearer cheque

Where a Reporting Financial Institution fails to comply with any provisions of Section 165B of the Ordinance or Common Reporting Standard Rules in Chapter XIIA of Income Tax Rules, 2002.

Where a Reporting Financial Institution files an incomplete or inaccurate report under provisions of Section 165B of the Ordinance and Common Reporting Standard Rules in Chapter XIIA of Income Tax Rules, 2002.

Where a Reporting Financial Institution fails to obtain valid self-certification for new accounts or furnishes false self-certification made by the Reportable Jurisdiction Person under Common Reporting Standard Rules in Chapter XIIA of Income Tax Rules, 2002.

Where a Reportable Jurisdiction Person fails to furnish valid self-certification or furnishes false self-certification under Common Reporting Standard Rules in Chapter XIIA of Income Tax Rules,

## Penalties

Such person shall pay a penalty of five percent of the value of property determined by FBR under Sub-section (4) of Section 68 or by the provincial authority for the purposes of stamp duty, whichever is higher

Such Reporting Financial Institution shall pay a penalty of PKR 10,000 for each default and an additional PKR 10,000 each month until the default is redressed.

Such Reporting Financial Institution shall pay a penalty of PKR 10,000 for each default and an additional PKR 10,000 each month until the default is redressed.

Such Reporting Financial Institution shall pay a penalty of PKR 10,000 for each default and an additional PKR 10,000 each month until the default is redressed.

Such Reportable Jurisdiction Person shall pay a penalty of PKR 5,000 for each default and an additional PKR 5,000 each month until the default is redressed.

## Section: 134(A) [Alternative Dispute Resolution]

- ▶ Alternative Dispute Resolution (ADR) was converted into an another appellate forum which would be final for both the taxpayers and the tax authorities rather than being an option for the taxpayers to seek alternate remedy with the ADR and continue contesting the matter at other legal forums.
- ▶ The only amendment is the inclusion of a Cost and Management Accountant within the list of eligible person for appointment on the panel of FBR for formation of ADR committee.

## Section: 114(1B) [Return of income]

Land area of the immovable property enhanced from:

**Old land area:** 200 square yards

**New land area :** 250 square yards

## Section: 118(3A) [Method of furnishing returns and other documents]

### Old due date of filing of return for salaried individuals:

31 August next following the end of the relevant tax year.

### New due date of filing of return for salaried individuals:

30 September next following the end of the relevant tax year.



## Section: 182(A)

### [Return not filed within due date]

- ▶ As per the current provisions of Section 182A of the Ordinance, where a person fails to file a return of income by the due date or within the time extended by the Commissioner or by FBR, such person shall neither be included in the active taxpayers list nor allowed to carry forward any loss for that tax year.
- ▶ The Act amended the section that such a person shall be included in the active taxpayers' list after he files the return of income subject to payment of surcharge as under:
  - ▶ PKR 20,000 in case of a company;
  - ▶ PKR 10,000 in case of an association of persons; and
  - ▶ PKR 1,000 in case of an individual.

Certain additional impediments for the above person which are as follows -

- ▶ No refund would be issued during the period when the name of the person was not included in the active taxpayers' list;
- ▶ Not be entitled to additional payment for delayed refund and
- ▶ The period during which he was not in the active taxpayers' list will not be accounted for the purpose of computation of additional payment for delayed refund.

Section: 4(B)  
[Super tax for rehabilitation of  
temporarily displaced]

**Banking company** = 2%

**Others:** zero percent.

brought forward depreciation and  
brought forward business losses  
omitted

Corresponding amendment has, however, not been made in Rule 7C of the Seventh Schedule, which may give rise to interpretational issues.

## Section: 120(B) [Restriction of proceedings]

New Section 120B in the Ordinance in order to provide for:

- protection to the declarations made by the persons from any proceedings under the Ordinance
- Confidentiality to the information disclosed in respect of undeclared assets, expenditures and sales, as the case may be.

## Section: 227(D) [Automated impersonal tax regime]

- ✓ alternate impersonal taxation regime.
- ✓ Shall be applicable for low risk and compliant taxpayers.
- ✓ FBR will prescribe procedure in the official gazette.
- ✓ Confidence building measure

## Section: 53

### [Exemptions and tax concessions in the Second Schedule]

This would mean that for this purpose, An amendment in the Second Schedule can only be made through amendment in a Finance Bill and not through a notification issued in terms of Section 53 of the Ordinance in following matters:

- ▶ removal of anomalies in taxes and
- ▶ development of backward areas.

# Section: 111

## [Unexplained income or assets - remittance of foreign exchange from abroad]

Foreign exchange remitted from outside Pakistan through normal banking channels to the extent of PKR 10 million in a tax year is not subject to probe by the tax authorities as regards the source.

**Old limit** : 10 million

**New limit** : 5 million

The exclusion from probe by the tax authorities as to the source in respect of amount invested in acquiring immovable property be withdrawn.



## Section: 99(C)

### [Special Procedure for Certain Persons]

- ✓ A new section whereby taxation of certain business are to be governed by way of a special procedure as may be notified in the official Gazette.
- ✓ Simplified procedure for taxation of such small businesses, construction businesses, medical practitioners, hospitals, educational institutions and any other sector as specified by the Federal Government.
- ✓ Special procedure would cover scope and payment of tax, record keeping, filing of return and assessment in respect of the specified businesses.

# Section: 139(6)

## [Collection of Tax from a Member of an Associations of Persons]

- ✓ Section 139 deals with the collection of tax in the case of private companies and associations of persons. Under the existing provision, where any tax payable by a member of an association of persons in respect of the member's share of income of the association for a tax year cannot be recovered from the member, the association shall be liable for the tax due by such member.
- ✓ Scope was extend the scope of aforesaid section, whereby where any tax payable by an association of persons in respect of any tax year cannot be recovered from the association of persons, the same can be recovered from every person who was, at any time in that tax year, a member of the association of persons.
- ✓ Further, any member who pays tax, as above, shall be entitled to recover the tax paid from the association of persons or a share of the tax from any other member.

## Section: 161(3)

### [Failure to pay tax collected or deducted]

- ✓ In terms of Section 161, a person shall be personally liable to pay the amount of tax which was not collected or deducted from a payment or the amount of tax which was deducted or collected but not paid to the Commissioner.
- ✓ Based on the judgement of Lahore High Court, in the case of Asia Poultry Feeds (Pvt.) Limited vs. the Federal Board of Revenue (W.P. 8466 of 2015) dated 23 June 2015, the hon'ble judge held that if the proceedings for monitoring of withholding taxes have been conducted for a particular tax year, the same cannot be reinitiated.

- ✓ In order to undo the judgement of the Lahore High Court, a new Sub-section in Section 161 whereby the Commissioner is empowered to amend or further amend an order of recovery already passed under Section 161, and recover the tax that escaped at the time of passing of the said earlier order, if he considers that the order passed earlier is erroneous in so far it is prejudicial to the interest of revenue.
- ✓ No such amended order could be passed unless an opportunity of being heard is provided to the taxpayer.

## Section: 175(6A) [Power to Enter and Search Premises]

FB proposed to empower the Commissioner to raid any premises where there is reliable information of undeclared gold, bearer security or foreign currency and confiscate the same in order to enforce any provision of the Ordinance. This section be withdrawn.

## Section: 230(F) [Directorate General of Immovable Property]

- ▶ Through Finance Act, 2018, FBR introduced Directorate General of Immovable Property to control the purchases and transfers of immovable properties. The Directorate-General is empowered to initiate proceedings for the acquisition of property based on an independent valuation which confirms that:
  - (a) Immovable property has been transferred by one person to another for a consideration less than fair market value;
  - (b) Such consideration has been understated in the instrument of transfer;
  - (c) The fair market value of property exceeds the consideration by more than 50% of the consideration
- ▶ Sub-section (23) of the said section be omitted.

## Section: 230(G) [Directorate General of Special Initiative]

- ✓ Directorate General of Special Initiative which shall consist of a Director General and as many directors, additional directors, deputy directors, assistant directors and such other officers as may be notified in the official gazette.
- ✓ FBR shall notify the functions, jurisdictions and powers of such directorate.

## Section: 230(H) [Directorate General of Valuation]

- ✓ Directorate General of Valuation which shall consist of a Director General and as many directors, additional directors, deputy directors, assistant directors and such other officers as may be notified in the official gazette.
- ✓ FBR shall notify the functions, jurisdictions and powers of such directorate.



Section: 236(C)  
[Advance Tax on sale or transfer  
of immovable Property]

Advance tax is not liable to collect where the immovable property is held for a period exceeding XXX years.

**Old period** : 3 years

**New period** : 5 years

Section: 236(W)  
[Tax on purchase or transfer of  
immovable property.]

Section omitted

## Section: 107(1B)

[Disclosure of information obtained under a tax treaty and other similar agreements]

Permit the disclosure of information only to person acting in the execution of the Ordinance, wherever necessary.

# Minimum Tax Regime for Corporate Service Providers

- ✓ The rate of minimum tax of 4% proposed in FB for certain corporate service providers specified in (omitted) Clause (94) of Part IV of Second Schedule to the Ordinance, has been reduced to 3%.
- ✓ Corresponding amendment ought to be made in section 152 for non-resident PE (service provider) has not been made in FA, resulting that such non-resident service providers, earlier part of Clause (94), are now subject to MTR at the standard rate

# First Schedule

## [Rates of tax for Individuals and Association of Persons]

Increase in threshold for applicability of salary tax rates to total income comprising of at least 75% salary income instead of present threshold of 50% salary income.

## Individuals (except salaried) and Association of persons

Taxable Income	Rate of Tax
Up to PKR 400,000	0%
PKR 400,001 - 600,000	5% of amount exceeding PKR 400,000
PKR 600,001 - 1,200,000	PKR 10,000 + 10% of amount exceeding 600,000
PKR 1,200,001 - 2,400,000	PKR 70,000 + 15% of amount exceeding 1,200,000
PKR 2,400,001 - 3,000,000	PKR 250,000 + 20% of amount exceeding 2,400,000
PKR 3,000,001 - 4,000,000	PKR 370,000 + 25% of amount exceeding 3,000,000
PKR 4,000,001 - 6,000,000	PKR 620,000 + 30% of amount exceeding 4,000,000
Amount exceeding PKR 6,000,001	PKR 1,220,000 + 35% of amount exceeding 6,000,000

Taxable Income	Rate of Tax
Up to PKR 600,000	0%
PKR 600,001 - 1,200,000	5% of amount exceeding 600,000
PKR 1,200,001 - 1,800,000	PKR 30,000 + 10% of amount exceeding 1,200,000
PKR 1,800,001 - 2,500,000	PKR 90,000 + 15% of amount exceeding 1,800,000
PKR 2,500,001 - 3,500,000	PKR 195,000 + 17.5% of amount exceeding 2,500,000
PKR 3,500,001 - 5,000,000	PKR 370,000 + 20% of amount exceeding 3,500,000
PKR 5,000,001 - 8,000,000	PKR 670,000 + 22.5% of amount exceeding 5,000,000
PKR 8,000,001 - 12,000,000	PKR 1,345,000 + 25% of amount exceeding 8,000,000
PKR 12,000,001 - 30,000,000	PKR 2,345,000 + 27.5% of amount exceeding 12,000,000
PKR 30,000,001 - 50,000,000	PKR 7,295,000 + 30% of amount exceeding 30,000,000
PKR 50,000,001 - 75,000,000	PKR 13,295,000 + 32.5% of amount exceeding 50,000,000
Amount exceeding PKR 75,000,000	PKR 21,420,000 + 35% of amount exceeding 75,000,000



**IMPACT OF CHANGE IN RATES OF TAX AS APPLICABLE TO  
SALARIED INDIVIDUAL FOR TAX YEAR 2020**

TAXABLE INCOME PER		TAX INCIDENCE			COMPARISON - (Saving) / Additional Impact for the tax year 2020 with the tax year	
		Tax Year	Tax Year	Tax Year		
MONTH	ANNUM	2018	2019	2020	2019	2018
50,000	600,000	7,000	1,000	-	(1,000)	(7,000)
60,000	720,000	13,000	1,000	6,000	5,000	(7,000)
75,000	900,000	29,500	2,000	15,000	13,000	(14,500)
100,000	1,200,000	59,500	2,000	30,000	28,000	(29,500)
125,000	1,500,000	92,000	15,000	60,000	45,000	(32,000)
150,000	1,800,000	137,000	30,000	90,000	60,000	(47,000)

TAXABLE INCOME PER		TAX INCIDENCE			COMPARISON - (Savings) / Additional Impact X year 2020 with the tax year	
		Tax Year	Tax Year	Tax Year		
MONTH	ANNUM	2018	2019	2020	2019	2018
200,000	2,400,000	242,000	60,000	180,000	120,000	(62,000)
250,000	3,000,000	359,500	140,000	282,500	142,500	(77,000)
300,000	3,600,000	497,000	230,000	390,000	160,000	(107,000)
350,000	4,200,000	652,000	330,000	510,000	180,000	(142,000)
400,000	4,800,000	817,000	450,000	630,000	180,000	(187,000)
450,000	5,400,000	982,000	570,000	760,000	190,000	(222,000)
500,000	6,000,000	1,147,000	690,000	895,000	205,000	(252,000)
550,000	6,600,000	1,312,000	810,000	1,030,000	220,000	(282,000)
600,000	7,200,000	1,482,000	930,000	1,165,000	235,000	(317,000)
650,000	7,800,000	1,662,000	1,050,000	1,300,000	250,000	(362,000)
700,000	8,400,000	1,842,000	1,190,000	1,445,000	255,000	(397,000)
1,000,000	12,000,000	2,922,000	2,090,000	2,345,000	255,000	(577,000)
1,200,000	14,400,000	3,642,000	2,690,000	3,005,000	315,000	(637,000)
1,500,000	18,000,000	4,722,000	3,590,000	3,995,000	405,000	(727,000)
2,000,000	24,000,000	6,522,000	5,090,000	5,645,000	555,000	(877,000)

2,500,000	30,000,000	8,322,000	6,590,000	7,295,000	705,000	(1,027,000)
3,000,000	36,000,000	10,122,000	8,090,000	9,095,000	1,005,000	(1,027,000)
3,500,000	42,000,000	11,922,000	9,590,000	10,895,000	1,305,000	(1,027,000)
4,000,000	48,000,000	13,722,000	11,090,000	12,695,000	1,605,000	(1,027,000)
4,500,000	54,000,000	15,522,000	12,590,000	14,595,000	2,005,000	(927,000)
5,000,000	60,000,000	17,322,000	14,090,000	16,545,000	2,455,000	(777,000)
5,500,000	66,000,000	19,122,000	15,590,000	18,495,000	2,905,000	(627,000)
6,000,000	72,000,000	20,922,000	17,090,000	20,445,000	3,355,000	(477,000)
6,500,000	78,000,000	22,722,000	18,590,000	22,470,000	3,880,000	(252,000)
7,000,000	84,000,000	24,522,000	20,090,000	24,570,000	4,480,000	48,000
7,500,000	90,000,000	26,322,000	21,590,000	26,670,000	5,080,000	348,000
8,000,000	96,000,000	28,122,000	23,090,000	28,770,000	5,680,000	648,000
9,000,000	108,000,000	31,722,000	26,090,000	32,970,000	6,880,000	1,248,000
10,000,000	120,000,000	35,322,000	29,090,000	37,170,000	8,080,000	1,848,000

\*If salary exceeds seventy five percent of the taxable income.

**IMPACT OF CHANGE IN RATES OF TAX AS APPLICABLE TO NON-SALARIED INDIVIDUAL FOR TAX YEAR 2020**

TAXABLE INCOME PER		TAX INCIDENCE			COMPARISON - (Saving) / Additional Impact for the tax year 2020 with the tax year	
		Tax Year	Tax Year	Tax Year		
MONTH	ANNUM	2018	2019	2020	2019	2018
35,000	420,000	1,400	1,000	1,000	-	(400)
50,000	600,000	17,000	1,000	10,000	9,000	(7,000)
60,000	720,000	29,000	1,000	22,000	21,000	(7,000)
65,000	780,000	36,500	1,000	28,000	27,000	(8,500)
75,000	900,000	54,500	2,000	40,000	38,000	(14,500)
100,000	1,200,000	99,500	2,000	70,000	68,000	(29,500)
125,000	1,500,000	144,500	15,000	115,000	100,000	(29,500)
150,000	1,800,000	204,500	30,000	160,000	130,000	(44,500)
200,000	2,400,000	324,500	60,000	250,000	190,000	(74,500)
250,000	3,000,000	469,500	150,000	370,000	220,000	(99,500)
300,000	3,600,000	619,500	270,000	520,000	250,000	(99,500)
350,000	4,200,000	779,500	400,000	680,000	280,000	(99,500)
400,000	4,800,000	959,500	550,000	860,000	310,000	(99,500)
450,000	5,400,000	1,139,500	716,000	1,040,000	324,000	(99,500)
500,000	6,000,000	1,319,500	890,000	1,220,000	330,000	(99,500)
550,000	6,600,000	1,529,500	1,064,000	1,430,000	366,000	(99,500)
600,000	7,200,000	1,739,500	1,238,000	1,640,000	402,000	(99,500)
650,000	7,800,000	1,949,500	1,412,000	1,850,000	438,000	(99,500)
700,000	8,400,000	2,159,500	1,586,000	2,060,000	474,000	(99,500)
1,000,000	12,000,000	3,419,500	2,630,000	3,320,000	690,000	(99,500)
1,200,000	14,400,000	4,259,500	3,326,000	4,160,000	834,000	(99,500)

1,500,000	18,000,000	5,519,500	4,370,000	5,420,000	1,050,000	(99,500)
2,000,000	24,000,000	7,619,500	6,110,000	7,520,000	1,410,000	(99,500)
2,500,000	30,000,000	9,719,500	7,850,000	9,620,000	1,770,000	(99,500)
3,000,000	36,000,000	11,819,500	9,590,000	11,720,000	2,130,000	(99,500)
3,500,000	42,000,000	13,919,500	11,330,000	13,820,000	2,490,000	(99,500)
4,000,000	48,000,000	16,019,500	13,070,000	15,920,000	2,850,000	(99,500)
4,500,000	54,000,000	18,119,500	14,810,000	18,020,000	3,210,000	(99,500)
5,000,000	60,000,000	20,219,500	16,550,000	20,120,000	3,570,000	(99,500)
5,500,000	66,000,000	22,319,500	18,290,000	22,220,000	3,930,000	(99,500)
6,000,000	72,000,000	24,419,500	20,030,000	24,320,000	4,290,000	(99,500)
6,500,000	78,000,000	26,519,500	21,770,000	26,420,000	4,650,000	(99,500)
7,000,000	84,000,000	28,619,500	23,510,000	28,520,000	5,010,000	(99,500)
7,500,000	90,000,000	30,719,500	25,250,000	30,620,000	5,370,000	(99,500)
8,000,000	96,000,000	32,819,500	26,990,000	32,720,000	5,730,000	(99,500)

## [Rates of tax for companies]

- ✓ Static rate at 29% from tax year 2019 and onwards.
- ✓ However, the rates for Banking Companies and Small Companies have remained unchanged.


# [Rate of Super tax for rehabilitation of temporarily displaced persons]

Person	Rate of Super Tax			
	Tax Year	Tax Year	Tax Year	Tax Year
	2018	2019	2020	2021
Banking Company	4%	4%	4%	4%
Persons other than a banking company, having income equal to or exceeding PKR 500 million	3%	2%	0%	0%

# [Rate of withholding and charge of tax on dividend income]

- ✓ Increase the rate of tax on dividend from power generation companies or companies supplying coal exclusively to power generation projects.
- ✓ Rate of withholding and charge of tax on dividend received by all taxpayers remains unchanged
- ✓ The rate of withholding and charge of tax on dividend received from a Mutual Fund (Stock Fund), Money Market Fund, Income Fund and Rental REIT Scheme have been omitted for all taxpayers (i.e. individual, company and AOP).
- ✓ Furthermore, a proviso be added in rate of tax whereby the rate shall be 25% in the case of a person receiving dividend from a company where no tax is payable by such company due to exemption of income or carry forward of business losses under Part VIII of Chapter III or claim of tax credits under Part X of Chapter III.



<b>Sr. No.</b>	<b>Category of Dividend Paying Companies</b>	<b>Rate of Tax Withholding</b>	<b>Rate of Taxability</b>
(a)	Independent Power Producers (IPPs) where such dividend is a pass-through item under an Implementation Agreement or Power Purchase Agreement or Energy Purchase Agreement and is required to be reimbursed by Central Power Purchasing Agency or its predecessor or successor entity.	7.5%	 7.5%
(b)	Mutual Funds and cases other than those covered in S. Nos. (a) and (c).	15%	15%
(c)	Company in whose case no tax is payable by such Company (due to exemption of income or carry forward of business losses or claim of tax credits).	15%	25%

## [Rate of tax on profit on debt]

Profit on debt	Rate
Where profit on debt does not exceed PKR 5,000,000	15%
Where profit on debt exceeds PKR 5,000,001 but does not exceed PKR 25,000,000	17.5%
Where profit on debt exceeds PKR 25,000,000 but does not exceed PKR 36,000,000	20%

[Rate of Tax on Return on investments in Sukuks received from a special purpose vehicle.]

Sukuks Holder	Amount of return on investment	Rates
Company	Any amount	25%
Individual or AOP	More than one million	12.5%
Individual or AOP	Less than one million	10%

## [Rates of tax for non-resident taxpayers for certain transactions]

Type of Payment	Rate (%)
Fee for offshore digital services	5%
Technical services fee	15%
Royalty	15%
Shipping income	8%
Air transport income	3%

## [Income from property]

Gross amount of rent	Rate
Up to PKR 200,000	Nil
PKR 200,001 to 600,000	5% of the amount exceeding PKR 200,000
PKR 600,001 to 1,000,000	PKR 20,000 plus 10% of the amount exceeding PKR 600,000
PKR 1,000,001 to 2,000,000	PKR 60,000 plus 15% of the amount exceeding PKR 1,000,000
PKR 2,000,001 to 4,000,000	PKR 210,000 plus 20% of the amount exceeding PKR 2,000,000
PKR 4,000,001 to 6,000,000	PKR 610,000 plus 25% of the amount exceeding PKR 4,000,000
PKR 6,000,001 to 8,000,000	PKR 1,110,000 plus 30% of the amount exceeding PKR 6,000,000
Over PKR 8,000,000	PKR 1,710,000 plus 35% of the amount exceeding PKR 8,000,000

- ✓ The above rates also apply for the purpose of withholding of tax from the payment for rent of immovable property paid to an individual or AOP.
- ✓ The withholding tax rates in the case of a company remain unchanged at 15%.

- ✓ To provide relief, an option has been provided through AFB to individuals or AOPs deriving income from property exceeding Rs 4 million to claim deductions under section 15A and pay tax at normal rates specified in Division I of Part I of the First Schedule.
- ✓ It may be noted that tax withholding on gross rentals under section 155 (at higher rate) may result in tax refunds if filing of such option is applicable at the time of filing of return of income.

# [Rates of tax on capital gains on securities]

Holding period	Tax Year		
	2017	2018, 2019 and 2020	
		Security acquired before 01 July 2016	Security acquired on or after 01 July 2016
Less than 12 months	15%	15%	15%
More than 12 months but less than 24 months	12.5%	12.5%	
More than 24 months but then security was acquired on or after 01 July 2013	7.5%	7.5%	
Where the security was acquired before 01 July 2013	0%	0%	0%
Future commodity contracts entered into by the members of Pakistan Mercantile Exchange.	5%	5%	5%



[Rate of tax on capital gain  
on immovable property]

Slab omitted

## [Advance tax on builders]

The tax on builders  
remains unchanged  
as under:

Karachi, Lahore & Islamabad	Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbotabad, Quetta	Urban Areas not specified
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For commercial buildings

PKR 210/Sq.Yd	PKR 210/Sq.Yd	PKR 210/Sq.Yd
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For residential building

Area in Sq. Yd	Rate/ Sq.Yd PKR	Area in Sq. Yd	Rate/ Sq.Yd PKR	Area in Sq. Yd	Rate/ Sq.Yd PKR
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Karachi, Lahore & Islamabad	Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbotabad, Quetta		Urban Areas not specified		
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Up to 750	20	Up to 750	15	Up to 750	10
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751 to 1500	40	751 to 1500	35	751 to 1500	25
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1501 & more	70	1501 & more	55	1501 & more	35
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# [Advance tax on developers]

Karachi, Lahore & Islamabad		Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbotabad, Quetta		Urban Areas not specified	
For commercial buildings					
PKR 210/Sq.Yd		PKR 210/Sq.Yd		PKR 210/Sq.Yd	
For residential building					
Area in Sq. Yd	Rate/ Sq.Yd PKR	Area in Sq. Yd	Rate/ Sq.Yd PKR	Area in Sq. Yd	Rate/ Sq.Yd PKR
Up to 120	20	Up to 120	15	Up to 120	10
121 to 200	40	121 to 200	35	121 to 200	25
201 & more	70	201 & more	55	201 & more	35

# [Minimum Tax]


Taxpayer	Rate (%)	
	Existing	Proposed
a) Oil marketing companies, oil refineries, Sui Southern Gas Company Limited and Sui Northern Gas Pipelines Limited (where annual turnover exceeds PKR 1 billion) b) Pakistan Airlines; and c) Poultry industry including breeding, broiler production, egg production, feed production d) Dealers or distributors of fertilizers; and e) person running an online marketplace as defined in clause (38B) of Section 2	0.5%	0.75%
a) Distributors of pharmaceutical products, fast moving consumer goods and cigarettes b) Petroleum agents and distributors registered under the Sales Tax Act, 1990 c) Rice mills and dealers d) Flour mills	0.2%	0.25%
Motorcycle dealers registered under the Sales Tax Act 1990	0.25%	0.3%
In all other cases	1.25%	1.5%

## Subsequent Amendment

- ✓ The rate of tax deduction under section 153(1)(a) in case of dealers and sub-dealers of sugar, cement and edible oil as recipient of payment has been reduced to 0.25% of the gross amount of payment.
- ✓ Correspondingly, the rate of minimum under section 113(1) in case of dealers and sub-dealers of sugar, cement and edible oil as recipient of payment has also been reduced to 0.25% subject to the condition that the names of such dealers and sub-dealers are appearing on the active taxpayers list.

## [Advance tax on imports]

- ✓ Replace the rate table whereby the category for non-filers and the respective rates have been removed.
- ✓ Seeks to include importers of finished pharmaceutical products that are not manufactured otherwise in Pakistan in the list of persons from whom advance tax is required to be collected at the time of import under section 148 of the Ordinance.
- ✓ The updated table specifying the rates of tax at import stage are as under:

Taxpayer	Rate % (of import value as increased by customs duty, sales tax and federal excise duty)	
Industrial undertaking importing remeltable steel (PCT Heading 72.04) and directly reduced iron for its own use		
Persons importing potassic fertilizers in pursuance of Economic Coordination Committee of the cabinet's decision No. ECC-155/12/2004 dated 9 December 2004		
Persons importing urea		
Manufacturers covered under Notification No. S.R.O. 1125(I)/2011 dated 31 December 2011 and importing items covered under S.R.O 1125(I)/2011 dated the 31 December 2011		1%
Persons importing Gold		
Persons importing Cotton; and		
Persons Importing LNG		
Persons importing pulses	2%	
Commercial importers covered under Notification No. S.R.O. 1125(I)/2011 dated 31 December 2011 and importing items covered under S.R.O 1125(I)/2011 dated the 31 December 2011	3%	
Persons importing coal	4%	
Persons importing finished pharmaceutical products that are not manufactured otherwise in Pakistan, as certified by the Drug Regulation Authority of Pakistan	4%	
Ship breakers on import of ships	4.5%	
Industrial undertakings not covered above	5.5%	
Companies not covered above	5.5%	
Persons not covered above	6%	



## [Advance tax on profit on debt]

- ✓ The advance tax rate on profit on debt is proposed to be increased from 10% to 15% whereas the separate rate for non-filer has been omitted.
- ✓ A proviso whereby rate of withholding shall be 10% in cases where the yield or profit paid is PKR 500,000 or less.

[Advance tax on return on investments in Sukuks received from a special purpose vehicle.]

Sukuks Holder	Rates (%)
Company	15%
Individual or AOP (More than one million)	12.5%
Individual or AOP (Less than one million)	10%

The rate for non-filers has been proposed to be omitted.

# [Payments to non-residents]

Types of Payment	Rate (%)
Technical services fee	15%
Royalty	15%
Fee for offshore digital services	5%
Shipping income	8%
Air transport income	3%
Execution of a contract <ul style="list-style-type: none"> <li>contract or sub-contract under a construction, assembly or installation project in Pakistan, including a contract for the supply of supervisory activities in relation to such project.</li> <li>any other contract for constructions or services rendered relating thereto or a contract for advertising services rendered by T.V settle lite channels.</li> </ul>	7%
Insurance premium / re-insurance premium	5%
Others (excluding those specifically mentioned herein)	20%
Advertisement services to a media person relaying from outside Pakistan	10%
Receipt on account of sale of goods by a PE of a non-resident in Pakistan <ul style="list-style-type: none"> <li>Company</li> <li>Other Taxpayers</li> </ul>	4% 4.5%
Receipt on account of rendering of services through a PE <ul style="list-style-type: none"> <li>Transport services</li> <li>Other than transport (if company)</li> <li>Others (excluding those mentioned herein)</li> </ul>	2% 8% 10%
Receipt on account of execution of contract through a PE other than a contract for sale of goods or rendering of services <ul style="list-style-type: none"> <li>Sports person</li> <li>Other person</li> </ul>	10% 7%

# [Advance income tax on payment to resident on payments for goods, services and execution of contract]

Types of Payment	Rate (%)	
	Existing	Proposed
For supply of goods <ul style="list-style-type: none"> <li>• Company</li> <li>• Other than company</li> </ul>	4% 4.5%	No change No change
Transport services, freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, IT services and IT enabled services as defined in clause (133) of Part I of the Second Schedule, tracking services, advertising services (other than by print or electronic media), share registrar services, engineering services, car rental services, building maintenance services, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited	2%	4%
Rendering of or providing of services <ul style="list-style-type: none"> <li>• Company</li> <li>• Other than company</li> </ul>	8% 10%	No change No change
Electronic and print media advertising services	1.5%	No change
On the execution of contract <ul style="list-style-type: none"> <li>• Sports person</li> </ul>	10%	No change
<ul style="list-style-type: none"> <li>• Company</li> <li>• Other than company</li> </ul>	7% 7.5%	No change No change

## [Royalty paid to resident persons]

Introduce a tax at the rate of 15% of the gross amount payable to a resident person on account of Royalty pursuant to the proposed newly added Section 153B.

## [Exports]

Types of Payment	Rate
Export proceeds Proceeds from sale of goods to an exporter under an inland back-to-back letter of credit or any other arrangement	1% of export proceeds
Export of goods by an industrial undertaking located in an Export Processing Zone	1%
Collection by collector of customs at the time of clearing of goods exported	1%
Indenting commission	5%

## [Tax on prize and winnings]

Description	Rate (%)
Prize on prize bond and cross-word puzzle	15%
Winnings from a raffle, lottery, prize on winning a quiz, prize offered by a company for promotion of sale	20%



The rate of withholding tax on prize bond, cross-word puzzle and prize on winnings remains unchanged, however, the categorized rates of non-filer be abolished.

# [Tax on Petroleum Products]

Description	Rate (%)
Petroleum products	12%

The rate of withholding tax on Petroleum Products remain unchanged, however, the categorized rate of non-filer be abolished.

## [Tax on CNG Station]

The withholding tax rate in the case of a Compressed Natural Gas station remain unchanged at 4%, whereas, the categorized rate of non-filer be abolished.

## [Collection of advance income tax on Brokerage and Commission]

The rate for collection of advance tax remains unchanged as under, however, the categorized rates of non-filer be abolished

Description	Rate (%)
For advertising agents	10%
Life insurance agent where commission received is less than PKR 500,000 per annum	8%
Persons not covered above	12%

## [Collection of tax by NCCPL]

The rate of collection by NCCPL on profit or markup or interest earned by the member, margin financier or securities lender remains unchanged at 10%.

# [Collection of tax on motor vehicles]

Passenger transport vehicle having Capacity	PKR per seat per annum
Four or more persons but less than ten persons.	50
Ten or more persons but less than twenty persons	100
Twenty persons or more	300

Private motor vehicle Engine Capacity	Rate
Upto 1000cc	PKR 800
1001cc to 1199cc	PKR 1,500
1200cc to 1299cc	PKR 1,750
1300cc to 1499cc	PKR 2,500
1500cc to 1599cc	PKR 3,750
1600cc to 1999cc	PKR 4,500
2000cc to & above	PKR 10,000

Motor vehicle having Engine Capacity (collected in lump sum)	Rate
Upto 1000cc	PKR 10,000
1001cc to 1199cc	PKR 18,000
1200cc to 1299cc	PKR 20,000
1300cc to 1499cc	PKR 30,000
1500cc to 1599cc	PKR 45,000
1600cc to 1999cc	PKR 60,000
2000cc to & above	PKR 120,000



# [Collection of tax on electricity consumption]

Description	Tax Amount
does not exceed PKR 400	PKR 0
exceeds PKR 400 but does not exceed PKR 600	PKR 80
exceeds PKR 600 but does not exceed PKR 800	PKR 100
exceeds PKR 800 but does not exceed PKR 1,000	PKR 160
exceeds PKR 1,000 but does not exceed PKR 1,500	PKR 300
exceeds PKR 1,500 but does not exceed PKR 3,000	PKR 350
exceeds PKR 3,000 but does not exceed PKR 4,500	PKR 450
exceeds PKR 4,500 but does not exceed PKR 6,000	PKR 500
exceeds PKR 6,000 but does not exceed PKR 10,000	PKR 650
exceeds PKR 10,000 but does not exceed PKR 15,000	PKR 1,000
exceeds PKR 15,000 but does not exceed PKR 20,000	PKR 1,500
exceeds PKR 20,000	At the rate of 12% for commercial consumers At the rate of 5% for industrial consumers

## [Collection of Advance Tax on Telephone Users]

Description	Rate (%)
Telephone subscriber where the amount of monthly bill exceeds PKR 1,000	10% of exceeding amount
Subscriber of internet, mobile telephone and pre-paid internet or telephone card.	12.5% of the amount of bill or sales price

## Import of Mobile Phones

A new clause has been inserted whereby the provisions relating to collection of advance tax at import stage under section 148 shall not be applicable on mobile phones brought in personal baggage under the Baggage Rules, 2006.

## [Collection of tax on cash withdrawal from bank]


The rate of collection of tax on cash withdrawal from bank is 0.6% for persons whose name is not appearing in the active taxpayer list.

## [Collection of advance tax on transactions through banking channels]

The rate of collection of tax on transaction in bank is 0.6% for persons whose name is not appearing in the active taxpayer list.

## [Advance tax on purchase, registration and transfer of Motor Vehicles]

The advance tax on purchase and registration of Motor Vehicles remains unchanged as under, however, the categorized rates of non-filer be abolished.

Engine capacity	Amount of Tax
Up to 850cc	PKR 7,500 
851cc - 1000cc	PKR 15,000
1001cc - 1300cc	PKR 25,000
1301cc - 1600cc	PKR 50,000
1601cc - 1800cc	PKR 75,000
1801cc - 2000cc	PKR 100,000
2001cc - 2500cc	PKR 150,000
2501 cc - 3000cc	PKR 200,000
Above 3000cc	PKR 250,000

Further, the rates of collection of taxes on transfer of motor vehicles have also remained unchanged as under, however, the categorized rates of non-filer be abolished.



Engine capacity	Amount of Tax
Up to 850cc	-
851cc - 1000cc	PKR 5,000
1001cc - 1300cc	PKR 7,500
1301cc - 1600cc	PKR 12,500
1601 cc - 1800 cc	PKR 18,750
1801cc - 2000cc	PKR 25,000
2001cc & 2500cc	PKR 37,500
2501cc & 3000cc	PKR 50,000
Above 3000cc	PKR 62,500

## [Advance tax at the time of sale by auction]

The rate of collection of tax remains unchanged at the rate of 10% for filer, whereas the rate for non-filers be abolished.

## [Advance tax on purchase of air tickets]

The rate of collection of tax remains unchanged at 5% of the gross amount of air ticket.

## [Advance tax on sale/transfer of immovable property]

The rate of advance tax to be collected on sale/ transfer of immovable property has remained unchanged whereas the rate for non-filers be abolished.

Description	Rates (%)
Filer	1%

## [Collection of advance tax on functions and gatherings]

S. No.	Description	Rate of tax
1	For Islamabad, Lahore, Multan, Faisalabad, Rawalpindi, Gujranwala, Bahawalpur, Sargodha, Sahiwal, Shekhpura, Dera Ghazi Khan, Karachi, Hyderabad, Sukkur, Thatta, Larkana, Mirpur Khas, Nawabshah, Peshawar, Mardan, Abbottabad, Kohat, Dera Ismail Khan, Quetta, Sibi, Loralai, Khuzdar, Dera Murad Jamali and Turbat.	5% of the bill ad valorem or PKR 20,000 per function, whichever is higher
2	For cities other than those mentioned above;	5% of the bill ad valorem or PKR 10,000 per function, whichever is higher

# [Advance tax on cable operator and other electronic media]

License Category	Tax on License Fee	Tax on Renewal
H	PKR 7,500	PKR 10,000
H-1	PKR 10,000	PKR 15,000
H-II	PKR 25,000	PKR 30,000
R	PKR 5,000	Rs12,000
B	PKR 5,000	PKR 40,000
B-1	PKR 30,000	PKR 35,000
B-2	Rs,40,000	PKR 45,000
B-3	PKR 50,000	PKR 75,000
B-4	PKR 75,000	PKR 100,000
B-5	PKR 87,500	PKR 150,000
B-6	PKR 170,000	PKR 200,000
B-7	PKR 262,500	Rs,300,000
B-8	PKR 437,500	PKR 500,000
B-9	PKR 700,000	PKR 800,000
B-10	PKR 875,500	Rs,900,000

[Advance tax on sale to  
distributors, dealers or  
wholesalers]

Advance tax on sale to  
distributors, dealers or  
wholesalers remain  
unchanged as under,  
whereas the rates for  
non-filers be abolished.



Category of sale	Rate of tax (%)
Fertilizers	0.7%
Other than fertilizers	0.1%

## [Advance tax on sale of retailers]

Category of sale	Rate of tax (%)
Electronics	1%
Others	0.5%

## [Advance tax on sale of certain petroleum products]

The advance tax to be collected by person selling petroleum products to a petrol pump operator or distributor, where such operator or distributor is not allowed a commission or discount remains unchanged at the rate of 0.5%, however, the rate for non-filer be abolished.

[Collection of advance tax  
by educational institutions]

The rate of  
collection of tax  
remains unchanged  
at 5%

[Advance tax on dealers, commission agents and arhatis, etc.]

Group or Class	Amount of tax (per annum)	
	Existing	Proposed
Group or Class A	PKR 10,000	PKR 100,000
Group or Class B	PKR 7,500	PKR 75,000
Group or Class C	PKR 5,000	PKR 50,000
Any other category	PKR 5,000	PKR 50,000

## [Advance tax on purchase of immovable property]

The rate of advance tax to be collected on purchase of immovable property under Section 236K is proposed to be 1% of the Fair Market Value, whereas, the existing slab rates have been abolished.

## [Advance tax on domestic electricity consumption]

The rate of advance tax collection remains unchanged at 7.5% if the monthly bill is PKR 75,000 or more.

## [Advance tax on international air ticket]

Type of Ticket	Rate
First/Executive class	PKR 16,000 per person
Others excluding economy	PKR 12,000 per person
Economy Class	PKR 0



## [Advance tax on bank transactions]

The advance tax to be collected on banking transaction otherwise through cash shall be collected at 0.6% for persons who are not appearing in the Active Taxpayer List.

[Payment to a resident person for  
right to use machinery and  
equipment]

The rate of tax  
remains unchanged  
at 10%.

[Collection of advance tax on  
education related expenses  
remitted abroad]

The rate of tax  
remains unchanged  
at 5%.

## [Advance tax on insurance premium]

- ▶ The rate of advance tax to be collected on insurance premium from persons who are not appearing in the Active Taxpayer
- ▶ List have remained unchanged as under:

Type of premium	Rate (%)
General insurance premium	4%
Life insurance premium if exceeding PKR 0.3 million in aggregate per annum	1%
Others	0%

## [Advance tax on extraction of minerals]

The rate of tax remains unchanged at 5% for persons not appearing in the Active Taxpayer List.

## [Advance tax on amount remitted abroad through credit, debit or prepaid cards]

The tax to be collected on transfer of any sum remitted outside Pakistan, on behalf of any person who has completed a credit card transaction, a debit card transaction, or a prepaid card transaction with a person outside Pakistan at the rate of 1% of the gross amount remitted abroad, whereas, the rate for non-filers be abolished

# SECOND SCHEDULE



## Exemption to armed forces personnel [Clause : 39A]

Following allowance added to  
armed forces personnel in the  
exempt list:

- ✓ Internal security allowance
- ✓ Compensation in lieu of bearer allowance

# Exemption on donations [Clause : 61]

Exemption on any amount paid as donation to the charitable institutions specified therein:

- ✓ Layton Rahmatullah Benevolent Trust
- ✓ Akhuwat

## Exemption to income of certain charitable and other institutions [Clause : 66]

Exemption from tax to any income of the institutions:

- ✓ Akhuwat
- ✓ Audit Oversight Board

# Profit and gains on sale of immovable property to REIT Scheme

[Clause : 100]

- ✓ Currently, profit and gains on sale of immovable property to Developmental REIT Scheme with the object of the development and construction residential building shall be exempt up to 30 June 2020.
- ✓ Profit and gain on sale of immovable property to a rental REIT Scheme shall also be exempt from tax upto 30 June 2021.

## Reduction in tax liability on inter-corporate dividends [Clause : 103C]

Pursuant to the provisions of Clause (103A) of Part I of the Second Schedule, any income derived from intercorporate dividends was exempt for group companies entitled to group taxation under Section 59AA or group relief under Section 59B. The Finance Act, 2015 then added a condition, that such exemption would only be available if the consolidated return of the group had been filed. Subsequently, the Finance Act, 2016, excluded entities entitled to group relief under Section 59B from the exemption entirely.

The above amendments created significant difficulties for corporate and industrial groups by adding multiple layers of taxation on dividends issued by group entities. This resulted in corporate structures becoming inefficient due to multiple taxation of the same income, on mere distribution within the group, even though no value addition was taking place. This also led to substantial litigation from various groups.

The Supplementary Act, 2019 addressed this issue by inserting a new clause in Part I of the Second Schedule which with effect from 01 July 2019 exempts dividend income derived by a company, if the recipient has availed group relief under Section 59B, computed according to the formula prescribed therein

It is imperative to appreciate that while the original provision of Clause (103A) had provided an outright exemption from tax on inter-corporate dividends to entities entitled to group relief, the newly inserted Clause only provides a relief only in the circumstances where the recipient of the dividend has availed group relief, i.e. loss has actually been surrendered between the two entities and even then, only to the extent of the shareholding that the parent entity has in its subsidiary.



The Bill seeks to address the hardship of the corporate taxpayers and proposed to extend this facility to a Company who is eligible for Group Relief under Section 59B of the Ordinance instead of only those who actually availed the scheme of Group Relief.

# Exemption to the income of persons resident of the Tribal areas of Khyber Pakhtunkhwa & Baluchistan [Clause : 46]

The Bill proposed to insert a new Clause to provide an exemption from tax to any income of any individual domiciled or Company and association of persons resident in the Tribal Areas forming part of the Provinces of Khyber Pakhtunkhwa and Baluchistan which was not chargeable to tax prior to the commencement of the Constitution (25th Amendment) Act, 2018, (XXXVII of 2018 ) under paragraph (d) of Article 246 of the Constitution with effect from 01 June, 2018 to 30 June 2023.

## Reduction in a tax liability of a full time teacher or a researcher [Clause : 2]

**Earlier reduction allowed:** 40% of tax payable on his income from salary .

**New reduction allowed:** 25% of tax payable on his income from salary.

Reduction in tax payable shall not available to teachers of medical profession who derive income from private medical practice or who receive share of consideration received from patients.

**Tax  
Exempt**

Shift

# Exemptions summary

<u>Clauses</u>	<u>Exemptions summary</u>
43E	Clause 43E provides exemption from provisions of Section 153 of the Ordinance to goods transport contractors, provided that such contractors shall pay tax at the rate of 2.5% on payments received on account of rendering of carriage services. Now the tax rate increase from 2.5% to 3%.
81 & 81A	<p>Manufacturers, distributors, dealers and wholesalers of specified sectors from disclosure of certain details like name, Computerized National Identity Card Number, National Tax Number and address of the person from whom tax has been collected will be required to disclose such information in the statement of withholding tax.</p> <p>Banking companies has also to disclose tax deducted on cash withdrawals and on profit on debt. Consequently, banking companies will be required to disclose such information in the statement of withholding tax.</p>

105	Currently, Clause 105 provides exemption from selection for audit under Section 177 and 214C to persons whose income tax affairs have been audited in any of the preceding three tax years. This clause is omitted now.
110	Exemption for the deduction or collection of withholding tax to any individual domiciled or Company and association of persons resident in the Tribal Areas forming part of the Provinces of Khyber Pakhtunkhwa and Baluchistan which was not applicable to them prior to the commencement of the Constitution (25th Amendment) Act, 2018, (XXXVII of 2018 ) under paragraph (d) of Article 246 of the Constitution with effect from 01 June, 2018 to 30 June 2023.

# THIRD SCHEDULE

## Initial Allowance

Initial allowance  
available in  
respect of  
Buildings is  
omitted.



# FOURTH SCHEDULE

## Mutual Insurance Association

- ✓ A new Rule 6E
- ✓ Commissioner is empowered to examine and amend the amount of income as disclosed in the financial statements presented to the SECP with respect to commission paid and claim for losses.

# 7TH SCHEDULE

## Provision for bad debts of advances and off-balance sheet items

- ✓ Rule 1(c) to clarify that maximum claim of provisions for advance and off balance sheet items shall be computed on the basis of gross advances at the respective rates of 1% and 5%. However, no adjustment may be accounted for in the above claim for reversal of provision, if any. Reversal of provisions which were previously classified as “doubtful” and “loss” were not offered as income in the return of income and were adjusted by the banks against their pool of unadjusted carry forward provisions.
- ✓ Now, reversals if any, of bad debts previously classified as “doubtful” and “loss” shall be offered for tax.

## Enhanced rate of tax on taxable income from Federal Government Securities by a Banking Company (Rule 6C)

- ✓ A new rule 6C inserted from tax year 2020 and onwards which provides that from the tax year 2020 and onwards the tax rate of 37.5% would be applicable on taxable additional income earned from additional investment in federal government securities.
- ✓ Formula for calculation of taxable income from additional investment in government securities:

$$A \times B/C$$

A = taxable income of the banking company

B = net markup of income earned from additional income earned for the tax year as declared in the annual accounts

C = total of the net markup and non-markup income of the banking company as per accounts

For this purpose, at the time of filing of return of income, a Banking company is also obliged to obtain a certificate from their external auditor which would certify the following -

- ✓ Investment made in government securities in preceding tax year,
- ✓ Additional investment made for the tax year
- ✓ Net-markup earned from such additional investment

- ✓ The tax authorities are also empowered to ask for information in respect of investment in Federal Government Securities to ascertain applicability of the enhanced rate of tax.
- ✓ Amendments does not cater to scenarios where a banking company incurs a loss for the year however it has earned additional income for additional investment in federal government securities.

## ‘additional income earned’

- ✓ Mean income earned from additional investment in Federal Government securities by the bank for the tax year.
- ✓ The term ‘additional investment’ has also been defined to mean average investment made in Federal Government securities by the bank during the tax year, in addition to the average investments held during the tax year 2019.



## Computation of income for levy of super tax on a banking company (*Rule 7C*)

Rule 7C restricts adjustment of brought forward depreciation and brought forward business losses in order to work out income for the purpose of levy of super tax under Section 4B in case of a banking company.

## Reduced rate of tax on additional advances for micro, small and medium enterprises (Rule 7D)

- ✓ Finance Supplementary (second Amendment) Act, 2019 introduced certain incentives for banking sector to contribute in accomplishment of the Government's goals to promote economic growth in the country by providing financial support to small businesses involving low and medium capital structure. Accordingly, a new Rule 7D was introduced which provided relief in tax rate in respect of interest income earned from providing additional advances to micro, small and medium enterprises.
- ✓ Now word interest income be removed from the above Clause 1 of Rule 7D thereby providing the benefit of reduced rate of taxation on any type of taxable income earned from lending / financing to micro, small and medium enterprises.

Service  
**Tax**

(2011)  
urn

2011

**TAX REGIME**

## Imports (sec:148)

**Advance tax** in the case of:

- Raw material or plant & machinery imported by industrial undertakings for own use;
- imports by large Import houses;
- motor vehicles in CBU condition imported by manufacturers of motor vehicles
- Foreign produced film for screening & viewing purposes

**Minimum Tax**

- Goods sold same condition they were imported
- Edible Oil
- Packing Material
- in case of import of plastic raw material (PCT heading 39.01 to 39.12), packing material and edible oil

<u>Nature</u>	<u>Tax Regime</u>
DIVIDEND, INCLUDING DIVIDEND IN SPECIE	FTR
RETURN ON INVESTMENT <i>IN</i> SUKUKS	FTR
PROFIT ON DEBT	Advance tax (MTR in case of companies)
PAYMENTS TO NON-RESIDENTS	MTR
PAYMENTS TO PERMANENT ESTABLISHMENT (PE) OF NON-RESIDENTS	MTR
PAYMENT FOR FOREIGN PRODUCED COMMERCIALS	FTR
PAYMENTS FOR SUPPLY OF GOODS	<b>Advance Tax</b> in case of listed companies and companies engaged in manufacturing. <b>Minimum Tax</b> for other cases
PAYMENT OF ROYALTY TO RESIDENT PERSONS	Advance tax

NatureTax Regimes

PAYMENTS FOR SERVICES

MTR

PAYMENT ON ACCOUNT OF EXECUTION OF CONTRACTS

**Advance Tax** in case of listed companies and companies engaged in manufacturing.  
**Minimum Tax** for other cases

EXPORTS

**Final Tax**  
Exporters may opt at the time of filing of return that the tax collected to be treated as  
**Minimum Tax**

PROPERTY INCOME/ RENTALS

Advance tax

PRIZES AND WINNINGS

FTR

PETROLEUM PRODUCTS

FTR

WITHDRAWAL OF BALANCE UNDER PENSION FUND

FTR

CASH WITHDRAWALS FROM BANKS

Advance tax except Cash withdrawals from Pak Rupee bank accounts where foreign remittances credited directly such accounts

<u>Nature</u>	<u>Tax Regime</u>
TRANSACTIONS IN BANK - Banking instrument purchased against payment in cash	Advance tax
TAX ON MOTOR VEHICLES	Advance tax
BROKERAGE & COMMISSION	MTR
COLLECTION OF TAX BY STOCK EXCHANGES IN LIEU OF TAX ON COMMISSION	Advance tax
COLLECTION BY TAX BY NCCPL FROM MEMBERS OF STOCK EXCHANGES	Advance tax
CNG STATIONS	MTR
ELECTRICITY CONSUMPTION	<b>Minimum Tax</b> (for Non-corporate tax payers up to Rs. 360,000) <b>Advance Tax</b> (for other cases)
DOMESTIC ELECTRICITY CONSUMPTION	Advance tax
STEEL MELTERS, RE-ROLLERS ETC.	FTR
TELEPHONE USERS	Advance tax
SALE BY AUCTION	Advance tax except Sale of lease of the right to collect tolls where it is FTR

<u>Nature</u>	<u>Tax Regime</u>
<b>PURCHASE DOMESTIC OF AIR TICKETS</b>	Tickets for routes of Baluchistan, coastal belt, Azad Jammu and Kashmir, FATA, Gilgit-Baltistan and Chitral is exempt. Advance tax in all other cases.
<b>SALE OR TRANSFER OF IMMOVABLE PROPERTY</b>	Advance tax
<b>FUNCTIONS AND GATHERINGS</b>	Advance tax
<b>CABLE OPERATORS AND OTHER ELECTRONIC MEDIA</b>	Advance tax
<b>TAX ON SALES TO DISTRIBUTORS, DEALERS AND WHOLESALERS BY MANUFACTURERS AND COMMERCIAL IMPORTERS</b>	Advance tax
<b>TAX ON SALES TO RETAILERS &amp; WHOLESALERS BY MANUFACTURERS, DISTRIBUTORS, DEALERS, WHOLESALERS OR COMMERCIAL IMPORTERS</b>	Advance tax
<b>TAX ON SALES OF CERTAIN PETROLEUM PRODUCTS</b>	Advance tax
<b>COLLECTION OF TAX BY EDUCATIONAL INSTITUTIONS WHERE FEE EXCEEDS RS. 200,000/-</b>	Advance tax for residents only
<b>TAX ON DEALERS, COMMISSION AGENTS AND ARHATIS ON ISSUANCE/ RENEWAL OF LICENSE</b>	Advance tax



Nature

Tax Regime



<u>Nature</u>	<u>Tax Regime</u>
<b>PURCHASE OR TRANSFER OF IMMOVABLE PROPERTY</b>	Advance tax
<b>INTERNATIONAL AIR TICKETS</b>	Advance tax
<b>ALL TYPE OF BANKING TRANSACTIONS OF NON-FILERS</b>	Advance tax
<b>RENT OR PAYMENT FOR RIGHT TO USE MACHINERY AND EQUIPMENT</b>	FTR
<b>EDUCATION RELATED EXPENSES REMITTED ABROAD</b>	Advance tax
<b>ADVANCE TAX ON INSURANCE PREMIUM</b>	Advance tax
<b>ADVANCE TAX ON EXTRACTION OF MINERALS</b>	Advance tax
<b>ADVANCE TAX ON PURCHASE OF TOBACCO</b>	Advance tax
<b>ADVANCE TAX ON REMITTANCE ABROAD THROUGH CREDIT, DEBIT OR PREPAID CARDS</b>	Advance tax

**SALES TAX**



## Section: 2(43A) and 3(9A) [Sales Tax on Tier-1 Retailers]

Tax on Tier-1 Retailers, was introduced vide the Finance Act, 2017..  
“Tier-1 Retailers” was defined to mean:

- (a) a retailer operating as a unit of a national or international chain of stores;
- (b) a retailer operating in an air-conditioned shopping mall, plaza or centre, excluding kiosks;
- (c) a retailer whose cumulative electricity bill during the immediately preceding twelve consecutive months exceeds rupees six hundred thousand; and
- (d) a wholesaler-cum-retailer, engaged in bulk import and supply of consumer goods on wholesale basis to the retailers as well as on retail basis to the general body of the consumers.

Tier-1 Retailers are required to charge sales tax at the rate of 17% on the value of supplies and are required to file sales tax returns on a monthly basis. The local retail supplies of finished goods of the five export oriented sectors specified in the SRO 1125(I)/2011 by the Tier-1 Retailers are subject to sales tax at the rates specified in the above notification. Further, they also have option to pay tax under the turnover regime at the rate of 2% (without adjustment of input tax), including on exempt supplies, subject to the condition that Tier-1 Retailers shall file an option to the Chief Commissioner Inland Revenue having jurisdiction thereon.

- ✓ All the retailers irrespective of the conditions laid down in the existing definition shall be treated as Tier-1 Retailers if their shop size is equal to or more than 1,000 sq.ft.
- ✓ Tier-1 Retailers shall not be eligible to pay sales tax under the turnover regime.
- ✓ Customers of Tier-1 Retailers shall be entitled to receive a cash back upto 5% of the sales tax paid on their purchases in the manner and extent as may be prescribed by FBR.

# Tier-1 retailers include the following:

- (a) a retailer operating as a unit of a national or international chain of stores;
- (b) a retailer operating in an air-conditioned shopping mall, plaza or centre, excluding kiosks;
- (c) a retailer whose cumulative electricity bill during the immediately preceding 12 consecutive months exceeds Rs. 600,000;
- (d) a wholesaler-cum-retailer, engaged in bulk import and supply of consumer goods on wholesale basis to the retailers as well as on retail basis to the general body of the consumers; and
- (e) a retailer whose shop measures 1,000 square feet or more in area.

## Section: 3(9) [Sales Tax on Retailers other than Tier-1]

- ✓ Section 3(9) of the ST Act provides that the sales tax shall be charged from retailers through their monthly electricity bills at the rate of 5% where the monthly amount of bill does not exceed rupees PKR 20,000 and at the rate of 7.5 % where the monthly bill amount exceeds the aforesaid amount subject to the conditions and limitations.
- ✓ Section 3(9) of the ST Act amended whereby it has been clarified that the electricity supplier shall deposit the amount so collected from the retailers without adjusting against his input tax.

## Section: 5(AB) [Cottage Industry]

‘Cottage industry’ means

- ✓ a manufacturer located in a residential area without having industrial gas and electricity connection,
- ✓ not having workers more than ten and
- ✓ annual turnover from all supplies not exceeding 03 million rupees

will fall under its domain. This means that numerous manufacturing units which are currently availing the above concessions, being cottage industry, would be ousted from its domain.



## Sections 2(27), 2(46) & 3(2)(a) [Definition of Retail Price and Value of Supply]

“Retail price” now includes goods imported into Pakistan. Resultantly, goods specified in the Third Schedule are also liable to sales tax at import stage on retail price fixed by the importer.

## Section: 2(46) [Value of Supply for Toll Manufacturing]

Actual consideration received by a toll manufacturer for value addition carried on the goods belonging to other person.

## Section: 2(46)(h) & 2(46)(i) [Value of Supply for Electricity and Gas]

Clause (h) and (i) to Section 2(46) inserted whereby value of supply in case of supply of electricity by an independent power producer and electricity and gas by distribution companies has been defined.

## Section: 7A(2) [Minimum Value Addition Tax]

The Chapter X of the Sales Tax Special Procedure Rules, 2007 provides Special Procedure for payment of sales tax by importers, whereby sales tax on minimum value addition is levied and collected at import stage on specified goods at the rate of three percent of the value of goods in addition to the sales tax chargeable under Section 3 of the ST Act or the notification issued thereunder. The aforesaid rules provide certain exclusions which include goods imported by a manufacturer for in-house consumption, POL products imported by Oil Marketing Company and registered service providers importing goods for their in-house consumption.

- ▶ Twelfth Schedule be added to the ST Act which provides application of minimum value addition tax at the rate of three percent with the following proposed changes in the exclusion as provided in the existing Special Procedure for payment of sales tax by importers.
- ▶ The minimum value addition tax shall remain to be treated as input tax under the ST Act.

## Existing Exclusions

## Proposed Exclusions

Goods as are imported by a manufacturer for in-house consumption

Raw materials and intermediary goods meant for use in an industrial process which are subject to customs duty at the rate of 16% or 20% ad valorem under First Schedule to the Customs Act, 1969

POL products, imported by an Oil Marketing Company for sale in the country, whose prices are regulated under a special pricing arrangement by the Government of Pakistan or by a regulatory authority working under the Government of Pakistan

The petroleum products falling in Chapter 27 of Pakistan Customs Tariff as imported by a licensed Oil Marketing Company for sale in the Country

None

Cellular mobile phones or satellite phones

## Value addition of specified goods

Value addition @ 3%  
withdrawn on petroleum  
products and mobile  
phones.

# Commission in respect of Third Schedule Items

The FB proposed to disallow any expenditure incurred on account of commission in respect of supplies covered by the Third Schedule to the Sales Tax Act, 1990 (STA), if the amount of commission paid exceeds 0.2% of gross amount of supplies in case:

- (i) the commission recipient is not registered under the STA; and
- (ii) his name is not appearing on ATL.

Since recipient of commission is not required to be registered under the STA; a clarificatory amendment has been made so as to withdraw the condition of registration under STA.



- ✓ As a result, commission paid or payable in excess of 0.2%, in respect of Third Schedule products, shall be disallowed if recipient of commission is not appearing on ATL.
- ✓ FBR is expected to clarify that: - in case commission exceeds 0.2% threshold, only the excess amount will be disallowed; and - if the recipient of commission is not appearing on ATL for a period of time, then proportionate commission expense will be disallowed.

**Section: 7(2)(i)**  
**[Claim of Input Tax on**  
**Electricity or Gas]**

Allow input tax on electricity or gas if the electricity or gas bill reflects the consumer's registration number and address where the connection is installed.

## Section 8 and Section 23 [Tax Credit Not Allowed and Tax Invoice]

Restrict sales tax paid on import of scrap of compressors falling under PCT heading 7204.4940 on pro-rata basis to the extent of supplies made to the un-registered persons without providing NIC number of the buyer on the sales tax invoice.

From a plain reading of the proposed amendments, it seems that it would be a real challenge for Tier-1 Retailers to secure their valid input tax by seeking NIC Number from individual customers so as to comply with the changes in Section 23 of the ST Act.

## [Sales tax on fertilizer]

- ▶ Reduction in the rate of sales tax to 3% on all fertilizers.
- ▶ Reduction in sales tax rate to 5% on supply of natural gas to fertilizer plants.
- ▶ Exemption of sales tax on import of LNG by fertilizer manufacturer for use as feedback stock.

## Section : 8B [Limit of Adjustable Input Tax]

Restriction of claim of input tax  
to the extent of:

**Old rule** : 90% of the output tax.

**New rule** : 95% of the output tax.

## Section : 13(2)(a) [Exemptions]

- ▶ Section 13 deals with general powers of the Federal Government to grant exemption from sales tax under certain circumstances.
- ▶ Powers deleted in the situation when used for “removal of anomalies in taxes, development of backward areas”.
- ▶ Resultantly the aforesaid functions may not be carried out by the Federal Government.

## Section : 25(2) [Audit of a Registered Person]

- ✓ Currently, Section 25 provides that an audit shall only be conducted once in every three years.
- ✓ Now, this section be deleted.

# Section : 26

## [Return]

- ▶ Under Sub-section (3) of Section 26 of ST Act, a registered person, subject to approval of the Commissioner Inland Revenue, may file a revised return within one hundred and twenty days from the date of filing of the return.
- ▶ No approval of the Commissioner Inland Revenue required in the situation: where the revised return is filed within sixty days of filing of the return and
- ▶ **Either:**
  - ✓ the tax payable is more than the tax already paid with the original return
  - or
  - ✓ the refund claimed therein is less than the amount as claimed in the original sales tax return.



## Serial No.1 to Section 33 [Penalty for Late Filing of Return]

Penalty for non-filing of sales tax return:

**Old penalty** : 5,000

**New penalty:** 10,000

Return filing is not delayed for more than 10  
days:

**Old penalty** : PKR 100 for each date of default.

**New penalty:** PKR 200 for each date of default.

## Section 33(A) [Proceedings Against Tax Officials]

- ✓ Section 51 provides immunity to tax officials from prosecution by any Government agency for anything done in their official capacity, without the prior approval of FBR. This immunity was, at times, exploited by the tax officials.
- ✓ FBR now shall prescribe rules for initiating proceedings, including criminal proceedings against any tax official who willfully and deliberately commits or omits an act which results in personal benefits and undue advantage to himself or a taxpayer or both.
- ✓ Furthermore, FBR shall simultaneously intimate the relevant Governmental agency to initiate criminal proceedings against the taxpayer.

## Section : 58

# [Liability for Tax in case of Private Company or Business Enterprises]

- ▶ Section 58 provides that any private company or business enterprise which is wound up and any tax chargeable may not be recoverable from such company or business enterprise then the owner, partner or director shall be jointly and severally liable for payment of such tax.
- ▶ Now, extend such liability to shareholder owning more than 10% of the paid up capital.
- ▶ Said shareholder shall be entitled to recover the share of tax paid from the other owner, partner, director and shareholder holding more than 10% of the paid up share capital.

Section : 72(B)  
[Selection of Audit by FBR]

Authorizes FBR to  
keep selection  
parameters for  
audit  
confidential.

## [Third Schedule]

- ▶ The Third Schedule lists down the goods that are subject to sales tax at retail price set by manufacturers.

<b>Entry No.</b>	<b>Description</b>	<b>PCT Heading</b>
47.	Biscuits in retail packing with brand name	Respective Headings
48.	Tiles	Respective Headings
49.	Auto-parts, in retail packing, excluding those sold to automotive manufacturers or assemblers	Respective Headings

The above goods were subject to Extra Tax. Since, the Extra Tax regime has been abolished and goods subject to Extra Tax have been made part of Third Schedule regime, almost all the goods (subject to Extra Tax) in the Third Schedule, except for the above, which has now been corrected in the ST act

# [Eighth Schedule]

Under Section 3(2)(aa), items listed in the Eight Schedule are chargeable to sales tax at reduced rate subject to certain conditions and limitations as provided therein.

Following entries in Table-1 of the Eight Schedule to the ST Act be substituted as:

## **CONCENTRATED MILK**

Both the categories of concentrated milk and cream are proposed to be taxed at the rate of 10%.

## **SEEDING AND PLANTING EQUIPMENT:**

Heading of 8432.3090 with 8432.3900 updated for the above goods.

## **POTASSIUM CHLORATE**

Presently, potassium chlorate is subject to sales tax at the standard rate of 65 rupees per kilogram.

Now, enhanced the additional fixed amount of sales tax from 65 to 70 rupees per kilogram.



## [Ninth Schedule]

Rates of sales tax on import or local supply or registration of IMEI number by CMOs of cellular and satellite phones be reduced as follows.

Description / Specification of Goods	Sales Tax on Import or Local Supply		Sales Tax Chargeable at the Time of Registration of IMEI Number by CMOs	
	Present Rate PKR	Proposed Rate PKR	Present Rate PKR	Proposed Rate PKR
Cellular mobile phones or satellite phones to be charged on the basis of import value per set, or equivalent value in rupees in case of supply by the manufacturer, at the rate as indicated against each category:--				GC Consultants
(a) Not exceeding US\$ 30	150	135	150	135
(b) Exceeding US\$ 30 but not exceeding US\$ 100	1,470	1,320	1,470	1,320
(c) Exceeding US\$ 100 but not exceeding US\$ 200	1,870	1,680	1,870	1,680
(d) Exceeding US\$ 200 but not exceeding US\$ 350	1,930	1,740	1,930	1,740
(e) Exceeding US\$ 350 but not exceeding US\$ 500	6,000	5,400	6,000	5,400
(f) Exceeding US\$ 500	10,300	9,270	10,300	9,270


# Capacity or Fixed Based Taxation

- ▶ Section 3(1B) of the ST Act empowers FBR to notify the taxable supplies on which sales tax may be levied and collected on the basis of production capacity or any other fixed basis in lieu of the Normal Sales Tax Regime.
- ▶ Now, substitute Section 3(1B) with the Tenth Schedule wherein goods are specified on which sales tax is charged or collected on the basis of production capacity or any other fixed basis.

# Sales Tax Withholding

- ✓ Section 3(7) authorizes the Federal Government to notify the person as sales tax withholding agents alongwith the manner and conditions for withholding of sales tax. The Federal Government issued the Sales Tax Special Procedure (Withholding) Rule, 2007 (the Withholding Rule) vide S.R.O. 660(I) of 2007.
- ✓ All the special procedures and redundant SROs are being abolished and same is to be transposed to the ST Act.

- ✓ Substitute Section 3(7) with the new Eleventh Schedule to the ST Act wherein the Withholding Rules are transitioned to the Eleventh Schedule to the ST Act.
- ✓ Eleventh Schedule has prescribed withholding agents and the rates of applicable sales tax withholding for specified category of suppliers as under:

S. No.	Withholding Agent 	Supplier Category	Rate or Extent of Deduction
(1)	(2)	(3)	(4)
1	(a) Federal and provincial government departments; autonomous bodies; and public sector organizations (b) Companies as defined in the Income Tax Ordinance, 2001 (XLIX of 2001)	Registered persons	1/5 <sup>th</sup> of Sales Tax as shown on invoice
2	(a) Federal and provincial government departments; autonomous bodies; and public sector organizations (b) Companies as defined in the Income Tax Ordinance, 2001 (XLIX of 2001)	Person registered as a wholesaler, dealer or distributor	1/10 <sup>th</sup> of Sales Tax as shown on invoice
3	Federal and provincial government departments; autonomous bodies; and public sector organizations	Unregistered persons	Whole of the tax involved or as applicable to supplies on the basis of gross value of supplies.
4	Companies as defined in the Income Tax Ordinance, 2001 (XLIX of 2001)	Unregistered persons	5% of gross value of supplies
5	Registered persons as recipient of advertisement services	Person providing advertisement services	Whole of sales tax applicable.

- ✓ The rates of sales tax withholding are identical with the rates as provided in the Withholding Rules except for withholding tax rate on supplies made by an unregistered person which has been enhanced from 1% to 5% of gross value of supplies.
- ✓ It is noticed that the remaining procedure, time and manner for withholding and deposit of tax thereof remain more or less the same and moved to the Eleventh Schedule.

- ✓ However, under the existing Withholding Rules certain persons or transactions like supplies by active taxpayer to another registered person as well as supplies of various type of goods including electricity, gas, petroleum products, steel melters, telecom, goods specified under the Third Schedules and goods supplied by commercial importer have been excluded from the purview of sales tax withholding.
- ✓ It may, therefore, be expected that the amendments would retain the similar position or the Withholding Rules to that extent remain intact unless the above situation is addressed.



## Extra Tax Regime

- ✓ Extra tax regime rescinded
- ✓ Chapter : VIII items are part of 3<sup>rd</sup> schedule.
- ✓ Sales tax charged at retail price by manufacturer.
- ✓ Motorcycles and Autorickshaws are also included in The Third Schedule

# Tax invoices

- ▶ NTN or CNIC are now required to be mentioned in tax invoice in respect of supply to unregistered persons.
- ▶ Such requirements have been made effective from 1st August, 2019.

## Exception:

- ▶ Supplies made by a retailer where the transaction value inclusive of sales tax does not exceed PKR 50,000/-, if sale is being made to an ordinary consumer.
- ▶ The term ‘Ordinary Consumer’ is a person who is buying goods for his own consumption and not for the purpose of re-sale or processing.
- ▶ In case it is subsequently proved that CNIC provided by the purchaser was not correct, liability of tax or penalty shall not arise against the seller, in case of sale made in good faith.

# Sales Tax Measures Announced in the Budget Documents

## **REMOVAL OF BAR ON EXPORT OF PMC AND PVC TO AFGHANISTAN**

SRO 190(I)/2002 may be amended to delete entries relating to PVC and PMC materials, and thus allowing zero-rating on export of these items to Afghanistan and Central Asian Republics.

## **ZERO-RATING ON SUPPLY OF TOBACCO TO EXPORTERS**

FED shall be charged at zero percent on unmanufactured tobacco as supplied to a registered person / trader who intends to export the same subject for furnishing of necessary security

## **GOVERNMENT BODIES EXCLUDED FROM PURVIEW OF EXTRA TAX AND FURTHER TAX**

Further tax at the rate of 3% is chargeable on all taxable supplies made to unregistered persons and 5% extra tax is chargeable on electricity and gas bills from all unregistered industrial and commercial consumers. Government / semi-government and statutory regulatory authorities may be excluded from purview of both these taxes.

## **FIXED VALUE OF GAS SUPPLIED TO CNG DEALERS**

CNG prices have been de-regulated due to which CNG prices have risen as well as gas tariff. In this sector, re-notify the value for sales tax on supply of gas from distribution company to CNG dealers.

## **RESTORATION OF NORMAL REGIME FOR STEEL SECTOR**

Special procedure rules for steel sectors are proposed to be done away.

## **SPECIAL PROCEDURE FOR MARBLE INDUSTRY**

Presently, sales tax on marble industry is governed through special procedure and sales tax is chargeable at PKR 1.25 per unit of electricity consumed. Salient feature delineates that special procedure may be done away and standard regime of 17% be restored.

## **ABOLISHMENT OF SALES TAX NOTIFICATION AND TRANSPOSITION TO THE ST ACT**

Salient features stipulate that all special procedure rules alongwith redundant notification are to be abolished and same will be transposed to the ST Act. Certain provisions of special procedure rules are already proposed to be transposed to the ST Act.

## **SIMPLIFICATION OF SALES TAX REGISTRATION**

It is intended that issue for sales tax registration would be automated without any physical contact with the tax officers. Biometric verification shall be done within a month of registration through NADRA e-Sahulat centres.

## **STREAMLINING SRO 1125(I)/2011 REGIME**

Concessionary rate of sales tax applicable to the five export oriented sector is expected to be withdrawn by rescinding S.R.O 1125. However, sales tax on ginned cotton, finished article textile and leather are to be taxed at reduced rate by inserting entry 65 and 66 in Eighth Schedule to the ST Act.

In consequence to above amendment, zero rating of utilities through various general order are also expected to be withdrawn. However, refund of input tax shall be automated and refund payment order (RPOs) shall be immediately sent to SBP for payment as soon as these are generated.

***SRO***

**SRO 690(I)/2019 dated June 29, 2019 - Value of supply to the CNG consumers for the purpose of charging of sales tax from CNG stations by the gas transmission and distribution companies**



The value of supply to the CNG consumers for the purpose of charging of sales tax from CNG stations by the gas transmission and distribution companies has now been fixed under sub-section (8) of section 3 read with first proviso to clause (46) of section 2 of the Act as follows:

Region-I: Khyber Pakhtunkhwa, Baluchistan and Potohar Region (Rawalpindi Islamabad and Gujjar Khan); and

Region-II: Sindh and Punjab excluding Potohar Region

S.No.	Description	Rate
(i)	For Region-1	Rs 69.57 per kg
(ii)	For Region-II	Rs. 74.04 per kg

**SRO 674(I)/2019 dated  
June 28, 2019 -  
Amendments in SRO  
492(I)/2009 dated June 13,  
2009 [Exemption from  
Customs Duty and Sales Tax  
on Temporary import]**

Following amendments have been made in the exemption provided for customs duty and sales tax on temporary importation of goods for subsequent exportation (subject to certain conditions):

- ✓ Power to grant further extension in exceptional circumstances in excess of first 6 months extension have been transferred to the Chief Collector from the Board;
- ✓ A provision has been added where left over quantities of raw material which could not be exported for certain reasons may be allowed removal in its original and unprocessed form by the Assistant Collector of Customs on:
  - case to case basis;
  - reasons to be recorded in writing; and
  - after filing of GD on payment of duties and taxes leviable thereon.

**SRO 671(I)/2019 dated  
June 28, 2019 -  
Amendments in SRO  
678(I)/2004 dated  
August 7, 2009  
[Temporary import of  
FSRU]**

Explanation earlier inserted for import provisions on Floating Storage and Regasification Unit (FSRU) have been substituted. The amendment provides that no sales tax and customs duty is chargeable on replacement of FSRU from sales tax and customs duty imported for a period of 180 days in respect of a primary FSRU. However, where replacement FSRU is imported for more than 180 days period, duty is leviable on differential value of replacement and primary FSRU. Sales tax would continue to be exempted.

**SRO 691(I)/2019 dated  
June 29, 2019 -  
Amendments in SRO  
190(I)/2002 dated April  
2, 2002 [Zero rating of  
goods exported to  
Afghanistan]**

SRO 190(I)/2002 dated April 2, 2002 had excluded certain goods from zero-rating of export of goods to Afghanistan. Amendments have been brought to entitle export of PVC and PMC materials (PCT Code 39.01 to 39.14), as are manufactured in the Export Processing Zones or in manufacturing bonds, for zero rating.



**SRO 692(I)/2019 dated  
June 29, 2019 -  
Amendments in SRO 648  
(I)/2013 dated July 9,  
2013 [Exclusion from  
Further Tax]**

SRO 648(I)/2013 dated July 9, 2013 had excluded certain taxable supplies from further tax. Amendments have been made to further exclude the following from the levy of further tax:

- ✓ supplies made to Government, semi-government and statutory regulatory bodies ; and
- ✓ supply of white crystalline sugar (PCT heading 1701.9910 and 1701.9920).

**SRO 693(I)/2019 dated  
June 29, 2019 -  
Amendments in SRO  
509(I)/2013 dated June  
12, 2013 [Exclusion  
from Further Tax]**

Through SRO 509(I)/2013 dated June 12, 2013; extra tax was levied at the rate of 5% on supplies of electric power and natural gas to persons having industrial or commercial connections to the extent and in manner stated in the said SRO. Supply of natural gas to CNG stations were however, excluded from this levy. Amendments have been made in the SRO 509 dated June 12, 2013 to further exclude supply of of electric power to Government, semi-government and statutory regulatory bodies from the levy of extra tax.

**SRO 698(I)/2019  
dated June 29,  
2019 [Amendment  
in Rules relating to  
registration]**

The process for registration and documentation requirements relating thereto have been automated. Registration is now provided through online furnishing of required documentation without physical verification of original documents. A physical verification is however, required for bio-metric verification and e-Sahulat Centre of NADRA within a month, failing which person's name shall be taken off the sales tax Active Taxpayers List. The Board may require post-verification through field offices or a third party authorized in this behalf.

**RESCINDMENT  
OF SROs  
EARLIER ISSUED**

**SRO  
694(I)/2019  
dated June  
29, 2019**



Following SROs have been rescinded through SRO 694(I)/2019 dated June 29, 2019:

- SRO 68(I)/2006, dated the 28th January, 2006 [Entitlement to the solvent extraction industries to deduct the entire amount of input tax paid on import of rapeseed from the output tax charged on supply of oil extracted]
- SRO 480(I)/2007, dated the 9th June, 2007 [Sales Tax Special Procedures Rules, 2007]
- SRO 660(I)/2007, dated 30th June, 2007 [The Sales Tax Special Procedure (Withholding) Rules, 2007]
- SRO 769 (I)/2009, dated the 4th September, 2009 [Zero-rating of polyethylene and polypropylene for the purpose of local manufacturing of mono filament yarn and net cloth]
- SRO 1125(I)/2011 dated the 31st December, 2011 [Zero-rating of major export oriented sectors]
- SRO 398(I)/2015 dated 8th May, 2015 [Providing reduced rate of 5% on LNG imported for servicing CNG sector and fertilizer produced by using imported LNG]

- ✓ SRO 1125 rescinded and bring five sector in normal tax regime.
- ✓ Local supply of finished fabric and finished articles of leather and textile
  - Integrated business : 14%
  - Non - integrated business : 17%
- ✓ Zero-rating of utilities i.e. electricity and gas is withdrawn.

**SRO  
699(I)/2019  
dated June  
29, 2019**

Following SROs have been rescinded through SRO 699(I)/2019 dated June 29, 2019:

- SRO. 697(I)/1996, dated 22nd August, 1996 [Approval of keeping business records on computer by registered person]
- SRO 26(I)/2006, dated 9th January, 2006 [Functions, powers and jurisdiction of the officers of the Directorate General of Inspection and Internal Audit]
- SRO 524(I)/2006, dated 5th June, 2006 [Designated branches of NBP]
- SRO 751(I)/2006, dated 21st July, 2006 [Furnishing of prescribed statements by Petroleum exploration and production companies]
- SRO 993(I)/2006, dated 21st September, 2006 [Composite repayment-cum drawback of sales tax and FED on the export of vegetable ghee]

- SRO 1211(I)/2006, dated 04th December, 2006, [Refund of sales tax as input tax credit on raw materials of Fan]
- SRO 1260(I)/2006, dated 16th December, 2006, [Appointment of Chartered Accountant firms and Cost and Management Accountant firms for special audit]
- SRO 170(I)/2008, dated 22nd February, 2008 [Value of re-rollable scrap (PCT heading 72.04), imported through the land routes of Iran and Afghanistan]
- SRO 345(I)/2010, dated 24th May, 2010 [Fixed value of locally produced Goods/Amendment in special procedure rules 2007]

**SALES TAX  
GENERAL  
ORDER NO. 100  
OF 2019**

All earlier Sales Tax General Orders allowing zero-rating facility of sales tax on Electricity, Gas, Coal, Furnace Oil, Diesel Oil has been rescinded w.e.f. July 1, 2019.

# Federal Excise Duty



## Section: 2(23A) [Supply]

- ▶ The definition of “supply” includes sale, lease or other disposition of goods and such transaction as the Federal Government may notify in the official gazette.
- ▶ Now, powers to issue notifications by FBR instead of the Federal Government.
- ▶ However, FBR will issue the notifications for said purpose with the approval of the Minister in charge.

# Duties specified in the First Schedule to be levied

## *Section 3(5A), Second Schedule, Fourth Schedule*

- ✓ Section 3 deals with the levy and collection of duty on goods or services specified in the First Schedule.
- ✓ Now, Act levy the duty on production and supplies of steel products.
- ✓ Amendments have been introduced in Section 3(5A) of the Act and the Fourth Schedule for this purpose. The duty on supply of steel products be imposed at 17% ad valorem in sales tax mode.
- ✓ The taxpayer is required to declare actual and minimum production in its monthly returns and to compute and pay its tax liability based upon the comparison of actual and minimum production, whichever is higher.
- ✓ Carry out the comparison on an annual basis to ensure that the duty actually paid shall not be less than the liability determined on minimum production basis for the year.
- ✓ Minimum production of steel products in the Fourth Schedule subject to certain conditions and procedures as specified therein are changed.

## Section: 7

# [Application of the provisions of the Sales Tax Act, 1990]

Empower FBR with the approval of the Minister in charge, in place of the Federal Government to issue notification for the purposes of Section 7 of the Act to levy duty in sales tax mode.

## Section: 16 [Exemptions]

- ▶ The Federal Government is empowered to issue notification for exemption of duty.
- ▶ Modify certain circumstances under which such powers may be used by the Federal Government.

## Section: 19 [Offences, penalties, fines and allied matters exemptions]

Introduce fines and penalties to person who sells cigarettes in retail at a price lower than the retail price including sales tax printed thereon.

## Section: 19A [Proceeding against persons]

- ✓ New Section 19A in the Act
- ✓ FBR may prescribe rules to initiate criminal proceedings against its officials who willfully and deliberately commit or omit an act which results in personal benefit or undue advantage to the officials or the taxpayer or both.

## Section: 22(13) [Power to arrest and prosecute]

Empower FBR with the approval of the Minister in charge, in place of the Federal Government to issue notification and authorize any other officer working under FBR to exercise the powers and perform the functions under this section.

## Locally manufactured/ assembled motor vehicles

- ✓ Rate of duty on locally manufactured/ assembled motor vehicles proposed at varying rates from 2.5% to 7.5% (ad val.) depending upon engine capacity.
- ✓ ‘auto rickshaws’ have been excluded from the scope of such levy.



## Imported motor vehicles

All imported vehicles (except auto rickshaws) have been made subject to levy of excise duty in line with regime applicable to locally manufactured vehicles in the following manner:

<i>Description</i>	<i>Duty</i>
Imported motor vehicles of cylinder capacity up to 1,000 cc.	2.5% <i>ad valorem</i>
Imported motor vehicles of cylinder capacity of 1,001 cc to 1,799 cc.	5% <i>ad valorem</i>
Imported motor vehicles of cylinder capacity of 1,800 cc to 3,000 cc.	25% <i>ad valorem</i>
Imported motor vehicles of cylinder capacity exceeding 3,001 cc.	30% <i>ad valorem</i>

# Edible Oil / Vegetable Ghee & Cooking Oil

Edible oil/vegetable ghee & cooking oil was subject to excise duty in sales tax mode at full rate. Following notifications earlier prescribing fixed rates of duty in this regard stand rescinded:

- ✓ Notification SRO 24(I)/2016 dated January 7, 2006;
- ✓ Notification SRO 507(I)/2013 dated June 12, 2013;  
and
- ✓ Notification SRO 508(I)/2013 dated June 12, 2013.

Moreover, SRO 993(I)/2006 dated September 21, 2006, prescribing mechanism / procedure for repayment-cum-duty draw-back of sales tax/excise duty on export of vegetable ghee, cooking oil & margarine has been rescinded.

## Locally produced Cigarettes

The enhanced rates of excise duty on locally produced cigarettes were given effect to by Board through notification SRO 608(I)/2019 dated June 11, 2019. Since such rates have now been enacted through the FA, said notification has been rescinded.

## Rate of un-manufactured tobacco (First Schedule, Table I)

- ✓ Insert an explanation that the duty on un-manufactured tobacco shall be borne by the manufacturer and not to be passed on to the tobacco grower.
- ✓ rate of duty on unmanufactured tobacco was enhanced from Rs 10/ kilogram

## Rate of duty on domestic air travel (First Schedule, Table II)

The rate of duty on domestic air travel is proposed to be reduced from PKR 2,000 to PKR 1,500 for long routes and Rs.1,250 to Rs.900 for short routes.

## Conditional Exemption on Telecommunication Services (Third Schedule, Table II)

- ✓ The exemption of duty on internet services be withdrawn while the exemption on broadband be restricted to terrestrial broadband.
- ✓ bandwidth services rendered by 'foreign satellite companies' shall not enjoy exemption.

# Steel Products

Special sales tax regime applicable in case of steel products was replaced and excise duty in sales tax mode @ 17% of 'value of supply' was made applicable subject to a 'minimum duty regime' based on 'production criteria' (as tabulated below), with the condition that annual discharge of duty shall not be less than that payable on the basis of minimum regime.



***Product Description******Minimum Production***

Steel Billets and ingots

One metric ton per 700 kwh of electricity consumed

Steel bars and other re-rolled  
long profiles of steel

One metric ton per 110 kwh of electricity consumed

Ship plates

75% of the weight of the vessel imported for breaking

- ✓ In the case of 'ship plates', minimum production threshold of 75% has been enhanced to 85%, with 'other re-rollable scrap' also included in such category;
- ✓ it has also been provided that in case the duty worked out on the basis of 'minimum duty regime' is in excess of the actual liability, the excess amount shall not be refundable; and
- ✓ minimum values per metric ton of production of these steel products has been prescribed vide SRO 697 (I) / 2019 dated June 29, 2019 as under:

<i>Product Description</i>	<i>Value (Rs/ Metric Ton)</i>
Steel Bars	83,000
Steel Billets	74,000
Steel Ingots/ Bala	72,000
Ship Plates	72,000
Other re-rollable iron & steel scrap	47,000

# Islamabad Capital Territory (Tax on Services) Ordinance, 2001

- ▶ **Reduction in the rate of sales tax**
- ▶ The Bill seeks to reduce the rate of sales tax on call centre services from 18.5 percent to 17 percent.
- ▶ **Insertion of new services in the Schedule**
- ▶ The Bill seeks to harmonize the list of taxable services with the Provincial sales tax laws by inserting the following
- ▶ services in the Schedule to the ICT Ordinance.

- ▶ Services which have already been subject to federal excise duty shall not be included in the Schedule to the ICT Ordinance.
- ▶ However, the advertisement services which are listed at proposed Serial No. 43 of the Schedule, seems a duplication as it is already subject to Federal Excise Duty under Serial No. 2A of Table II of the First Schedule to the Federal Excise Act, 2005.

# Amendments in Islamabad Capital Territory Act

Amend the following Acts, as in force in the Islamabad Capital Territory:

- ▶ **The Stamp Act, 1899** for making amendments in the rate of Stamp Duty applicable on various types of instruments.
- ▶ **The West Pakistan Motor Vehicle Taxation Act, 1958** for revising the rate of token tax on motor cycles, scooters, motor vehicles, motor cabs, public service vehicles, commercial vehicles and loading vehicles
- ▶ **The West Pakistan Finance Act, 1965** for levying a bed tax at the rate of five percent of invoice value excluding sales tax and other applicable taxes on hotels having at least twenty five lodging units.

Thank you for watching the video.

Any suggestions/criticisms can be  
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