

COMMENTARY

**KABANI & COMPANY**  
Chartered Accountants

Budget  
2015-16

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# TAX MEMORANDUM

## FINANCE BILL 2015-16,

**Kabani & Company** (Chartered Accountants) is pleased to present this tax memorandum, which is primarily aimed to help in understanding the impact of the Budget changes that are brought by the Finance Bill 2015-16 relating to Income Tax, Sales Tax Laws, Federal Excise Duty and Customs Duty.

It is suggested that in order to understand the precise effect of a particular amendment, reference should preferably be made to the relevant wordings of the Act when passed. The bill was presented in the Parliament of Pakistan on June 05, 2015. Amendments and reshufflings are possible before its approval from National Assembly. It is suggested that changes should not generally be acted upon without first obtaining appropriate professional advice.

This has always been a pleasure to be of service to our clients.

**Kabani & Company**  
(Chartered Accountants)

***DISCLAIMER & ACKNOWLEDGMENT***

*This Finance Bill 2015-2016 has been prepared according to the guide lines of the Finance Bill as announced by the Finance Minister Mr. Ishaq Dar as on June 05, 2015. Although the highest standard of Professional Competence and Care has been followed regarding the showing of facts & figures in this Budget Commentary.*

*However Kabani & Company (Chartered Accountants) does not assume any responsibility as to the correctness, alteration or change of these fact & figures in future, which may be expected when the bill is presented in National Assembly of Pakistan for its approval.*

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**BUDGET AT A GLANCE**  
**FOR THE FINANCIAL YEAR 2015-16**

<b>Federal Budget</b>	<b>2015-16</b>
	<b>(Rupees In Billion)</b>
<b>Revenue Resources</b>	
I. Net Revenue Receipts (A)	<b>2,463.4</b>
II. Net Capital Receipts	<b>606.3</b>
III. External Receipts	<b>751.5</b>
IV. Provincial Cash Balance-Surplus	<b>297.17</b>
V. Privatization Receipts	<b>50</b>
VI. Bank Borrowing	<b>282.93</b>
<b>Total Resources</b>	<b>4,451.3</b>
<b>Current Expenditures</b>	
I. Interest Payments	<b>1279.89</b>
II. Defense Affairs & Service	<b>781.16</b>
III. Grant & transfers	<b>409.87</b>
IV. Subsidies	<b>137.6</b>
V. Pension	<b>231</b>
VI. Running of Civil Government	<b>326.33</b>
VII. Provision for Pay & Pension	<b>316.37</b>
	<b>3482.22</b>
<b>Development Expenditures</b>	
Federal Government	<b>700</b>
Provincial Government	<b>104.64</b>
Other Development Expenditure	<b>164.4</b>
	<b>969.04</b>
<b>Total Expenditure</b>	<b>4,451.3</b>
<b>(A) Net Revenue Receipts</b>	
a) Tax Revenue	<b>3418.2</b>
b) Non Tax Revenue	<b>894.5</b>
Gross Revenue Receipts	<b>4312.7</b>
Less: Provincial Receipts	<b>1849.3</b>
	<b>2,463.4</b>

## **BUDGET HIGHLIGHTS**

- The total outlay of the budget 2015-16 is Rs. 4,451.3 billion.
- The size of the outlay is 3.5 percent higher than the size the budget estimates of 2014-15.
- The resource availability during 2015-16 has been estimated at Rs. 4,168.3 billion against Rs. 4,073.8 billion in the budget estimates of 2014-15.
- The net revenue receipts of 2015-16 have been estimated at Rs. 2,463.4 billion, indicating an increase of 10.7 percent over the budget estimates of 2014-15.
- The provincial share in federal taxes is estimated at 1,849.4 billion during 2015-16, which is 7.5 percent higher than the budget estimates for 2014-15.
- The net capital receipts for 2015-16 have been estimated Rs. 606.3 billion against the budget estimates of Rs. 690.7 billion in 2014-15 a decline of 12.2 percent.
- The external receipts in 2015-16 are estimated at Rs. 751.5 billion which shows an increase of 12.2 percent.
- The overall expenditures during 2015-16 has been estimated 4,451.3 billion, out of which the current expenditure is Rs. 3,482.2 billion and development expenditure is Rs. 969 billion.
- The share of current and development expenditure respectively in total budgetary outlay for 2015-16 is 78.2 percent and 21.8 percent.
- The expenditure on general public service is estimated at Rs. 2,446.6 billion which is 70.3 percent of the current expenditure.
- The other development expenditure outside PSDP for 2015-16 has been estimated at Rs. 164.4 billion. (APP)

# SALIENT FEATURES

## INCOME TAX

### Relief Measures

- Reduction in Tax Rate for Companies: Continuing with the policy of reducing corporate tax rates, the rate is being further reduced to 32% for Tax Year 2016.
- Exemption to Electricity Transmission Projects for a period of 10 years, provided that the project is set up by June, 2018.
- **Tax Credit for new investment in shares:** To encourage saving and investment in new companies quoted on stock exchange the limit for individual investors is being enhanced to 1.5 million.
- Tax Credit for Enlistment: At present, a 15% tax credit is available to a company, if it opts for enlistment in any registered stock exchange in Pakistan. To encourage enlisting of companies on stock exchange, the credit is being enhanced to 20%.
- Reduction in Withholding Tax On Token Tax and Transfer of Vehicles.
- **Expanding the Scope of Small Company:** The limit of capital at Rs 25 million for qualifying as a small company is proposed to be enhanced to Rs 50 million.
- **Relief to Small Taxpayers:** Salaried taxpayers earning taxable income from Rs 400,000 to Rs 500,000 are chargeable to tax at a rate of 5%. To provide relief to this class the rate of tax is proposed to be reduced to 2%.

Non-Salaried individual taxpayers and Association of Persons earning taxable income from Rs 400,000 to Rs 500,000 are chargeable to tax at a rate of 10 %. To provide relief to these taxpayers the rate of tax is proposed to be reduced to 7%.

- Option to Exporters to Opt Out of the Final Tax Regime

### Revenue Measures

- Change in Rate of Tax and Taxable Holding Period for Securities: The rates for capital gains tax on securities are being fixed as under:
  - Held upto a period of 24 months: 15%
  - Held upto a period from 12 months to 24 months: 12.5%
  - Held upto a period from 2 years to 4 years: 7.5%
- Increasing Cost of Non-Compliance with Tax Laws: The scope of the distinction between a compliant and non-compliant taxpayer by prescribing higher withholding tax rates for those not filing income tax returns.
- **Adjustable advance income tax on banking instruments and other modes of transfer for Non-Filers:** Adjustable advance income tax at the rate of 0.6% of the amount of transaction is proposed to be collected on all banking instruments and other

modes of transfer of funds through banks in the case of persons who do not file Income Tax returns.

- Rationalizing Tax Rates for Various Sources of Banking Companies:
- Presently, tax rate of 35% is applicable to banking companies from all sources except income from dividend and income from capital gains. Rate differential for different sources is proposed to be removed.
- Taxation of Dividend: The present rate of tax of 10% on dividend income is on the lower side as compared to most other countries. It is proposed that the rate be increased to 12.5%. Consequently, in case of non-filers the rate of tax is proposed to be increased from 15% to 17.5% of which 5% shall continue to be adjustable. For Mutual Funds the existing rate of 10% shall continue.
- **Domestic Electricity Consumption:** Due to substantial reduction in electricity prices it is proposed that the threshold of deduction of withholding tax on electricity consumption be reduced from Rs 100,000 to Rs. 75,000.
- **Renting Out Machinery and Certain Equipments:** At present there is no withholding tax on either use or right to use of commercial, industrial and scientific equipment or on renting out of machinery. It is proposed that a 10% withholding tax be imposed on renting out machinery and for use or right to use commercial, scientific or industrial equipment, in case of residents also, and be treated as final tax liability.
- Holders of Mutual Funds and dividend be subjected to same tax rates.
- **Taxation for Not Distributing Dividend:** In order to encourage public listed companies to distribute dividend which would encourage investment in stock markets, it is proposed that in the case of a listed company other than a scheduled bank or a modaraba, which does not distribute cash dividends within six months of the end of the said income year or distributes dividends to such an extent that its reserves, after such distribution, are in excess of hundred percent of its paid up capital, the excess amount may be taxed at the rate of 10%.
- **Revenue for Rehabilitation of Temporarily Displaced Persons:** To meet enhanced revenue needs for the rehabilitation of Temporarily Displaced Persons, it is proposed to levy a one-time tax on the affluent and rich individuals, association of persons and companies earning income above Rs. 500 million in tax year 2015 at a rate of 4% of income for banking companies and 3% of income for all others.
- **Payments in respect of advertisement expenses to print/electronic media:** It is proposed that exemption from withholding tax on payments to electronic and print media in respect of the advertising services may be withdrawn.
- **Reduced rate for cash withdrawals by exchange companies:** It is proposed that on cash withdrawals by exchange companies may be subject to withholding tax at a reduced rate of 0.15% instead of being exempt.
- **Rate of tax on commission to advertising agencies:** Withholding tax at the rate of 12% as is applicable to commission agents, however, tax on commission of advertising agencies is withheld at a reduced rate of 7.5%.
- It is proposed that this rate be increased to 10%.



## SALIENT FEATURES

### SALES TAX & FEDERAL EXCISE

The budgetary measures pertaining to Sales Tax & Federal Excise are primarily aimed at:

1. Rationalization of sales tax on steel sector melters, re-rollers and , ship breakers
2. The rate of further tax for supplies to unregistered persons is being enhanced to 2%.
3. Increase in the rate of sales tax on mobile phones to Rs. 300, 500 and 1000, from Rs. 150, 250 and 500, respectively, depending on features in the mobile set.
4. Restricting zero-rating on dairy products to milk only baby formula.
5. Enhancement of rates of Federal Excise Duty on locally produced cigarettes. Average tax incidence to increase from 58% to 63%
6. The rate of Federal Excise Duty on aerated waters is being enhanced from 9% to 12% of retail price.
7. Certain services to be added in the Islamabad Capital Territory in order to align the taxation regime on services with that being followed by the provinces.
8. Exemption of sales tax on local supply of raw hides and skins to be granted as under the existing provisions of law.
9. Sales Tax Rules regarding temporary registration are being introduced to facilitate the importers-cum-manufacturers.
10. The electronic monitoring system is proposed to be introduced to monitor the production of specified sectors i.e. cigarettes, beverages, cement, fertilizer and sugar; and also to monitor the sales of restaurants etc.
11. The limit of utility bills for cottage industry is being enhanced from 700,000 to 800,000 rupees for the promotion of cottage industry.
12. Sales tax exemption on appliances for colostomy, colostomy / urosotomy bags and tubular daylight devices is being granted.
13. Input tax adjustment on Pre-fabricated buildings being allowed.
14. The provisions of temporary registration being inserted in the Sales Tax Rules, 2006, whereby a manufacturer shall be able to import machinery etc. without having to wait for completion of procedural formalities
15. The refund on monthly basis to be allowed to persons making reduced rate supplies under SRO 1125(I)/2011 dated 31.12.2011.

## **INCOME TAX**

### **Section 2 Addition of new Clause(13AA) Consumer Goods**

In this subsection after Clause 13(A) related to the definition of "**Commissioner Appeal**", a new clause (13AA) proposed to be inserted after it ,Which is;

"(13AA) "consumer goods" means goods that are consumed by the end consumer rather than used in the production of another good;";

### **Addition of new Clause(17D) Developmental REIT Scheme**

After Clause 17 related to the definition of "**depreciable assets**", a new clause 17D proposed to be inserted which is

"Developmental REIT Scheme" means Developmental REIT Scheme as defined under the Real Estate Investment Trust Regulations, 2015;

### **Addition of new Clause(22A) Fast moving consumer goods**

After Clause 22 related to the definition of "**Employment**", a new clause (22A) proposed to be inserted which is

"(22A) "fast moving consumer goods" means consumer goods which are supplied in retail marketing as per daily demand of a consumer;";

### **Addition of new Clause(28A) Imputable Income**

After Clause 28 related to the definition of "**House Building Finance Corporation**", a new clause (28A) proposed to be inserted which is

"(28A) "imputable income" in relation to an amount subject to final tax means the income which would have resulted in the same tax, had this amount not been subject to final tax;";

### **Clause (29) Income**

In this clause the word and figure "and 236M" a comma, word and figures ", 236M and 236N" shall be substituted, the new amended clause shall proposed to be:

"income" includes any amount chargeable to tax under this Ordinance, any amount subject to collection [or deduction] of tax under section 148, [150, 152(1), 153, 154, 156, 156A, 233, 233A,] [,] sub-section (5) of section 234 [236M and 236N], [any amount treated as income under any provision of this Ordinance] and any loss of income [ ];

**Addition of new Clause (42A)**  
PMEX

After Clause 42 related to the definition of “Person”, a new clause (42A) proposed to be inserted, which is;

“(42A) “PMEX” means Pakistan Mercantile Exchange Limited a futures commodity exchange company incorporated under the Companies Ordinance, 1984 (XLVII of 1984) and is licensed and regulated by the Securities and Exchange Commission of Pakistan;”

**Clause(47A)**  
**Real Estate Investment Trust (REIT) Scheme**

The previous clause, which was, “Real Estate Investment Trust (REIT) Scheme” means a REIT Scheme as defined in the Real Estate Investment Trust Regulations, 2008; shall proposed to be substituted with new clause, which is;

“REIT Scheme” means a REIT Scheme as defined in the Real Estate Investment Trust Regulations 2015;”

**Clause (47B)**  
**Addition of new Clause(47C)**  
**Real Estate Investment Trust Management Company (REITMC)”**

In this clause the letter “REITMC” shall be substituted with the letter “RMC” and the figure “2008” shall be substituted with the figure “ 2015”.

The new clause shall appear to be

“Real Estate Investment Trust Management Company (RMC)”means RMC as defined under the Real Estate Investment Trust Regulations, 2015;]

A new clause shall proposed to be inserted after 47B, which is;

(47C) “Rental REIT Scheme” means a Rental REIT Scheme as defined under the Real Estate Investment Trust Regulations, 2015;”;

**Clause(59A)**  
**Small Company**

In sub clause(1) for the word “twenty-five”, the word “fifty” shall be substituted; The Sub clause shall appeared as;

“has paid up capital plus undistributed reserves not exceeding fifty million rupees”

**Addition of new Clause(75)**  
**Whistleblower**

A new clause 75 proposed to be added after 74, which defines “**Whistleblower**”

“(75) “whistleblower” means whistleblower as defined in section 227B”

**Section (4B)**  
**Super tax for rehabilitation of temporarily displaced persons**

After section 4, the following new section shall be inserted:-

(1) A super tax shall be imposed for rehabilitation of temporarily displaced persons, for tax year 2015, at the rates specified in Division IIA of Part I of the First Schedule, on income of every person specified in the said Division.

(2) For the purposes of this section, "income" shall be the sum of the following:-

- (i) profit on debt, dividend, capital gains, brokerage and commission;
- (ii) taxable income under section (9) of this Ordinance;
- (iii) imputable income as defined in clause (28A) of section 2; and
- (iv) income computed under Fourth, Fifth, Seventh and Eighth Schedule.

(3) The super tax payable under sub-section (1) shall be paid, collected and deposited on the date and in the manner as specified in sub-section

(1) of section 137 and all provisions of Chapter X of the Ordinance shall apply.

(4) Where the super tax is not paid by a person liable to pay it, the

Commissioner shall by an order in writing, determine the Super tax payable, and shall serve upon the person, a notice of demand specifying the super tax payable and within the time specified under section 137 of the Ordinance.

(5) Where the super tax is not paid by a person liable to pay it, the

Commissioner shall recover the super tax payable under sub-section (1) and the provisions of Part IV, X, XI and XII of Chapter X and Part I of Chapter XI of the Ordinance shall, so far as may be, apply to the collection of super tax as these apply to the collection of tax under the Ordinance.

(6) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section.";

#### **Section (5A) Tax on undistributed reserves**

After section 5, the following new section shall be inserted:-

Subject to this Ordinance, a tax shall be imposed at the rate of ten percent, on every public company other than a scheduled bank or a modaraba, that derives profits for a tax year but does not distribute cash dividends within six months of the end of the said tax year or distributes dividends to such an extent that its reserves, after such distribution, are in excess of hundred percent of its paid up capital, so much of its reserves as exceed hundred per cent of its paid up capital shall be treated as income of the said company:

Provided that for tax year 2015, cash dividends may be distributed before the due date mentioned in sub-section (2) of section 118, for filing of return for tax year 2015.

(2) The provisions of sub-section (1) shall not apply to a company in which not less than fifty percent shares are held by the Government.

For the purpose of this section, 'reserve' includes amounts set-aside out of revenue or other surpluses excluding capital reserves, share premium reserves and reserves required to be created under any law, rules or regulations."

**Section (7A)**  
**Tax on shipping of a resident person**

After section 7, the following new section shall be inserted:—

(1) In the case of any resident person engaged in the business of shipping, a presumptive income tax shall be charged in the following manner, namely:-

- (a) ships and all floating crafts including tugs, dredgers, survey vessels and other specialized craft purchased or bare-boat chartered and flying Pakistan flag shall pay tonnage tax of an amount equivalent to one US \$ per gross registered tonnage per annum; and
- (b) ships, vessels and all floating crafts including tugs, dredgers, survey vessels and other specialized craft not registered in Pakistan and hired under any charter other than bare-boat charter shall pay tonnage tax of an amount equivalent to fifteen US cents per ton of gross registered tonnage per chartered voyage provided that such tax shall not exceed one US \$ per ton of gross registered tonnage per annum:

Explanation.- For the purpose of this section, the expression "equivalent amount" means the rupee equivalent of a US dollar according to the exchange rate prevalent on the first day of December in the case of a company and the first day of September in other cases in the relevant assessment year.

The provisions of this section shall not be applicable after 30th June, 2020.";

**Section (7B)**  
**Tax on profit on debt**

After section 7A, the following new section shall be added:-

(1) Subject to this Ordinance, a tax shall be imposed, at the rate specified in Division IIIA of Part I of the First Schedule, on every person who receives a profit on debt from any person mentioned in clause (a) to (d) of sub-section (1) of section 151.

(2) The tax imposed under sub-section (1) on a person who receives a profit on debt shall be computed by applying the relevant rate of tax to the gross amount of the profit on debt.

(3) This section shall not apply to a profit on debt that is exempt from tax under this Ordinance."

**Section (12)**  
**Salary**  
**Sub Section (2)(a)**

In section 12, in sub-section (2), in clause (a),-

- a. the colon at the end shall be omitted; and
- b. the proviso shall be omitted;

It shall be appeared as;

"any pay, wages or other remuneration provided to an employee, including leave pay, payment in lieu of leave, overtime payment, bonus, commission,

fees, gratuity or work condition supplements (such as for unpleasant or dangerous working conditions)

[Provided that any bonus paid or payable to corporate employees receiving salary income of one million rupees or more (excluding bonus) in tax year 2010, shall be chargeable to tax at the rate provided in paragraph (2) of Division I of Part I of the First Schedule;]

**Sub Section(15A)**  
**Deductions in computing**  
**income chargeable under the**  
**head "Income from Property**

Sub section 15A, sub section (1), clause (h) has been substituted with new clause, which is;

"(h) any expenditure, not exceeding six per cent of the rent chargeable to tax in respect of the property for the year computed before any deduction allowed under this section, paid or payable by the person in the year wholly and exclusively for the purpose of deriving rent chargeable to tax under the head, "Income from Property" including administration and collection charges;"

Previously the nature of expenditures were not specified, now this amendment has specified the administration and collection charges as deductible expenses incurred for the purpose of collection of rent.

**Section (37A)**  
**Capital gain on disposal of securities**

In sub section (1), the words "held for a period of less than a year" shall be omitted ;

The amended clause shall appeared to be;

The capital gain arising on or after the first day of July 2010, from disposal of securities [, other than a gain that is exempt from tax under this Ordinance], shall be chargeable to tax at the rates specified in Division VII of Part I of the First Schedule:

Now the gain arising on disposal of all securities, other than exempted under this ordinance, shall be chargeable to tax, previously only those securities which was held for the period of less than one year was chargeable to tax.

**Section (53)**  
**Exemptions and tax concessions in**  
**the Second Schedule"**

In sub-section (2), after the word "time", occurring for the second time, the commas and words "pursuant to the approval of the Economic Coordination Committee of Cabinet, whenever circumstances exist to take immediate action for the purposes of national security, natural disaster, national food security in emergency situations, protection of national economic interests in situations arising out of abnormal fluctuation in international commodity prices, removal of anomalies in taxes, development of backward areas and implementation of bilateral and multilateral agreements" shall be inserted;

Now this sub section will appeared as;

"The Federal Government may, from time to time, pursuant to the approval of the Economic Coordination Committee of Cabinet, whenever circumstances exist to take immediate action for the purposes of national security, natural disaster, national food security in emergency situations, protection of national economic interests in situations arising out of abnormal fluctuation in international commodity prices, removal of anomalies in taxes, development of backward areas and implementation of bilateral and multilateral agreements, by notification in the official Gazette, make such amendment in the Second Schedule by —

- (a) adding any clause or condition therein;
- (b) omitting any clause or condition therein; or
- (c) making any change in any clause or condition therein,

as the Government may think fit, and all such amendments shall have effect in respect of any tax year beginning on any date before or after the commencement of the financial year in which the notification is issued."

This amendment has defined the circumstances under which federal government can make amendments in second schedule.

After sub-section (3), the following new sub-section shall be added, namely  
"(4) Any notification issued after the promulgation of Finance Act, 2015, under sub-section (2) shall, if not earlier rescinded, stand rescinded on the expiry of the financial year in which it was issued.

**Section(62)**  
**Sub Section(2)(c)**  
**Investment in shares**

In section 62, in clause (c), after the word "one", the words "and a half" shall be inserted;

The amount of a person's tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely: —

$$(A/B) \times C$$

where—

- A is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part;
- B is the person's taxable income for the tax year; and
- C is the lesser of —
  - (a) the total cost of acquiring the shares, or the total contribution or premium paid by the person referred to in sub-section (1) in the year;
  - (b) [twenty] per cent of the person's taxable income for the year; or
  - (c) [one and half million rupees].

**Section (64A)**  
**Deductible allowance for profit on debt.**

Section 64 shall be omitted and thereafter the following new sections shall be inserted, namely:-

“64A.— (1) Every individual shall be entitled to a deductible allowance for the amount of any profit or share in rent and share in appreciation for value of house paid by the individual in a tax year on a loan by a scheduled bank or non-banking finance institution regulated by the Securities and Exchange Commission of Pakistan or advanced by Government or the Local Government, Provincial Government or a statutory body or a public company listed on a registered stock exchange in Pakistan where the individual utilizes the loan for the construction of a new house or the acquisition of a house.

- c. The amount of an individual's deductible allowance allowed under sub-section (1) for a tax year shall not exceed fifty percent of taxable income or one million rupees, whichever is lower.
- d. Any allowance or part of an allowance under this section for a tax year that is not able to be deducted for the year shall not be carried forward to a subsequent tax year.

**Section (64B)**  
**Tax credit for employment generation manufacturers**

(1) Where a taxpayer being a company formed for establishing and operating a new manufacturing unit sets up a new manufacturing unit between 1st day of July, 2015 and 30th of June, 2018, it shall be given a tax credit for a period of ten years.

(2) The tax credit under sub-section (1) for a tax year shall be equal to

one percent of the tax payable for every fifty employees registered with

The Employees Old Age Benefits Institution and the Employees Social

Security Institutions of Provincial Governments during the tax year, subject to a maximum of ten percent of the tax payable.

(3) Tax credit under this section shall be admissible where—

- (a) the company is incorporated and manufacturing unit is setup between the first day of July, 2015 and 30th day of June, 2018, both days inclusive;
- (b) employs more than fifty employees in a tax year registered with The Employees Old Age Benefits Institution and the Employees Social Security Institutions of Provincial Governments;
- (c) manufacturing unit is managed by a company formed for operating the said manufacturing unit and registered under the Companies Ordinance, 1984 (XLVII of 1984) and having its registered office in Pakistan; and
- (d) the manufacturing unit is not established by the splitting up or reconstruction or reconstitution of an undertaking already in existence or by transfer of machinery or plant from an undertaking established in Pakistan at any time before 1st July 2015.

(4) Where any credit is allowed under this section and subsequently it

is discovered, on the basis of documents or otherwise, by the



Commissioner that any of the conditions specified in this section were not fulfilled, the credit originally allowed shall be deemed to have been wrongly allowed and the Commissioner may, notwithstanding anything contained in this Ordinance, re-compute the tax payable by the taxpayer for the relevant year and the provisions of this Ordinance shall, so far as may be, apply accordingly.

For the purposes of this section a manufacturing unit shall be treated to have been setup on the date on which the manufacturing unit is ready to go into production, whether trial production or commercial production.”;

**Section(65)**  
**Sub Section(6)**

**Miscellaneous provisions relating to tax credits,**

In section 65, after sub-section (5), the following new sub-section shall be added, namely:-

“(6) Where the person is entitled to a tax credit under section 65B, 65D or 65E, provisions of clause (d) of sub-section (2) of section 169 and clause (d) of sub-section (1) of section 113 shall not apply.”;

**Section (65C)**  
**Tax credit for enlistment**

In section 65C in sub-section (1), for the word “fifteen”, the word, “twenty” shall be substituted;  
This sub section will appear to be;

“Where a taxpayer being a company opts for enlistment in any registered stock exchange in Pakistan, a tax credit equal to [Twenty] percent of the tax payable shall be allowed for the tax year in which the said company is enlisted”.

**Section (65E)**  
**Tax credit for industrial undertakings**  
**established before the first day of July, 2011**

In section 65 E, In sub section (5), the amount of credit admissible under this section shall be deducted from the tax payable, including minimum tax and final taxes payable under any of the provisions of this Ordinance, by the taxpayer in respect of the tax year in which the plant or machinery referred to in sub-section (1) is installed and for the subsequent four years.]

This subsection is substituted as follows:-

The amount of credit admissible under this section shall be deducted from the tax payable, including minimum tax and final taxes payable under any of the provisions of this Ordinance, by the taxpayer in respect of the tax year in which the plant or machinery referred to in sub-section (1) is installed and for the subsequent four years “for a period of five years beginning from the date of setting up or commencement of commercial production from the new plant or expansion project, whichever is later”

**Section (94)**  
**Sub Section(2)**  
**Principles of taxation of companies”**

In Section 94, in sub-section (2), the word “resident” shall be omitted;

This sub section shall appear as

"A dividend paid by a company shall be taxable in accordance with Section 5"

**Section (100C)**  
**Tax credit for certain persons**

In section 100C ,in sub-section (1), before the word "Non-profit" the words "The income of" shall be inserted; this subsection shall be appeared as

The income of non-profit organizations, trusts or welfare institutions, as mentioned in sub-section (2) shall be allowed a tax credit equal to one hundred per cent of the tax payable, including minimum tax and final taxes payable under any of the provisions of this Ordinance, subject to the following conditions, namely:-

- (a) return has been filed;
- (b) tax required to be deducted or collected has been deducted or collected and paid; and
- (c) withholding tax statements for the immediately preceding tax year have been filed.

in sub-section (2),

- (i) after the word "Persons" the word "and incomes" shall be inserted; and
- (ii) in clause (c), the word and hyphen "sub-" shall be omitted;

**Section(107)**  
**Sub Section(1)**  
**Agreements for the avoidance of**  
**double taxation and prevention**  
**of fiscal evasion**

In section (107),for sub-section (1), the following shall be substituted, namely:-

"(1) The Federal Government may enter into an agreement, bilateral or multilateral with the government or governments of foreign countries or tax jurisdictions for the avoidance of double taxation and the prevention of fiscal evasion and exchange of information including automatic exchange of information with respect to taxes on income imposed under this Ordinance or any other law for the time being in force and under the corresponding laws in force in that country, and may, by notification in the official Gazette make such provisions as may be necessary for implementing the agreement.";

As result of this amendment now the federal government can enter into bilateral and multilateral agreements with foreign governments and governments and also can exchange information through automatic process of exchange of information about taxes.

- (b) after sub-section (1), the following new sub-sections shall be inserted, namely:-
  - "(1A) Notwithstanding anything contained in any other law to the contrary, the Board shall have the powers to obtain and collect information when solicited by another country under a tax treaty, a tax information exchange agreement, a multilateral convention, an inter-governmental agreement, a similar arrangement or mechanism.

(1B) Notwithstanding the provisions of the Freedom of

Information Ordinance, 2002 (XCVI of 2002), any information received or supplied, and any concomitant communication or correspondence made, under a tax treaty, a tax

information exchange agreement, a multilateral convention, a similar arrangement or mechanism, shall be confidential subject to subsection (3) of section 216."

**Section(113A)**  
**Sub Section(3)**  
**Minimum tax on builders**

In section 113A, after sub-section (2), the following sub-section shall be added

"(3) This section shall not have effect till 30th June, 2018"

This amendments provides a relaxation upto 30th June, 2018 ,against minimum tax, to builders on sale of residential, commercial and other buildings.

**Section(113B)**  
**Minimum tax on land developers**

In section 113B, for the expression "at the rates as the Federal Government may notify in the official Gazette" the words "at the rate of two per cent of the value of land notified by any authority for the purpose of stamp duty"

This amendments has specified a rate of two percent, as previously it was upto the discretion of federal government, on the income from development and sale of residential and commercial plots.

**Section(114)**  
**Sub Section(6)**  
**Return of income**

In section 114, in sub-section (6) which is related to revision of return after the discovery of any omission or wrong statement, in the proviso, for the full stop at the end, a colon shall be substituted and thereafter the following new proviso shall be added, namely:-

"Provided further that the condition specified in clause (ba) shall not apply if revised return is filed within 60 days of filing of return.";

After this amendment the approval of commissioner is not required for revision of return if the revised return is filed within 60 days

**Section(121)**  
**Sub Section(1)(d)**  
**Best judgment assessment**

In section 121, sub-section (1),clause (d), after for the word "or " appearing for the first time the expression "a special audit panel appointed under sub-section (11) of section 177 or" shall be substituted;

This clause will appear as;

produce before the Commissioner, or a special audit panel appointed under sun section (11) of section 177 or any person employed by a firm of chartered accountants [or a firm of cost and management accountants] under section 177, accounts, documents and records required to be maintained under section 174, or any other relevant document or evidence that may be required by him for the purpose of making assessment of income and determination of tax due thereon

After this amendment the commissioner can make best judgment assessment on the basis of available information and documents if required documents are not provided to special audit panel appointed under sub section (11) of section 177.

**Section(128)**  
**Addition of new Section(1AA)**  
**Procedure in appeal**

In section 128, after sub-section (1A), the following new sub-section shall be inserted, namely:-

“(1AA) The Commissioner (Appeals), after affording opportunity of being heard to the Commissioner against whose order appeal has been made, may stay the recovery of such tax for a further period of thirty days, provided that the order on appeal shall be passed within the said period of thirty days.”

This amendments has further provided a relaxation of 30 days after the relaxation of 30 days provided in sub section 1A if the commissioner consider that tax levied under this ordinance cause undue hardship for the taxpayer.

**Section (137)**  
**Due date of payment of tax**

In section 137, sub-section (2),

- (a) for the word “fifteen” the word “thirty” shall be substituted;
- in the first proviso, for the word “sixty”, the word, “forty-five” shall be substituted; and
- (b) in the second proviso, for the word “sixty”, the word, “forty-five” shall be substituted;

This amendment has allowed the taxpayer to pay tax within 30 days after the service of notice instead of 15 days where the tax is payable under assessment order or amended assessment order.

In case of provisional assessment order the tax shall be paid immediately after 45 days instead of 60 days after the service of notice and the taxpayer can pay the tax before the expiry of 45 days.

**Section (147)**  
**Subsection(4A)**  
**Advance tax paid by the taxpayer**

In section 147, for sub-section (4A), the following shall be substituted, namely:-

“(4A) Any taxpayer who is required to make payment of advance tax in accordance with sub-section (4), shall estimate the tax payable for the relevant tax year, at any time before the second installment is due. In case the tax payable is likely to be more than the amount that the taxpayer is required to pay under sub-section (4), the taxpayer shall furnish to the Commissioner on or before the due date of the second quarter an estimate of the amount of tax payable by the taxpayer and thereafter pay fifty per cent of such amount by the due date of the second quarter of the tax year after making adjustment for the amount (if any) already paid in terms of sub-section (4). The remaining fifty per cent of the estimate shall be paid after the second quarter in two equal installments payable by the due date of the third and fourth quarter of the tax year.”;

Previously it was

“Any taxpayer who is required to make payment of advance tax in accordance with sub-

section (4), shall estimate the tax payable by him for the relevant tax year, at any time before the last installment is due. In case the tax payable is likely to be more than the amount he is required to pay under sub-section (4), the taxpayer shall furnish to the Commissioner an estimate of the amount of tax payable by him and thereafter pay such amount after making adjustment for the amount (if any) already paid in terms of sub-section (4)"

**Section(148A)**  
**Imports**

After section 148, the following new section shall be inserted, namely:—

"148A. Tax on local purchase of cooking oil or vegetable ghee by certain persons.— (1)The manufacturers of cooking oil or vegetable ghee, or both, shall be chargeable to tax at the rate of two percent on purchase of locally produced edible oil.

(2) The tax payable under sub-section (1) shall be final tax in respect of income accruing from locally produced edible oil.";

**Section(151)**  
**Sub Section(3)**  
**profit on debt**

In section 151, for sub-section (3), the following shall be substituted, namely:-

"(3) Tax deductible under this section shall be a final tax on the profit on debt arising to a taxpayer, except where:

- (a) taxpayer is a company; or
- (b) profit on debt is taxable under section 5A.";

**Section(152)**  
**Sub Section(4A)**  
**Payment to non resident**

In section 152, after sub-section (4), the following new sub-section shall be inserted; namely:-

" (4A) The Commissioner may, on application made by the recipient of a payment referred to in sub-section (2A) and after making such inquiry

as the Commissioner thinks fit, may allow in cases where the tax deductible under sub-section (2A) is adjustable, by order in writing, any person to make the payment, without deduction of tax or deduction of tax at a reduced rate.";

**Section(153)**  
**Sub Section(3)**  
**payment for goods, services and contracts**

In section 153, in sub-section (3), in the proviso,

(a) for clause (b), the following clause shall be substituted, namely:-

"(b) tax deductible on transactions referred to in clause (b) of sub-section (1) shall be,-

1. adjustable, with effect from tax year 2009, if payments are received by a company;
  - and
  2. a minimum tax, if payments are received by a person other than a company;"
- (b) in clause (c), for the full stop, at the end, a semicolon and the word
- "and" shall be substituted and thereafter the following new clause shall be added, namely:-
- " (d) tax deducted under clause (c) of sub-section (1) in respect of a sportsperson shall be final tax with effect from tax year 2013."

**Section(154)**  
**Subsection(4)**  
**Exports**

In section 154, after sub-section (4), the following new sub-section shall be added, namely:—

"(5) The provisions of sub-section (4) shall not apply to a person who irrevocably opts not to be subject to final taxation:

Provided that this option shall be exercised at the time of filing of return under section 114:  
Provided further that the tax deducted under this sub-section shall be minimum tax."

**Section(159)**  
**Subsection(3,4,5)**  
**Exemption and lower rate certificate**

In section 159, sub-sections (3), (4) and (5) shall be omitted;

**Section(161)**  
**Subsection(1B)**  
**Failure to pay tax collected and deducted**

In section 161, in sub-section (1B), for the word "eighteen" the word "twelve" shall be substituted;

This subsection will appear as Follows:-

Where at the time of recovery of tax under sub-section (1) it is established that the tax that was to be deducted from the payment made to a person or collected from a person has meanwhile been paid by that person, no recovery shall be made from the person who had failed to collect or deduct the tax but the said person shall be liable to pay [default surcharge] at the rate of twelve per cent per annum from the date he failed to collect or deduct the tax to the date the tax was paid.

This amendment has reduced the rate of surcharge for inability to deduct or collect tax from 18% to 12%.

**Section(165B)**  
**Furnishing of Information by**  
**Financial Institution**

Furnishing of information by financial institutions including banks.

After section 165A, the following new section shall be inserted, namely:

"165B. — (1) Notwithstanding anything contained in any law for the time being in force including but not limited to the Banking Companies Ordinance, 1962 (LVII of 1962), the Protection of Economic Reforms Act, 1992 (XII of 1992), the Foreign Exchange Regulation Act, 1947 (VII of 1947) and any regulations made under the State Bank of Pakistan Act, 1956 (XXXIII of 1956), on the subject every financial institution shall make arrangements to provide information regarding non-resident Persons to the Board in the prescribed form and manner for the purpose of automatic exchange of information under bilateral agreement or multilateral convention.

**Additional payment for delayed refunds**  
**Section 171 Sub-Section 1**

In this section the proposed rate of KIBOR plus 0.5 % shall be substituted for the rate of 15% of the amount of refund in case where the refund is not paid by the commissioner within 3 months.

**Notice to obtain information or evidence**  
**Section 176 Sub-Section 1**

Amendment proposes to replace the clause (a) relevant with the furnishing of information relevant to tax to the commissioner and authorized officer with the following clause:

"(a) to furnish to the Commissioner or an authorized officer, any information relevant to any tax leviable under this Ordinance or to fulfill any obligation under any agreement with foreign government or governments or tax jurisdiction, as specified in the notice; or"; and

After the proposed amendment made above, new clause (1A) shall also proposed to be added:

"(1A) A special audit panel appointed under sub-section (11) of section 177, for any tax year, may, with the prior approval of the Commissioner concerned, enter the business premises of a taxpayer, to obtain any information, require production of any record, on which the required information is stored and examine it within such premises and such panel may if specifically delegated by the Commissioner, also exercise the powers as provided in sub-section (4).";

**Special Audit**  
**Section 177**

Amendment proposes to add the following new sections after sub-section 10 to provide for appointment, constitution and working of audit panel:

"(11) The Board may appoint as many special audit panels as may be necessary, comprising two or more members from the following:-

- (a) an officer or officers of Inland Revenue;
- (b) a firm of Chartered Accountants as defined under the Chartered Accountants Ordinance, 1961 (X of 1961);
- (c) a firm of Cost and Management Accountants as defined under the Cost and Management Accountants Act, 1966 (XIV of 1966); or

- (d) any other person as directed by the Board, to conduct an audit, including a forensic audit, of the income tax affairs of any person or classes of persons and the scope of such audit shall be as determined by the Board or the Commissioner on case to case basis.
- (12) Special audit panel shall be headed by a Chairman who shall be an officer of Inland Revenue.
- (13) Powers under sections 175 and 176 for the purposes of conducting an audit under sub-section (11), shall only be exercised by an officer or officers of Inland Revenue, who are member or members of the special audit panel, and authorized by the Commissioner.
- (14) Notwithstanding anything contained in sub-sections (2) and (6), where a person fails to produce before the Commissioner or a special audit panel under sub-section (11) to conduct an audit, any accounts, documents and records, required to be maintained under section 174 or any other relevant document, electronically kept record, electronic machine or any other evidence that may be required by the Commissioner or the panel, the Commissioner may proceed to make best judgment assessment under section 121 of this Ordinance and the assessment treated to have been made on the basis of return or revised return filed by the taxpayer shall be of no legal effect.
- (15) If any one member of the special audit panel, other than the Chairman, is absent from conducting an audit, the proceedings of the audit may continue, and the audit conducted by the special audit panel shall not be invalid or be called in question merely on the ground of such absence.
- (16) Functions performed by an officer or officers of Inland Revenue as members of the special audit Panel, for conducting audit, shall be treated to have been performed by special audit panel.
- (17) The Board may prescribe the mode and manner of constitution, procedure and working of the special audit panel.”;

**Active taxpayers' list**  
**Section 181 Sub-Section (3)**

Amendment proposes to add new sub-section to declare Computerized National Identity Card as National Tax Number for individuals:

“(4) From tax year 2015 and onwards, in case of individuals having Computerized National Identity Card (CNIC) issued by the National Database and Registration Authority, CNIC shall be used as National Tax Number.”;

**Offences and penalties**  
**Section 182, Sub-Section (1)**  
**Column 1 in the Table**

Following changes are proposed to be made for offences and penalties chargeable on non compliance:

- (a) the minimum penalty of fifty thousand is proposed to be reduced to ten thousand for non filing of statement required by section 115, 165, 165A within the due date.
- (b) The expression “Rs. 100 for each day of default.”, is proposed to be changed by expression “0.1% of the taxable income per week or Rs. 20,000, whichever is higher.” Where the person is unable to file the wealth statement or wealth reconciliation statement.



**Prosecution for making  
False or misleading statements  
Section 195, Sub-Section (3)**

Amendment proposed to change the expression from "Sub-Section (3) of Section 187" to the expression "Entry against S. No 10 in column (2) of the Table in sub-section (1) of section 182". After the proposed amendment the wording of the section becomes:

"(3) Entry against S. No 10 in column (2) of the Table in sub-section (1) of section 182 shall apply in determining whether a person has made a statement to [an income tax authority]."

**Default surcharge  
Section 205**

Amendment proposes to change the rate of default surcharge from 18% to 12% on any unpaid amount of the tax or penalty.\

**Income tax authorities  
Section 207, Sub-Section (1)**

Amendment proposes to include the Special Audit Panel in Income Tax Authorities.

**Delegation  
Section 210, Sub-Section (1B)**

Amendment proposes to replace sub-section (1B) to provide for delegation of powers to Special Audit Panel. The new clause is stated as follow:

"(1B) The Commissioner may, by an order in writing, delegate to a special audit panel appointed under sub-section (11) of section 177, or to a firm of chartered accountants or a firm of Cost and Management Accountants appointed by the Board or the Commissioner to conduct an audit of person under section 177, all or any of the powers or functions to conduct an audit under this Ordinance.";

**Power or function exercised  
Section 211, Sub-Section (1)**

Amendment proposes to insert after the word "Revenue" the words, brackets and figures "or by a special audit panel appointed under sub-section (11) of section 177" to seek technical corrections.

**Automatic selection for audit  
Section 214D**

Amendment proposes to add new section 214D to provide for automatic selection for audit.

The new section stated as follow:

**"214D. Automatic selection for audit.- (1)** A person registered as retailer under rule (4) or rule (6) of the Sales Tax Special Procedure Rules, 2007 who does not fulfill the parameters mentioned in sub-clauses(a) to (e) of sub-section (3) shall be automatically selected for audit of income tax affairs for that tax year.

**(2)** Audit of Income Tax affairs of persons automatically selected under sub-section (1) shall be conducted as per procedure given in section 177 and all the provisions of the Ordinance, except the first proviso to sub-section (1) of section 177, shall apply accordingly.

(3) The provisions of sections 177 and 214C for a tax year shall not apply to a person registered as retailer under rule (4) or rule (6) of the Sales Tax Special Procedure Rules, 2007 subject to the conditions that—

(a) name of the person registered under rule (4) of the Sales Tax Special Procedure Rules, 2007 appears in the sales tax active taxpayers' list ;

(b) complete return of income within the meaning of sub-section (2) of section 114 has been filed within the date it was required to be furnished as mentioned in section 118 including the date extended by the Board from time to time;

(c) the tax payable under sub-section (1) of section 137 has been paid;

(d) two percent tax on turnover under section 113 has been paid by a person registered under rule (6) of the Sales Tax Special Procedure Rules, 2007 who files a return below taxable limit and who in the preceding tax year had either not filed return or had declared income below taxable limit; and

(e) twenty five percent higher tax than the previous tax year has been paid by a person registered under rule (6) of the Sales Tax Special Procedure Rules, 2007 who had declared taxable income in the return for immediately preceding tax year.

(4) This section shall have effect from the date appointed by the Board through notification in official gazette”;

#### **Reward to whistleblowers Section 227B**

Amendment proposes to add new section 227B after the section 227A to provide for a reward whistleblowers.

**“227B. Reward to whistleblowers.— (1)** The Board may sanction reward to whistleblowers in cases of concealment or evasion of income tax, fraud, corruption or misconduct providing credible information leading to such detection of tax.

(2) The Board may, by notification in the official Gazette, prescribe the procedure in this behalf and also specify the apportionment of reward sanctioned under this section for whistleblowers.

(3) The claim for reward by the whistleblower shall be rejected if—

(a) the information provided is of no value;

(b) the Board already had the information;

(c) the information was available in public records; or

(d) no collection of taxes is made from the information provided from which the Board can pay the reward.

(4) For the purpose of this section, “whistleblower” means a person who reports concealment or evasion of income tax leading to detection or collection of taxes, fraud, corruption or misconduct, to the competent authority having power to take action against the person or an income tax authority committing fraud, corruption, misconduct, or involved in concealment or evasion of taxes.”;

**Cash withdrawal from a bank  
Section 231A, Sub-Section (2)**

Amendment proposes to omit sub-section (2) relating to the collection of advance tax from Federal Government and Provincial Government, foreign diplomat to make technical amendments to sub-section (2) of section 231A.

The omitted section is as follow:

“(2) Advance tax under this section shall not be collected in the case of withdrawals made by,-

- (a) the Federal Government or a Provincial Government;
- (b) a foreign diplomat or a diplomatic mission in Pakistan; or
- (c) a person who produces a certificate from the Commissioner that his income during the tax year is exempt.]”

**Advance tax on transactions in bank  
Section 231AA, Sub-Section (1)**

Amendment proposes to make following changes to make technical correction in the section.

- (a) for the colon at the end a full stop shall be substituted and thereafter the proviso shall be omitted; and

The omitted proviso is as follow:

“Provided that this sub-section shall not be applicable in case of inter-bank or intra-bank transfer and also where payment is made through a crossed cheque for purchase of a financial instrument as referred to in sub-section (1).”

- (b) sub-section (4) shall be omitted; the omitted section is as follow:

“(4) Advance tax under this section shall not be collected in the case of transactions made by,—

- (a) the Federal Government or a Provincial Government;
- (b) a foreign diplomat or a diplomatic mission in Pakistan; or
- (c) a person who produces a certificate from the Commissioner that its income during the tax year is exempt.]”

**Advance tax on private motor vehicles  
Section 231B**

Amendment proposes to replace the word “car or jeep” with the word “vehicle” to define the “Term of Registration” and “Motor Vehicle” for the purpose of Income Tax Ordinance 2001. After the sub-section 5 two new sub-sections shall proposed to be added to make technical correction:

- “(6) For the purposes of this section the expression “date of first registration” means:-
  - (a) the date of issuance of broad arrow number in case a vehicle is acquired from the Armed Forces of Pakistan;
  - (b) the date of registration by the Ministry of Foreign Affairs in case the vehicle is acquired from a foreign diplomat or a diplomatic mission in Pakistan;
  - (c) the last day of the year of manufacture in case of acquisition of an unregistered vehicle from the Federal or a Provincial Government; and
  - (d) in all other cases the date of first registration by the Excise and Taxation Department.

**(7)** For the purpose of this section “motor vehicle” includes car, jeep, van, sports utility vehicle, pick-up trucks for private use, caravan automobile, limousine, wagon and any other automobile used for private purpose.”;

**Tax on motor vehicles  
Section 234, Sub-Section 5**

Amendment proposes to add new sub-section to explain the term “Motor Vehicle”.

“(6) For the purpose of sub-sections (1) and (2) “motor vehicle” shall include the vehicles specified in sub-section (7) of section 231B.”;

**Telephone users  
Section 236**

This seeks to amend Section 236 to stipulate the taxation of internet usage not covered by Telephone Bills and Pre-paid cards. The amendments are as follow:

**(a)** in the marginal note, after the word “Telephone”, the words “and internet” shall be inserted;

**(b)** in sub-section (1),—

(i) In clause (b), the word “and” shall be omitted; and

(ii) in clause (c), for the full stop at the end, a semi-colon and word “; and” shall be substituted and thereafter the following clauses shall be added, namely:—

“(d) internet bill of a subscriber; and

(e) prepaid cards for internet.”;

**(c)** in sub-section (2), after the word “telephone”, the words “or internet” shall be inserted; and

**(d)** in sub-section (3), after the word “telephones”, the words “or internet” shall be inserted;

**Advance tax on purchase of air tickets  
Section 236B (Proposed Addition)**

This section seeks to make technical correction and to add following proviso to exempt the routes of Baluchistan coastal belt, Azad Jammu and Kashmir, FATA, Gilgit-Baltistan and Chitral.” From collection of advance tax on purchase of air ticket. The proviso is as follows:

“Provided that this section shall not apply to routes of Baluchistan coastal belt, Azad Jammu and Kashmir, FATA, Gilgit- Baltistan and Chitral.”; and

Sub-section (4) is omitted to make technical correction , the omitted sub-section is as follows:

[(4) The advance tax under this section shall not be collected in the case of—

(a) the Federal Government or a Provincial Government; or

(b) a person who produces a certificate from the Commissioner Inland Revenue that income of such person during the tax year is exempt.]

**Advance Tax on sale or  
transfer of immovable Property  
Section 236C (Proposed Omission)**

The sub-section (3) is proposed to be omitted to make technical correction . The omitted section is as follows:

(3) The advance tax under this section shall not be collected in the case of Federal Government, Provincial Government or a Local Government.]

**Advance tax on sales to retailers  
Section 236H (Proposed Omission)**

1-Amendment proposes to exclude the word and comma "Fertilizer," from the scope of sub-section (1) of Section 236H

2- Amendment in 236H proposes to extend its applicability to "wholesalers" as well after the word "retailers"

**Collection of advance tax  
by educational institutions.  
Section 236I (Proposed Addition)**

Amendment seeks to exempt the non-residents from collection of advance tax by educational institutions on fee remitted from abroad

The new sub-section proposed to be added is as follows:

"(6) Advance tax under this section shall not be collected from a person who is a non-resident and,-

furnishes copy of passport as an evidence to the educational institution that during previous tax year, his stay in Pakistan was less than one hundred eighty-three days;

furnishes a certificate that he has no Pakistan-source income; and

The fee is remitted directly from abroad through normal banking channels to the bank account of the educational institution."

**Advance tax on purchase or  
transfer of immovable property  
Section 236K (Proposed Omission)**

Amendment proposes to omit sub-section (3) in section 236K. The omitted sub-section is as follows:

(3) The advance tax under this section shall not be collected in the case of the Federal Government, a Provincial Government, a Local Government or a foreign diplomatic mission in Pakistan.

**Advance tax under this chapter  
Section 236O (Proposed Addition)**

**Amendment seeks to add new sections:**

( i ) 236O to consolidate the exemptions from Advance Tax Provisions of chapter XII of the ordinance. The new section is **as follows:**

236O. Advance tax under this chapter:- The advance tax under this chapter shall not be collected in the case of withdrawals made by,-

(a) the Federal Government or a Provincial Government;

(b) a foreign diplomat or a diplomatic mission in Pakistan; or

c) a person who produces a certificate from the Commissioner that his income during the tax year is exempt.

ii. Seeks to add new section 236P to stipulate taxation of various banking transactions other than in cash made by non-filers. The section is as follows:

**236P. Advance tax on banking transactions otherwise than through cash.—**

(1) Every banking company shall collect advance adjustable tax from a non-filer at the time of sale of any instrument, including demand draft, pay order, special deposit receipt, cash deposit receipt, short term deposit receipt, call deposit receipt, rupee traveller's cheque or any other instrument of such nature.

(2) Every banking company shall collect advance adjustable tax from a non-filer at the time of transfer of any sum through cheque or clearing, interbank or intra bank transfers through cheques, online transfer, telegraphic transfer, mail transfer, direct debit, payments through internet, payments through mobile phones, account to account funds transfer, third party account to account funds transfers, real time account to account funds transfer, real time third party account to account fund transfer, automated teller machine (ATM) transfers, or any other mode of electronic or paper based funds transfer.

(3) The advance tax under this section shall be collected at the rate specified in Division XXI of Part IV of the First Schedule, where the sum total of payments for all transactions mentioned in sub-section (1) or sub-section (2), as the case may be, exceed fifty thousand rupees in a day.

(4) Advance tax under this section shall not be collected in the case of

Pakistan Real-time Interbank Settlement Mechanism (PRISM) transactions or payments made for Federal, Provincial or local Government taxes.

**236Q. Payment to residents for use of machinery and equipment**

This Clause seeks to add new section 236Q to provide for taxation of the payments for use of machinery and equipment. The section is as follows:

.- (1) Every prescribed person making a payment in full or in part including a payment by way of advance to a resident person for use or right to use industrial, commercial and scientific equipment shall deduct tax from the gross amount at the rate specified in Division XXIII of Part IV of the First Schedule.

(2) Every prescribed person making a payment in full or in part

including a payment by way of advance to a resident person on account of rent of machinery shall deduct tax from the gross amount at the rate specified in Division XXIII of Part IV of the First Schedule.

(3) The tax deductible under sub-sections (1) and (2) shall be final tax on the income of such resident person.

(4) In this section "prescribed person" means a prescribed person as defined in sub-section (7) of section 153.

iv. seeks to insert Section 236R to provide for collection of Advance tax on fee remitted abroad. The section is as follows:

**236R. Collection of advance tax on education related expenses remitted abroad.—**

(1) There shall be collected advance tax at the rate specified in Division XXIV of Part-IV of the

First Schedule on the amount of education related expenses remitted abroad.

- (2) Banks, financial institutions, foreign exchange companies or any other person responsible for remitting foreign currency abroad shall collect advance tax from the payer of education related expenses.
- (3) Tax collected under this section shall be adjustable against the income of the person remitting payment of education related expenses.
- (4) For the purpose of this section, "education related expenses" includes tuition fee, boarding and lodging expenses, any payment for distant learning to any institution or university in a foreign country and any other expense related or attributable to foreign education.

### **236S. Dividend in specie**

This clause seeks to add section 236S to introduce taxation of Dividend in specie as follows:-

Every person making payment of dividend-in-specie shall collect tax from the gross amount of the dividend in specie paid at the rate specified in Division I of Part III of the First Schedule.

### **236T. Collection of tax by Pakistan Mercantile Exchange Limited (PMEX)**

It seeks to add section 236T to stipulate collection of Advance tax by Pakistan Mercantile Law Limited on sale and purchase of future commodity contracts. The section is as follows:

.— (1) Pakistan Mercantile Exchange Limited(PMEX)

shall collect advance tax,—

- (a) at the rates specified in Division XXII of Part IV of First Schedule from its members on purchase of futures commodity contracts;
  - (b) at the rates specified in Division XXII of Part IV of First Schedule from its members on sale of futures commodity contracts;
  - (c) at the rates specified in Division XXII of Part IV of First Schedule from its members on purchase of futures commodity contracts in lieu of tax on the commission earned by such members;
  - (d) at the rates specified in Division XXII of Part IV of First Schedule from its members on sale of futures commodity contracts in lieu of tax on the commission earned by such members;
- (2) The tax collected under clauses (a) to (d) of sub-section (1) shall be a minimum tax.";

### **First Schedule**

Seeks to substitute the income tax slabs in Para1 for non-salaried individuals and AOPs in the first Schedule to reduce the tax rates.

<b>Sr#</b>	<b>Taxable Income</b>	<b>Rate of Tax</b>
1	Where the taxable income does not exceed Rs 400,000	0%
2	Where the taxable income exceeds Rs 400,000 but	7% of the amount exceeding Rs

	does not exceed Rs 500,000	400,000
3	Where the taxable income exceeds Rs 500,000 but does not exceed Rs 750,000	Rs 7,000 + 10% of the amount exceeding Rs 500,000
4	Where the taxable income exceeds Rs 750,000 but does not exceed Rs 1,500,000	Rs 32,000 + 15% of the amount exceeding Rs 750,000
5	Where the taxable increase 1,500,000 but does not exceed 2,500,000	Rs 144,500 + 20% of The amount exceeding 1,500,000
6	Where the taxable increase 2,500,000 but does not exceed 4,000,000	Rs 344,500 + 25% of The amount exceeding 2,500,000
7	Where the taxable increase 4,000,000 but does not exceed 6,000,000	Rs 719,500 + 30% of The amount exceeding 4,000,000
8	Where the taxable income exceeds Rs 6,000,000	Rs 1,319,500 + 35% of the amount exceeding Rs 6,000,000"



in paragraph (1A),

for the TABLE, the following shall be substituted, namely:-

S.No	Taxable Income	Rate of tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs 400,000	0%
2.	Where the taxable income exceeds Rs 400,000 but does not exceed Rs 500,000	2% of the amount exceeding Rs 400,000
3.	Where the taxable income exceeds Rs 500,000 but does not exceed Rs 750,000	Rs 2,000 + 5% of the amount exceeding Rs 500,000
4.	Where the taxable income exceeds	Rs 14,500 + 10% of the amount

- Rs 750,000 but exceeding Rs  
does not exceed 750,000  
Rs 1,400,000
5. Where the taxable Rs 79,500 + 12.5%  
income exceeds of the amount  
Rs 1,400,000 but exceeding Rs  
does not exceed 1,400,000  
Rs 1,500,000
6. Where the taxable Rs 92,000 + 15% of  
income exceeds the amount  
Rs 1,500,000 but exceeding Rs  
does not exceed 1,500,000  
Rs 1,800,000
7. Where the taxable Rs 137,000 +  
income exceeds 17.5% of the  
Rs 1,800,000 but amount exceeding  
does not exceed Rs 1,800,000  
Rs 2,500,000
8. Where the taxable Rs 259,500 + 20%  
income exceeds of the amount  
Rs 2,500,000 but exceeding Rs  
does not exceed 2,500,000  
Rs 3,000,000

9.	Where the taxable income exceeds Rs 3,000,000 but does not exceed Rs 3,500,000	Rs 359,500 + 22.5% of the amount exceeding Rs 3,000,000
10.	Where the taxable income exceeds Rs 3,500,000 but does not exceed Rs 4,000,000	Rs 472,000 + 25% of the amount exceeding Rs 3,500,000
11.	Where the taxable income exceeds Rs 4,000,000 but does not exceed Rs 7,000,000	Rs 597,000 + 27.5% of the amount exceeding Rs 4,000,000
12.	Where the taxable income exceeds Rs 7,000,000	Rs 1,422,000 + 30% of the amount exceeding Rs 7,000,000

**First Schedule Part I  
Division I**

In paragraph (1B), for sub-paragraph (ii), technical correction has been proposed. The following shall be substituted, namely

“(ii) a taxpayer of the age of not less than sixty years on the first day of that tax year, the tax liability on such income shall be reduced by fifty per cent.”;

**First Schedule Part I  
Division II**

(b) In Division II, in paragraph (i), in the second proviso.

The bill proposes to reduce rate of corporate tax from 33% to 32% for tax year 2016 to

relief burden of tax on companies.

**First Schedule Part I  
Division II**

After Division II, the following new Division shall be inserted for super tax namely:-

**"Division IIA**

Rates of Super Tax

Person	Rate of super tax
Banking Company	4% of the income
Person, other than a banking company, having income equal to or exceeding Rs. 500 million	3% of the income "

**First Schedule Part I  
Division III**

Rate of tax on dividend shall be increased to 12.5% from 10% and dividend received from stock fund shall be taxed at 15%, if dividend received is less than capital gains.

**First Schedule Part I  
Division III**

In the second proviso, after the word "scheme", the comma and words, "REIT Scheme" shall be inserted as:

Dividend received by company from a collective investment scheme, REIT Scheme or a mutual fund (other than stock fund) shall be taxed at 25%.

**First Schedule Part I  
Division III**

A new provision is proposed to be added after Para (b) added, namely:-

"if a Developmental REIT Scheme is set up by thirtieth day of June, 2018, dividend received by a person from such Developmental REIT Scheme shall be reduced by fifty percent for three years from thirtieth day of June, 2018.";

**First Schedule Part I  
Division III**

After Division III, the following new Division shall be inserted, namely:-

### Division IIIA

The rate of tax for profit on debt imposed under section 5A shall be-

TABLE

S. No	Profit on Debt	Rate of tax
(1)	(2)	(3)
1.	Where profit on debt does not exceed Rs 25,000,000	10%
2.	Where profit on debt exceeds Rs 25,000,000 but does not Exceed Rs 50,000,000	2,500,000 + 12.5% of the amount exceeding Rs 25,000,000
3.	Where profit on debt exceeds Rs 50,000,000	Rs 5,625,000 + 15% of the amount exceeding Rs 50,000,000";

### First Schedule Part I Division VII

Rate of tax to be paid for capital gain under section 37A shall be amended as follows:

S. No.	Period	Tax Year 2015	Tax Year 2016
(1)	(2)	(3)	(4)
1.	Where holding period of a security is less than twelve months	12.5%	15%
2.	Where holding period of a security is twelve months or more but less than	10%	12.5%

twenty four months

3. Where holding period of a security is twenty four months or more but less than four years
- |  |    |      |
|--|----|------|
|  | 0% | 7.5% |
|--|----|------|

Provided further that a mutual fund or a collective investment scheme or a

REIT scheme shall deduct Capital Gains Tax at the rates as specified below, on redemption of securities:-

Category		Filer	Non-Filer
Individual	and	10% for stock funds	17.5%
association of persons		10% for others	
Company		10% for stock funds	25%:
		25% for others	

**First Schedule Part I  
Division IX  
Minimum tax**

Minimum tax is also proposed to be applied on Dealers or distributors of fertilizers at the rate of 0.5% which was 0.2% on distributor of consumer goods including fertilizer.

**First Schedule Part II  
Advance Tax collected by  
collector of customs.**

Additional tax proposed to be applied on non filer. The rate of advance tax to be collected by Collector of Customs under section 148 shall be-

S. No	Persons		Rate	
			Filer	Non-Filer
(1)	(2)		(3)	(4)
1.	(i) Industrial	undertaking	1% of the import	1.5% of the
	Importing	remeltable	Value as	import
	steel (PCT	Heading	Increased by	value as

72.04) and directly customs-duty, increased  
 reduced iron for its own sales tax  
 use; and by  
 Federal customs-

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(ii) Persons importing Excise Duty duty, sales  
 Potassic fertilizers in tax and  
 Pursuance of Economic federal  
 Coordination Committee excise duty  
 of the cabinet's decision  
 No.ECC-155/12/2004

dated the 9<sup>th</sup> December,  
 (iii) Persons importing urea;

(iv) Manufacturers covered under  
 Notification No.  
 S.R.O. 1125(I)/2011 dated the 31st  
 December, 2011 and importing items  
 covered under S.R.O. 1125(I)/2011  
 dated the  
 31st December, 2011

(v) Persons importing Gold; and  
 (vi) Persons importing Cotton

2. Persons importing pulses 2% Of the import 3% of the  
 value as increased import  
 by customs-duty, value as  
 Sales tax and increased  
 federal excise duty by  
 customs-  
 duty, sales  
 tax and  
 federal

3.	Commercial importers	3% of the import	excise duty 4.5% of the
	covered Under Notification	Value as	import
	No. S.R.O. 1125(I)/2011	Increased by	value as
	dated the 31 <sup>st</sup> December,	customs-duty,	increased
	2011 and importing items	sales tax	by
	covered Under S.R.O.	and Federal	customs-
	1125(I)/2011 dated the 31 <sup>st</sup>	Excise Duty	duty, sales
	December, 2011.		tax and
			federal
			excise duty
4.	Ship breakers on import of	4.5%	6.5%
	ships		
5.	Industrial undertakings not	5.5%	8%
	covered under S. Nos. 1 to 4		
6.	Companies not covered under	5.5%	8%
	S. Nos. 1 to 5		
7.	Persons not covered under S.	6%	9%;
	Nos. 1 to 6		

**First Schedule Part III  
Division I  
Advance Tax on Dividend**

Rate of advance tax shall be deducted under section 150 and 236S.

Rate of Advance tax on dividend for non filer is proposed to be increased to 17.5% from 15% as mentioned in Paragraph C of Division I of Part III of First Schedule.

In the first proviso,

After Para" C" word "REIT Scheme" is added to deduct advance tax on dividend.



A new Para is added after first proviso as:

"If a Developmental REIT Scheme with the object of development and construction of residential buildings is set up by thirtieth day of June, 2018, dividend received by a person from such Developmental REIT Scheme shall be reduced by fifty percent for three years from thirtieth day of June, 2018.";

In the second proviso,

Rate of advance tax shall be increased to 15% from 12.5% in case of a stock fund ,if dividend receipt of the fund are less than capital gains.

**First Schedule Part III  
Division IA  
Profit on Debt**

Rate of tax to be deducted under section 151 for non filer is proposed to be increased to 17.5% from 15%.

**First Schedule Part III  
Division II  
Payments to non-residents**

For paragraph (4), the following shall be substituted, namely

For every person making payments to non-resident person having permanent establishment in Pakistan as referred to in clause **(a)** of sub-section (2A) of section 152 shall deduct tax at the revised rates given hereunder:-

- (i) in case of a company, 4% of the gross amount payable, if the company is a filer and 6% if the company is a non-filer; and
- (ii) in any other case, 4.5% of the gross amount payable, if the person is a filer and 6.5% if the person is a non-filer.

For paragraph (5),

For every person making payments to non-resident person having permanent establishment in Pakistan as referred to in clause **(b)** of sub-section (2A) of section 152 shall deduct tax at the revised rates given hereunder

in cases other than transport,—

- (a) in case of a company, 8% of the gross amount payable, if the company is a filer and 12% if the company is a non-filer;
- (b) in any other case, 10% of the gross amount

payable, if the person is a filer and 15% if the person is a non-filer

For paragraph (6),

For every person making payments to non-resident person having permanent establishment in Pakistan as referred to in clause **(C)** of sub-section (2A) of section 152 shall deduct tax at the revised rates given hereunder:

- (i) 10% of the gross amount payable in case of

Sports persons;

- (ii) in case of a company, 7% of the gross amount

payable, if the company is a filer and 10% if the company is a non-filer;  
and

- (iii) in any other case, 7.5% of the gross amount payable, if the person is a filer and 10% if the person is a non-filer.

**First Schedule Part III**  
**Division III**  
**Payment for Goods and Services**

In paragraph (1), in sub-paragraph (b), for clauses (i) and (ii), additional tax is proposed to be deducted while making payments to, resident as referred in section 53, non filer as given hereunder:

- “(i) in case of a company, 4% of the gross amount payable, if the company is a filer and 6% if the company is a non-filer; and
- (ii) in any other case, 4.5% of the gross amount payable,

if the person is a filer and 6.5% if the person is a non-filer.

In paragraph (2), in sub-paragraph (ii) for clauses (a) and (b), rate of tax for non filer while making payments under section 153 is proposed to be introduced as:

“(a) in case of a company, 8% of the gross amount payable, if the company is a filer and 12% if the company is a non-filer; and

(b) in any other case, 10% of the gross amount payable, if the person is a filer and 15% if the person is a non-filer.

In paragraph (3), for sub-paragraphs (i), (ii) and (ii), while making payment for goods, services and contracts, additional rate of tax for non filer will be introduced and rates under section 153, sub section 1, clause (c) shall be as follows:

- (i) 10% of the gross amount payable in case of sportspersons;
- (ii) in case of a company, 7% of the gross amount

payable, if the company is a filer and 10% if the company is a non-filer; and

- (iii) in any other case, 7.5% of the gross amount payable, if the person is a filer and 10% if the person is a non-filer.

**First Schedule Part III**  
**Division VIA**  
**Collection of tax**  
**on sale of petrol**

Rate of tax under section 156A will be 15% of commission on petrol for non filer and 12% for filer.

**“Division II**  
**Brokerage and Commission**

The rate of collection under sub-section (1) of section 233 shall be,—

- (i) in case of filers, —

(a) 10% of the amount of the payment, in case of advertising agents; and

12% of the amount of payment in all other cases; and

- (ii) in case of non-filers, 15% of the amount of payment.

**First Schedule  
Part IV  
Division III  
Tax on motor vehicle**

For paragraph "(i)" Rate of collection of tax will be reduced to:

In case of goods transport vehicles, tax of two rupees and fifty paise per kilogram of the laden weight shall be charged for filer and four rupees per kilogram of the laden weight for non-filer which was already five rupees per kilogram of the laden weight.

In case of passenger transport vehicle in Paragraph 2,

S. No	Capacity	Rs per seat per annum	
		Filer	Non-Filer
(i)	Four or more persons but less than ten persons.	50	100
(ii)	Ten or more persons but less than twenty persons.	100	200
(iii)	Twenty persons or more.	300	500; and

In Paragraph 3,

The word car will be substituted with word vehicle and table of reduced rates given hereunder will be used:

"S.	Engine capacity	for filers	for non-filer
1.	upto 1000cc	Rs. 800	Rs. 1,200
2.	1001cc to 1199cc	Rs. 1,500	Rs. 4,000
3.	1200cc to 1299cc	Rs. 1,750	Rs. 5,000
4.	1300cc to	Rs. 2,500	Rs. 7,500

	1499cc			
5.	1500cc	to	Rs. 3,750	Rs. 12,000
	1599cc			
6.	1600cc	to	Rs. 4,500	Rs. 15,000
	1999cc			
7.	2000cc	&	Rs. 10,000	Rs. 30,000";
	above			

In (b), 14% rate of collection tax will also be applicable on subscriber of internet and prepaid internet.

**First Schedule  
Part IV  
Division VI**

Rate of tax on cash withdrawal from Bank

Rate of tax to be deducted on cash withdrawal for non filer will be increased to 0.6% from 0.5%.

**Division VIA  
Rate of Tax on  
Transaction with Bank**

Rate of Tax on Transaction with Bank is proposed to be introduced at 0.6%.

**Division VII  
Advance Tax on Registration  
and Transfer of Vehicle**

Additional rate of tax for non filer will be charged and new rates will be charged above vehicle 2000CC.

(1) The rate of tax under sub-sections (1) and (3) of section 231B shall be as follows:-

S. No.	Engine capacity	For filers	Tax for non-filer
(1)	(2)	(3)	(4)
1.	upto 850cc	Rs. 10,000	Rs. 10,000
2.	851cc to 1000cc	Rs. 20,000	Rs. 25,000
3.	1001cc to 1300cc	Rs. 30,000	Rs. 40,000

4.	1301cc to 1600cc	Rs. 50,000	Rs. 100,000
5.	1601cc to 1800cc	Rs. 75,000	Rs. 150,000
6.	1801cc to 2000cc	Rs. 100,000	Rs. 200,000
7.	2001cc to 2500cc	Rs. 150,000	Rs. 300,000
8.	2501cc to 3000cc	Rs. 200,000	Rs. 400,000
9.	Above 3000cc	Rs. 250,000	Rs. 450,000

(2) Rates are proposed to be reduced in this section. The rate of tax under sub-section (2) of section 231B shall be as follows:—

S. No.	Engine capacity	For filers	Tax for non-filer
(1)	(2)	(3)	(4)
1.	upto 850cc	-	5000
2.	851cc to 1000cc	5,000	15,000
3.	1001cc to 1300cc	7,500	25,000
4.	1301cc to 1600cc	12,500	65,000
5.	1601cc to 1800cc	18,750	100,000
6.	1801cc to 2000cc	25,000	135,000
7.	2001cc to 2500cc	37,500	200,000
8.	2501cc to 3000cc	50,000	270,000
9.	Above 3000cc	62,500	300,000

Rate of tax to be collected shall be reduced by 10% each year from the date of first registration in Pakistan.

**First Schedule  
Part IV  
Division XIV**

Advance tax on distributor of fertilizer is proposed to be increased to 0.7% from 0.2%.  
Advance tax on non filer distributor of fertilizer is proposed to be increased to 1.4% from 0.4%.

**DIVISION XXI**  
**Section 236P**  
**Advance tax on banking transactions**  
**otherwise than in cash**

The rate of collection of tax under this section shall be 0.6% of the transaction for non-filers. It seeks to provide for tax rates for withholding tax on banking transactions other than through cash.

**DIVISION XXII**  
**Section 236T**  
**Rate of collection of tax by**  
**Pakistan Mercantile Exchange Limited**

It seeks to provide collection of tax by Pakistan Mercantile Exchange Limited. The rate of collection of tax under this section shall be as follows

Description	Clause	Rate
Sale or Purchase of future commodity contract	Clause (a) & (b) of sub-section 1	0.1%
Sale or Purchase of future commodity contract	Clause (c) & (d) of sub-section 1	0.1%

**DIVISION XXIII**  
**Section 236Q**  
**Payment to a resident person for**  
**right to use machinery & equipment**

It provides tax rates on payment to residents for use of machinery & equipment. The rate of collection of tax under this section shall be 10% of the amount of payment.

**DIVISION XXIV**  
**Section 236R**  
**Collection of advance tax on education**  
**related expenses remitted abroad**

This section provides tax deduction on education related expenses remitted abroad. The rate of collection of tax under this section shall be 5% of the amount of total education related expense.

**SECOND SCHEDULE**  
**Part-I**

The following clauses shall be withdrawn, this will withdraw certain exemptions.

**Clause (20) withdrawn**

The omitted clause is as follows;

Any income received by a person from an annuity issued under the Pakistan Postal Annuity Certificate Scheme on or after the 27th July, 1977, not exceeding ten thousand rupees per annum.

**Clause (61), Addition**

This clause is added for the purpose of providing grant exemption to Indus Hospital Karachi. The addition is as follows;

In clause (61), after sub-clause (xlv), the following new sub-clause shall be added, namely:-  
“(xlv) The Indus Hospital, Karachi.”

#### **Clause (66) substituted**

This clause is changed for the purpose of providing grant exemption to Indus Hospital Karachi. The change is as follows;

- i. Sub-clause (xxx) occurring for the second time shall be renumbered as "(xxxii)";
- ii. After sub-clause (xxxii) renumbered as aforesaid, the following new sub-clause shall be added, namely:— "(xxxiii) The Indus Hospital, Karachi.";

#### **Clause (99A) substituted**

This change is made to add a proviso to exempt the income of developmental REIT with the purpose of development and construction of residential buildings till 2020.

For the full stop at the end a colon shall be substituted and thereafter the following proviso shall be added, namely:-

[Provided that profit and gains on sale of immovable property to a Developmental REIT Scheme with the object of development and construction of residential buildings shall be exempt upto thirtieth day of June, 2020]

#### **Clause (103A) substituted**

This change has conditioned the exemption available to group companies on inter-company dividend to the filing of taxation return for that respective year.

in clause (103A), after the figure "59B" the words "subject to the condition that return of the group has been filed for the tax year." shall be inserted;

After insertion the above mentioned clause shall be as follows;

[(103A) Any income derived from inter-corporate dividend within the group companies entitled to group taxation under section 59AA [or section 59B] subject to the condition that return of the group has been filed for the tax year.]

#### **Clause (113) Omitted**

The omitted clause is as follows;

[Any income chargeable under the head "capital gains", being income from the sale of shares of a public company set up in any Special Industrial Zone referred to in clause 1[(126)]of this Schedule, derived by a person for a period of five years from the date of commencement of its commercial production:

Provided that the exemption under this clause shall not be available to a person from the sale of shares of such companies which are not eligible for exemption from tax under clause]

#### **Clause (126) substituted**

It seeks to increase the period of exemption by three years for income derived by China Overseas Ports Holding Company Limited from Gawadar Port operations, making it twenty three years.

In below mentioned changed clause (126A) for the figure, "twenty" the figure, "twenty three" shall be substituted; making it as follows,

[income derived by China Overseas Ports Holding Company Limited from Gwadar Port operations for a period of twenty three years, with effect from the sixth day of February, 2007.]

#### **Clause (126F) omitted**

The Omitted clause is as follows;

[Profits and gains derived by a taxpayer located in the most affected and moderately affected areas of Khyber Pakhtunkhwa, FATA and PATA for a period of three years starting from the tax year 2010:

Provided that this concession shall not be available to the manufacturers and suppliers of cement, sugar, beverages and cigarettes.]

#### **Clause (126I) Addition**

It seeks to exempt the profit and gains of industrial undertakings engaged in manufacturing equipment related to generation of renewable energy. The new clause is as follows;

[Profits and gains derived by a taxpayer, from an industrial undertaking set up by 31st day of December, 2016 and engaged in the manufacture of plant, machinery, equipment and items with dedicated use (no multiple uses) for generation of renewable energy from sources like solar and wind, for a period of five years beginning from first day of July, 2015.]

#### **Clause (126J) Addition**

It seeks to exempt the profit and gains of undertakings engaged in operating warehouses and cold chain facilities used for storage of agriculture produce. The new clause is as follows

[Profits and gains derived by a taxpayer, from an industrial undertaking set up between 1st day of July, 2015 and 30th day of June, 2016 engaged in operating warehousing or cold chain facilities for storage of agriculture produce for a period of three years beginning with the month in which the industrial undertaking is set up or commercial operations are commenced, whichever is later.]

#### **Clause (126K) Addition**

It seeks to exempt the profit and gains of undertakings engaged in halal meat production. The new clause is as follows;

[ Profits and gains derived by a taxpayer, from an industrial undertaking set up between 1st day of July, 2015 and 31st day of December, 2016 which is engaged in operating halal meat production and has obtained halal certification, for a period of four years beginning with the month in which the industrial undertaking is set up or commercial production is commenced, whichever is later.]

#### **Clause (126L) Addition**

It provides a period during which there is exemption for manufacturing unit setup in KPK. The new clause is as follows;

[Profits and gains derived by a taxpayer, from a manufacturing unit set up in Khyber Pukhtunkhwa Province between 1st day of July, 2015 and 30th day of June, 2018 for a period of five years beginning with the month in which the industrial undertaking is set up or commercial production is commenced, whichever is later:



Provided that exemption under this clause shall be admissible where—the manufacturing unit is setup between the first day of July, 2015 and 30th day of June, 2018, both days inclusive; and the manufacturing unit is not established by the splitting up or reconstruction or reconstitution of an undertaking already in existence or by transfer of machinery or plant from an undertaking established in Pakistan at any time before 1st July 2015.]

#### **Clause (126M) Addition**

It provides a period during which there is exemption for transmission line project setup. The new clause is as follows

Profits and gains derived by a taxpayer from a transmission line project set up in Pakistan on or after the 1st day of July, 2015. The exemption under this clause shall apply to such project which is—

(a) owned and managed by a company formed for operating the said project and registered under the Companies Ordinance, 1984 (XLVII of 1984), and having its registered office in Pakistan;

(b) not formed by the splitting up, or the reconstruction or reconstitution, of a business already in existence or by transfer to a new business of any machinery or plant used in a business which was being carried on in Pakistan at any time before the commencement of the new business; and owned by a company fifty per cent of whose shares are not held by the Federal Government or Provincial Government or a Local Government or which is not controlled by the Federal Government or a Provincial Government or a Local Government:

Provided that the exemption under this clause shall not apply to projects set up on or after the thirtieth day of June, 2018.”]; and

#### **Clause (141) Addition**

The purpose of this clause is to provide exemption to LNG terminal operators and owners for a period of five years. The new clause is as follows;

[Profit and gains derived by LNG Terminal Operators and Terminal Owners for a period of five years beginning from the date when commercial operations are commenced.]

#### **Clause (142) Addition**

It seeks to provide exemption from tax on the income from social security contribution derived by employees social security institutions of all the provinces.

[Income from social security contributions derived by Balochistan Employees’ Social Security Institution, Employees’ Social Security Institution Khyber Pakhtunkhwa, Punjab Employees’ Social Security Institution and Sindh Employees’ Social Security Institution.

Explanation.- For the removal of doubt, it is clarified that all incomes other than social security contributions shall not be exempt];

#### **Part II**

The following clauses (13C),(14), (14A), (14B) and (21) shall be omitted; these clauses seeks to withdraw reduced rate on certain allowances.

#### **Clause (13C) Omitted**

The omitted clause is as follows;

[In respect of manufacturers of cooking oil or vegetable ghee or both, the rate of income tax on purchase of locally produced edible oil shall be [2]% of the purchase price.]

#### **Clause (14) Omitted**

The omitted clause is as follows;

[In case of owners of [goods transport vehicles], the rate of tax as specified in clause (i) of Division III of Part IV of First Schedule shall be reduced to Rs.2 per kilogram of the laden weight.]

#### **Clause (14A) Omitted**

The omitted clause is as follows;

[In case of passenger transport vehicles, the rate of tax as specified in sub-clause (c) of clause (2) in Division III of Part IV of the First Schedule shall be reduced to 250 rupees per seat per annum.]

#### **Clause (14B) Omitted**

The omitted clause is as follows;

[In case of owners of goods transport vehicles, the rate of tax as specified in clause (i) of Division III of Part IV of First Schedule shall be reduced to two Rupees per kilogram of the laden weight for the period commencing on the 1st July, 2012 and ending on the 17th November, 2012 (both days inclusive)

Provided that owners of the passenger transport vehicles may pay tax for the period 1st day of July, 2012 to 30th day of June, 2013 at the rates under this clause, if the tax is paid by the 30th day of June, 2014:

Provided further that the tax already paid from 1st day of July, 2012, as per rates specified in Division III of part IV of the First Schedule, shall not be refunded.]

#### **Clause (21) Omitted**

The omitted clause is as follows;

[In the case of any resident person engaged in the business of shipping, a presumptive income tax shall be charged in the following manner, namely:-

- (a) ships and all floating crafts including tugs, dredgers, survey vessels and other specialized craft purchased or bare-boat chartered and flying Pakistan flag shall pay tonnage tax of an amount equivalent to one US \$ per gross registered tonnage per annum; and
- (b) ships, vessels and all floating crafts including tugs, dredgers, survey vessels and other specialized craft not registered in Pakistan and hired under any charter other than bare-boat charter shall pay tonnage tax of an amount equivalent to fifteen US cents per tonne of gross registered tonnage per chartered voyage provided that such tax shall not exceed one US \$ per tonne of gross registered tonnage per annum:

Provided that the reduction under this clause shall not be available after the 30th June, 2020.

Explanation.- For the purpose of this clause the expression "equivalent amount" means the rupee equivalent of a US dollar according to the exchange rate prevalent on the first day of December in the case of a company and the first day of September in other cases in the relevant assessment year.]

#### **Clause (28B) Addition**

The purpose of this clause is to provide for reduced rates of tax deductions on cash withdrawals for exchange companies duly licensed by State Bank of Pakistan.

After clause (28A), the following new clause shall be added, namely:-

[The rate of tax shall be 0.15% under section 231A on cash withdrawal by an exchange company, duly licensed and authorized by the State Bank of Pakistan, exclusively dedicated for its authorized business related transactions, subject to the condition that a certificate issued by the concerned Commissioner Inland Revenue for a financial year mentioning details and particulars of its Bank Account being used entirely for business transactions is provided.];

#### **Part III**

The following clauses (16) shall be omitted; these clauses seeks to withdraw reduced tax liability on certain allowances.

#### **Clause (16) Omitted**

The omitted clause is as follows;

[The minimum penalty for failure to furnish statement under section 115, 165 or 165A as mentioned in column (3) against serial No. (1A) in the Table given in sub-section (1) of section 182 shall be reduced to ten thousand rupees.]

#### **Part IV**

#### **Clause (11A) Substituted**

- i. in sub-clause (i), for the word, comma and figures "Rules, 2006" the word, comma and figures "Regulations, 2015" shall be substituted
- ii. Following sub-clause (iv) shall be omitted;  
"KotAddu Power Company Limited (KAPCO) for the period it continues to be entitled to exemption under clause (138) of Part-I of this Schedule"
- iii. in sub-clause (v), the words "and 132B" shall be omitted;
- iv. in sub-clause (xvi), the word "and" shall be omitted; and

This change seeks to extends the exemption available under section 113 to companies supplying coal to power generation projects in Sind, LNG terminal operators and owners, taxpayer located in most affected and moderately affected areas of KPK, FATA and PATA.

The addition made is as follows

v. in sub-clause (xvii), for the full stop at the end a semi-colon and word “; and” shall be substituted and thereafter the following new sub-clauses shall be added, namely,-

- [(xviii) companies, qualifying for exemption under clause (132B) of Part-I of this Schedule, in respect of receipts from a coal mining project in Sindh, supplying coal exclusively to power generation projects.]
- (xix) LNG Terminal Operators and LNG Terminal Owners.
- (xx) taxpayers located in the most affected and moderately affected areas of Khyber Pakhtunkhwa, FATA and PATA for tax year 2010, 2011 and 2012 excluding manufacturers and suppliers of cement, sugar, beverages and cigarettes.
- (xxi) Rice Mills for the Tax Year 2015.
- (xxii) taxpayers qualifying for exemption under clauses (126I) of Part-I of this Schedule in respect of income from manufacture of equipment with dedicated use for generation of renewable energy.
- (xxiii) taxpayers qualifying for exemption under clauses (126J) of Part-I of this Schedule in respect of income from operating warehousing or cold chain facilities for storage of agriculture produce.
- (xxiv) taxpayers qualifying for exemption under clauses (126K) of Part-I of this Schedule in respect of income from operating halal meat production, during the period mentioned in clause (126K).
- (xxv) taxpayers qualifying for exemption under clauses (126L) of Part-I of this Schedule in respect of income from a manufacturing unit set up in Khyber Pukhtunkhwa Province between 1st day of July, 2015 and 30th day of June, 2018.”;

#### **Clause (11D) Addition**

Seeks to provide exemption to LNG terminal operators and owners from alternate corporate tax. The new clause is as follows

[The provisions of section 113C shall not apply to LNG Terminal Operators and LNG Terminal Owners.]

#### **Clause (16A) Omitted**

The omitted clause is as follows

[The provisions of section 153(1)(b) shall not be applicable to the [persons making payments to electronic and print media] in respect of the advertising services.]

#### **Clause (46) substituted**

in clause (46), for the word “or” occurring for the second time, the expression “and provisions of sub-section (2A) of section 152 shall not apply to” shall be substituted;

#### **Clause (56) substituted**

This change seeks to withdraw exemption from withholding tax on imports on certain items mentioned in Chapter 27 & 99 of Pakistan Customs Tariff. The change is as follows;

i. in sub-clause (i), for the commas, figures and words “Chapters 27, 86 and 99”, the figures and words “Chapter 86 and 99 except PCT Heading 9918” shall be substituted;

ii. after clause (i), amended as aforesaid, the following new clause shall be inserted, namely,-

“(ia) Petroleum oils and oils obtained from bituminous minerals crude (PCT Code 2709.0000), Furnace-oil (PCT Code 2710.1941), High speed diesel oil (PCT) Code 2710.1931), Motor spirit (PCT Code 2710.1210), J.P.1 (PCT Code 2710.1912), base oil for lubricating oil (PCT Code 2710.1993) imported by Pakistan State Oil Company Limited, Shell Pakistan Limited, Attock Petroleum Limited, Byco Petroleum Pakistan Limited, Admore Gas Private Limited, Chevron Pakistan Limited, Total-PARCO Pakistan(Private) Limited, Hascol Petroleum Limited, and oil refineries.”;

#### **Clause (56B) Omitted**

The omitted part of clause is as follows;

[In clause (56B), the expression “(56B) Provisions of section 148 shall not apply in respect of import of potatoes between 5th of May, 2014 and 31st of July, 2014, provided that such imports shall not exceeds 200,000 metric tons in aggregate during the said period.]

#### **Clause (57) Addition**

It seeks to add to the explanation in clause 57 to clarify the conditions for exemption from section 113 and 153 for in house preparation of food and allied items. The addition is as follows;

[(ii) It is further clarified that in-house preparation and processing of food and allied items for sale to customers shall not disqualify a company from being treated as a Trading House, provided that all the conditions in this clause are fulfilled and sale of such items does not exceed two per cent of the total sales.];

#### **Clause (59) Sub clause (iii) Omitted**

The omitted clause is as follows;

[(iii) to Pak rupee accounts or certificates referred to in clause (83) of Part-I of this Schedule;]

#### **Clause (61A) Omitted**

The omitted clause is as follows;

[The provisions of section 231A shall not apply in respect of any cash withdrawal by exchange companies duly licensed and authorized by the State Bank of Pakistan on their bank account exclusively dedicated for their authorized business related transaction:

Provided that.—

(a) exemption under this clause shall be available to exchange companies who are issued exemption certificate by the concerned Commissioner Inland Revenue for a financial year; and

(b) the Commissioner shall issue the exemption certificate after obtaining relevant details and particulars of the Bank Accounts.]

#### **Clause (72A) Omitted**

The omitted clause is as follows;

[The provisions of clause (l) and section 21, sections 113 and 152 shall not apply in case of a Hajj Group Operator in respect of Hajj operations provided that the tax has been paid at the rate of Rs. 3,500 per Hajji for the tax year 2013 and Rs. 5,000 per Hajji for the tax year 2014 in respect of income from Hajj operations.]

#### **Clause (77) Addition**

It seeks to grant exemption to certain solar devices. The addition in clause is as follows;

[in clause (77), after the word and comma "torches," a comma and the words "tubular day lighting devices such as solatube," shall be inserted;]

#### **Clause (79) Omitted**

The omitted clause is as follows;

[The provisions of clause (b) of proviso to sub-section (3) of section 153 shall not be applicable to the tax withheld on payments received by a company for providing or rendering of services.]

#### **Clause (83) Omitted**

The omitted clause is as follows

[The provision of sub-section (4) of section 116 shall not apply for the tax year 2013 to a person other than a company or a member of an association of person falling under final tax regime (FTR) and has paid tax less than thirty five thousand rupees.]

#### **Clause (86) substituted**

The purpose of this change is to extend exemption to green field industries; the following change is to made;

[in clause (86), for the figure "2016" the figure "2017" shall be substituted;]

#### **Clause (89) Omitted**

The omitted clause is as follows;

[The Provisions of section 236I shall not apply to-

- (a) the Federal Government or a Provincial Government;
- (b) an individual entitled to privileges under the United Nations (Privileges and Immunities) Act, 1948 (XX of 1948);
- (c) a foreign diplomat or a diplomatic mission in Pakistan; or
- (d) a person who is a non-resident and-
  - (i) furnishes copy of passport as an evidence to the educational institution that during previous tax year, his stay in Pakistan was less than one hundred eighty-three days;
  - (ii) furnishes a certificate that he has no Pakistan-source income; and
  - (iii) fee is remitted directly from abroad through normal banking channels to the bank account of the educational institution.]

## Clause (90) Omitted

The omitted clause is as follows;

[The provisions of section 236D shall not apply to-

- (a) the Federal Government or a Provincial Government;
- (b) an individual entitled to privileges under the United Nations (Privileges and Immunities) Act, 1948(XX of 1948); or
- (c) a foreign diplomat or diplomatic mission in Pakistan.]

## Clause (91) Addition

The purpose of this addition of this clause is to provide exemption on the withholding tax on the import of specified agricultural items and equipment used in aviation and export to taxpayer in operating halal meat production. The new clause is as follows;

The provisions of section 148 shall not apply to-

- i. Tillage and seed bed preparation equipment as specified below

	<b>Equipment</b>	<b>PCT Code</b>
(i)	Rotavator	8432.8010
(ii)	Cultivator	8432.2910
(iii)	Ridger	8432.8090
(iv)	Sub soiler	8432.3090
(v)	Rotary slasher	8432.8090
(vi)	Chisel plow	8432.1010
(vii)	Ditcher	8432.1090
(viii)	Border disc	8432.2990
(ix)	Disc harrow	8432.2100
(x)	Bar harrow	8432.2990
(xi)	Mould board plow	8432.1090
(xii)	Tractor rear or front blade	8430.6900
(xiii)	Land leveler or land planer	8430.6900
(xiv)	Rotary tiller	8432.8090
(xv)	Disc plow	8432.1090
(xvi)	Soil-scrapper	8432.8090
(xvii)	K.R.Karundi	8432.8090
(xviii)	Tractor mounted trancher	8701.9020
(xix)	Land leveler	8430.6900

- ii. Seeding or planting equipment

	<b>Equipment</b>	<b>PCT Code</b>
(i)	Seed-cum-fertilizer drill(wheat, rice barley, etc.)	8432.3010
(ii)	Cotton or maize planter with fertilizer attachment	8432.3090
(iii)	Potato planter	8432.3090
(iv)	Fertilizer or manure spreader or broadcaster	8432.4000

(v)	Rice transplanter	8432.3090
(vi)	Canola or sunflower drill	8432.3010
(vii)	Sugarcane planter	8432.3090

iii. Irrigation, drainage and agro-chemical application equipment.

	<b>Equipment</b>	<b>PCT Code</b>
(i)	Tubewells filters or strainers	8421.2100, 8421.9990
(ii)	Knapsack sprayers	8424.2010
(iii)	Granular applicator	8424.2010
(iv)	Boom or field sprayers	8424.2010
(v)	Self propelled sprayers	8424.2010
(vi)	Orchard sprayer	8424.2010

iv. Harvesting, threshing and storage equipment

	<b>Equipment</b>	<b>PCT Code</b>
(i)	Wheat thresher	8433.5200
(ii)	Maize or groundnut thresher or sheller	8433.5200
(iii)	Groundnut digger	8433.5900
(iv)	Potato digger or harvester	8433.5300
(iv)	Sunflower thresher	8433.5200
(v)	Post hole digger	8433.5900
(vi)	Straw balers	8433.4000
(vii)	Fodder rake	8433.5900
(viii)	Wheat or rice reaper	8433.5900
(ix)	Chaff or fodder cutter	8433.5900
(x)	Cotton picker	8433.5900
(xi)	Onion or garlic harvester	8433.5200
(xii)	Sugar harvester	8433.5200
(xiii)	Tractor trolley or forage wagon	8716.8090
(xiv)	Reaping machines	8433.5900
(xv)	Combined harvesters	8433.5100
(xvi)	Pruner/shears	8433.5900



v. Post-harvest handling and processing & miscellaneous machinery

	<b>Equipment</b>	<b>PCT Code</b>
(i)	Vegetables and fruits cleaning and sorting or grading equipment	8437.1000
(ii)	Fodder and feed cube maker equipment	8433.4000

**Clause (92) Addition**

The provisions of section 148 shall not apply to.-

Aircraft, whether imported or acquired on wet or dry lease	8802.2000 8802.3000 8802.4000
Maintenance kits for use in trainer aircrafts of PCT headings 8802.2000 and 8802.3000	Respective Headings
Spare parts for use in aircrafts, trainer aircrafts or simulators	Respective Headings
Machinery, equipment and tools for setting up maintenance, repair and overhaul (MRO) workshop by MRO company recognized by Aviation Division	Respective Headings
Operational tools, machinery, equipment and furniture and fixtures on one-time basis for setting up Greenfield airports by a company authorized by Aviation Division	Respective Headings
Aviation simulators imported by airline company recognized by Aviation Division	Respective Headings

**Fourth Schedule  
Rule (6A) Omitted  
Exemption of Capital Gains  
from the sale of shares.**

In computing income under this Schedule, there shall not be included "capital gains", being income from the sale of modaraba certificates or any instrument of redeemable capital as defined in the Companies Ordinance, 1984 (XLVII of 1984), listed on any stock exchange in Pakistan or shares of a public company (as defined in sub-section (47) of section 2) and the Pakistan Telecommunications Corporation vouchers issued by the Government of Pakistan, derived up to tax year ending on the thirtieth day of June.

**Rule (6B) Substituted**

in rule (6B) for the Table, the following shall be substituted, namely:—

"S. No.	Period	Tax Year 2015	Tax Year 2016
1	2	3	4
1	Where holding period of a security is less than twelve months	12.50%	15.00%
2	Where holding period of a security is twelve months or more but less than twenty four months	10.00%	12.50%
3	Where holding period of a security is twenty four months or more but less than four years	0.00%	7.5%";

**Rule (6D) Addition**

After rule 6C, the following new rule shall be inserted, namely:—

"The provisions of section 4B shall apply to the taxpayers under this schedule and taxed at the rates specified in Division IIA of Part I of the First Schedule."

**Fifth Schedule  
Part I  
Rule (4AA) Addition**

In Part I, after rule 4A, the following new rule shall be inserted, namely:—

"The provisions of section 4B shall apply to the taxpayers under this Part and taxed at the rates specified in Division IIA of Part I of the First Schedule.";

**Part II  
Rule (2A) Addition**

In Part II, after rule 2, the following new rule shall be inserted, namely:—

"The provisions of section 4B shall apply to the taxpayers under this Part and taxed at the rates specified in Division IIA of Part I of the First Schedule.";

**Seventh Schedule  
Rule (6) Omission**

In rule 6, the expression "The net income from Dividend and net income from Capital Gains on sale of shares of listed companies shall be taxed at the rate of ten and twelve and a half, respectively" and the three provisos thereafter shall be omitted.

**Rule (6A) Omitted**

For the purpose of rule 6, net income from dividend shall be computed according to the following formula, namely:-

$$(A/C) \times B$$

Where-

- A is the total amount of expenditure as per this Schedule;
- B is the gross amount of dividend received; and
- C is the gross amount of receipts including dividend.

**Rule (6B) Omitted**

For the purpose of rule 6, net income from capital gains shall be computed according to the following formula, namely:

$$(A/C) \times B$$

Where-

- A is the total amount of expenditure as per this Schedule;
- B is the gross amount of capital gains; and
- C is the gross amount of receipts including capital gains.

**Rule (7B) Addition**

After rule (7A), the following new rules shall be inserted, namely:-

"From tax year 2015 and onwards, income from Dividend and income from Capital Gains shall be taxed at the rate specified in Division II of Part I of First Schedule."

**Rule (7C) Addition**

For tax year 2015, the provisions of section 4B shall apply to banking companies and shall be taxed at the rate specified in Division IIA of Part I of First Schedule.";

**Eight Schedule  
Rule (1) Sub Rule 8 Addition**

In the Eighth Schedule, in rule 1, after sub-rule (7) , the following new sub-rule shall be added, namely:—

"The provisions of section 4B shall apply to the taxpayers under this schedule and taxed at the rates specified in Division IIA of Part I of the First Schedule."

## **SALES TAX ACT, 1990**

### **Definitions Active Taxpayer Section 2(1)**

The Bill purposes to introduce a term “*active taxpayer*” for those registered persons who will file the tax returns u/s 114 and monthly withholding statements u/s 165 under Income Tax Ordinance 2001 on due date. Basically the bill purposes to give credit for those registered persons who will timely file their Tax Returns and are have not blacklisted.

The Bill purposes to define the “*active taxpayer*” as follow

“(1) “*active taxpayer*” means a registered person who does not fall in any of the following categories, namely:-

1. *who is blacklisted or whose registration is suspended or is blocked in terms of section 21;*
2. *who fails to file the return under section 26 by the due date for two consecutive tax periods;*
3. *who fails to file an Income Tax return under section 114 or statement under section 115, of the Income Tax Ordinance, 2001(XLIX of 2001), by the due date; and*
4. *who fails to file two consecutive monthly or an annual withholding tax statement under section 165 of the Income Tax Ordinance, 2001;*

### **Definitions Appellate Tribunal Section 2(1A)**

The Bill purposes to define the Appellate Tribunal as follow

“Appellate Tribunal” means the Appellate Tribunal Inland Revenue established under section 130 of the Income Tax Ordinance, 2001 (XLIX of 2001)

### **Definitions Cottage industry Section 2 (5AB)**

The Bill proposes to increase the annual utility bills limit for cottage industry. Previously the manufacturer whose annual utility bills do not increase Rs. 700,000 were included in cottage industry, now the bill purposes to increases this limit to Rs. 800,000.

### **Definition Retailer Section 2(28)**

The Bill purposes to omit the annual turnover condition from definition of retailer for registration u/s 14 of sales Tax Act, 1990.

Existing Definition is given below,

“Retailer” means a person supplying goods to general public for the purpose of consumption

Provided that any person, who combines the business of import and retail or manufacture or production with retail, shall notify and advertise wholesale prices and retail prices separately, and declare the address of retail outlets.

**Definition  
Supply  
Section 2(33)**

The Bill proposes to explain the definition of supply more precisely by adding a new sub-clause which is as follow,

“(d) in case of manufacture of goods belonging to another person, the transfer or delivery of such goods to the owner or to a person nominated by him:

**Definition  
whistleblower  
Section 2(46A)**

The Bill proposes to add a new definition “whistleblower” which is defined u/s 72 D as follow,

*“whistleblower” means a person who reports concealment or evasion of sales tax and tax fraud leading to detection or collection of taxes, fraud, corruption or misconduct, to the competent authority having power to take action against the person or a sales tax authority committing fraud, corruption, misconduct, or involved in concealment or evasion of taxes.*

**Scope of Tax  
Section 3(1A)**

The Bill proposes to increase the extra rate of sales tax from one percent to two percent when taxable supplies are made to non-registered persons. Taxable supplies made to registered persons are charged to sales tax @17% where as taxable supplies now made to non-registered persons will be charged @ 17% plus extra 2% rate.

**Scope of Tax  
Section 3(2 (b))**

The Bill purposes to substitute the clause (b) sub-section 2 of Section 3 by the following clause

“(b)the Federal Government may, subject to such conditions and restrictions as it may impose, by notification in the official Gazette, declare that in respect of any taxable goods, the tax shall be charged, collected and paid in such manner and at such higher or lower rate or rates as may be specified in the said notification.”;

**Time and Manner of Payment  
Section 6(1)**

The Bill purposes to insert the words “including recovery” after the word “enforcement” in section 6, sub-section (1).

**Tax Credit not Allowed  
Determination of Tax Liability  
Section 7(2)(ii)**

The Bill purposes that in case of imported goods the person can only be entitled to deduct input tax from output tax when that person hold declaration of goods and registration number which is cleared by custom under section 79 and section 81

### **Tax Credit not allowed Section 8(1)(h)(i)**

The Bill purposes to add further provisions against which tax credit is not allowed, The proposed amendments are described below,

The Bill purposes to insert the word “pre-fabricated building and” after the word “excluding” in clause (h) sub-section (1) of section 8.

The Bill purpose to add new clauses after the clause (i) of Section 8

(j) services in respect of which input tax adjustment is barred under the respective provincial sales tax law;

(k) import or purchase of agricultural machinery or equipment subject to sales tax at the rate of 7% under Eighth Schedule to this Act; and

(l) from the date to be notified by the Board, such goods and services which, at the time of filing of return by the buyer, have not been declared by the supplier in his return.

### **Joint and Several liability of Register Persons Section 8A**

The Bill purposes that in case of making taxable supplies to another registered person and such registered has knowledge or reasonable grounds to believe that tax payable in respect of that supply would go unpaid both the persons shall be liable to pay tax but **the burden to prove shall be on the department.**

### **Exemption Section 13(2)(a)(b)**

The Bill seeks to empower Federal Government in drastic situations of the country to exempt taxable supplies through notification subject to particular situations of the country.

The Bill purposes to amend the clause (a) of sub-section 2 of section 13 that Federal Government may exempt taxable supplies with the approval of Economic Coordination Committee of Cabinet for the purpose of

- national security, natural disaster, national food security in emergency situation,
- protection of national economic interests in situations arising out of abnormal fluctuation in international commodity prices,
- removal of anomalies in taxes, development of backward areas and implementation of bilateral and multilateral agreements”

The Bill purposes to add new clauses after already omitted sub-section (5) as follow.

(6) The Federal Government shall place before the National Assembly all notifications issued under this section in a financial year.

(7) Any notification issued under sub-section (2) shall, if not earlier rescinded, stand rescinded on the expiry of the financial year in which it was issued.

The Bill seeks to omit the clause (b) of sub-section 2 of sections 13. The deleted clause is as follow,

(b) the Board may, by special order in each case stating the reasons, exempt any import or supply of goods of such description or class, as may be specified from the payment of the whole or any part of the tax chargeable under this Act.

**Registration  
Section 14**

The Bill purposes to add new requirements for registration of persons u/s 14. The Bill purposes to substitute the following clause for section 14.

**14. Registration.**

(1) Every person engaged in making taxable supplies in Pakistan, including zero-rated supplies, in the course or furtherance of any taxable activity carried on by him, falling in any of the following categories, if not already registered, is required to be registered under this Act, namely: -

- (a) a manufacturer who is not running a cottage industry;
- (b) a retailer who is liable to pay sales tax under the Act or rules made there under, excluding such retailer required to pay sales tax through his electricity bill under sub-section (9) of section 3;
- (c) an importer;
- (d) an exporter who intends to obtain sales tax refund against his zero-rated supplies;
- (e) a wholesaler, dealer or distributor; and
- (f) a person who is required, under any other Federal law or Provincial law, to be registered for the purpose of any duty or tax collected or paid as if it were a levy of sales tax to be collected under the Act;

(2) Persons not engaged in making of taxable supplies in Pakistan, if required to be registered for making imports or exports, or under any provisions of the Act, or any other Federal law, may apply for registration.

(3) The registration under this Act shall be regulated in such manner as the Board may, by notification in the official Gazette, prescribe.”;

**Active Taxpayer List  
Section 21(A)**

The Bill purposes to insert a new section with the term of active taxpayer. According to which the Board has power to maintain the active taxpayer list and also has such power to impose such conditions to other than active taxpayer according to rules.

**Audit by Special Audit Panels  
Section 32(A)**

The Bill purposes to substitute the heading of section 32 (A) for the words “Audit by Special Audit Panels”

The Bill purposes to substitute of sub-section (1) of section 32 (A) as follow.

“(1) The Board may appoint as many special audit panels as may be necessary, comprising two or more members from the following, –

- (a) an officer or officers of Inland Revenue;

- (b) a firm of chartered accountants as defined under the Chartered Accountants Ordinance, 1961 (X of 1961);
- (c) a firm of cost and management accountants as defined under the Cost and Management Accountants Act, 1966 (XIV of 1966); or
- (d) any other person as directed by the Board,

to conduct audit of a registered person or persons, including audit of refund claims and forensic audit and the scope of such audit shall be determined by the Board or the Commissioner Inland Revenue on a case-to-case basis. In addition, the Board may, where it considers appropriate, also get such audit conducted jointly with similar audits being conducted by provincial administrations of sales tax on services.”;

- (c) in sub-section (2), for the word “an auditor”, the words “special audit panel” shall be substituted;
- (d) in sub-section (3), for the words “An auditor”, the words “Every member of special audit panel” shall be substituted; and
- (e) after sub-section (3), amended as aforesaid, the following new sub-sections shall be added, namely:–

“(4) Each special audit panel shall be headed by a chairman who shall be an officer of Inland Revenue.

(5) If any one member of the special audit panel,

other than the chairman, is absent from conducting an audit, the proceedings of the audit may continue and the audit conducted by the special audit panel shall not be invalid or be called in question merely on the ground of such absence.

(6) The Board may prescribe rules in respect of constitution, procedure and working of special audit panel.”;

### **Offences and Penalties Section 33**

The bill purposes the change in number of days for filing of Returns, (where a person fails to file return of income or any person who fails to deposit the amount of tax due or any part thereof in the time or manner laid down under this Act or rules or orders made there under), within ten days (instead of 15 days) after the due date of filing of return for penalty purposes.

### **Monitoring or Tracking by Electronic or other means Section 40(c)**

The Bill purposes to add the “barcodes” in sub-section 2 of section 40 for goods sold by manufacturer where Board prescribes the manufacturer to sold goods by affixing tax stamps, band role stickers, labels and also now barcodes.

Further The Bill purposes to add new sub-section 3 after sub-section 2 which is as follow,

“(3) Such tax stamps, banderoles, stickers, labels, barcodes *etc.*, shall be acquired by the registered person referred to in sub-section (2) from a licensee appointed by the Board for the purpose, against price approved by the Board, which shall include the cost of equipment installed by such licensee in the premises of the said registered person.”;



**Power of Board to Call for Record  
Section 45A(1)**

- (14) The Bill proposes to insert in section 45A, in sub-section (1), after the word "motion", the words ", or otherwise," shall be inserted;

**Service of orders  
Section 56(A)(B)(C)**

The Bill proposes to add new sections after the section 56.

**"56A. Agreement for the exchange of information.–**

- (1) The Federal Government may enter into bilateral or multilateral agreements with
- (i) provincial governments or
  - (ii) with governments of foreign countries
- for the exchange of information, including electronic exchange of information, with respect to sales tax imposed under this Act or any other law of Pakistan and under the corresponding laws of such countries and may, by notification in the official Gazette, make such provisions as may be necessary for implementing such agreements.
- (2) The provisions of section 107 of the Income Tax Ordinance,

2001 (XLIX of 2001) shall, *mutatis mutandis*, apply to the provisions of this section.

**56B. Disclosure of information by a public servant.–**

(1) Any information acquired under any provision of this Act or in pursuance of a bilateral or multilateral agreement or tax information exchange agreement shall be confidential and no public servant shall disclose any such information, except as provided under section 216 of the Income Tax Ordinance, 2001 (XLIX of 2001).

- (2) The provisions of section 216 of Income Tax Ordinance, 2001 (XLIX of 2001), shall, *mutatis mutandis*, apply to the provisions of this section.

**56C. Prize schemes to promote tax culture.-**

The Board may prescribe prize schemes to encourage the general public to make purchases only from registered persons issuing tax invoices.

**Reward to Whistleblower  
Section 72 (D)**

The Bill proposes to encourage and reward people (whistleblowers) to report the tax evasion or tax fraud to relevant tax authorities in order to take action against taxpayers involved in tax evasion or tax fraud etc.

The Bill purposes to introduce new term whistleblower and procedure for reward apportionment for whistleblower u/s 72 D is explained below which is inserted after section 72 C.

**"72D. Reward to whistleblowers.**

- (1) The Board may sanction reward to whistleblowers in cases of concealment or evasion of tax, tax fraud, corruption or misconduct providing credible information leading to such detection of tax fraud;
- (2) The Board may, by notification in the official Gazette, prescribe the procedure in this behalf and also specify the apportionment of reward sanctioned under this section for whistleblowers;

(3) The claim for reward by the whistleblower shall be rejected if–

- i. the information provided is of no value;
- ii. the Board already had the information;
- iii. the information was available in public records; or
- iv. no collection of taxes is made from the information provided from which the Board can pay the reward;

(4) For the purpose of this section, “whistleblower” means a person who reports concealment or evasion of sales tax and tax fraud leading to detection or collection of taxes, fraud, corruption or misconduct, to the competent authority having power to take action against the person or a sales tax authority committing fraud, corruption, misconduct, or involved in concealment or evasion of taxes.”

#### **Fifth Schedule**

The Bill proposes to include conditions, restrictions and procedure for local supplies to manufacturers in the Export Processing Zone by inserting a new clause in column 1 and in serial 6 by omitting export processing zone word,

The inserted new clause is given below,

“6A. Supplies of locally manufactured plant and machinery of the following specifications, to manufacturers in the Export Processing Zone, subject to the conditions, restrictions and procedure given below, namely:-

- (i) Plant and machinery, operated by power of any description, as is used for the manufacture or production of goods by that manufacturer;
- (ii) Apparatus, appliances and equipments specifically meant or adapted for use in conjunction with the machinery specified in clause (i);
- (iii) Mechanical and electrical control and transmission gear, meant or adapted for use in conjunction with machinery specified in clause (i); and
- (iv) Parts of machinery as specified in clauses (i), (ii) and (iii) identifiable for use in or with such machinery.

Conditions, restrictions and procedures:-

- (a) the supplier of the machinery is registered under the Act;
- (b) proper bill of export is filed showing registration number;
- (c) the purchaser of the machinery is an established manufacturer located in the Export Processing Zone and holds a certificate from the Export Processing Zone Authority to that effect;
- (d) the purchaser submits an indemnity bond in proper form to the satisfaction of the concerned Commissioner Inland Revenue that the machinery shall, without prior permission from the said Commissioner, not be sold, transferred or otherwise moved out of the Export Processing Zone before a period of five years from the date of entry into the Zone;
- (e) if the machinery is brought to tariff area of Pakistan, sales tax shall be charged on the value assessed on the bill of entry; and
- (f) breach of any of the conditions specified herein shall attract legal action under the relevant provisions of the Act, besides recovery of the amount of sales tax along with default, surcharge and penalties involved.

## Fifth Schedule

The Bill seeks to omit the words “who makes local supplies of both taxable and exempt goods” in serial number 9 of fifth schedule.

The Bill seeks to omit the word “including flavored milk” from item number (ix) and following items (x to xvi) from serial 12 in Fifth Schedule are omitted.

Omitted item from fifth schedule are given below,

- (xi) Yogurt (PCT heading 0403.1000)
- (xii) Cheese ( PCT heading 0406.1010)
- (xiii) Butter (PCT heading 0405.1000)
- (xiv) Cream (PCT heading 04.01 and 04.02)
- (xv) Desi ghee ( PCT heading 0405.9000)
- (xvi) Whey (PCT heading 04.04)
- (xvii) Milk and cream, concentrated and added sugar or other sweetening matter (PCT heading 0402.1000)

## Sixth Schedule

The Bill seeks to omit the figure “1006. 1010” from serial no. 19 (Cereals and products of milling Industry) column III of sixth schedule.

The Bill seeks to substitute the figure “1006. 1010,1209.1000” for “1209. 1000” from serial no. 20 (Seeds, fruit and spores of a kind used for sowing) column III of sixth schedule.

The Bill seeks to omit the following items from sixth schedule,

28.	Poultry feed and Cattle feed including their all ingredients except soya bean meal of PCT heading 2304.0000 and oil-cake of cottonseed falling under PCT heading 2306.1000.	2301.2090, 2305.0000, 2306.2000, 2306.3000, 2306.4100, 2306.5000, [2309.9010, 2309.9020, 2309.9090, 2936.2100, 2936.2200, 2936.2300, 2936.2400, 2936.2500, 2936.2600, 2936.2700 and 2936.2800]
39.	Incinerators of disposal of waste management, motorized sweepers and snow ploughs.	8417.8000, 8430.2000 and 8479.8990
56.	Re-importation of foreign origin goods which were temporarily exported out of Pakistan subject to similar conditions as are envisaged for the purposes of applying zero-rate of customs duty under the Customs Act, 1969.	99.18

The Bill seeks to substitute the following entries from 73 to 80 in sixth schedule

[73.]	Milk and cream	04.01
[73 A]	Milk and cream, concentrated or containing added sugar and other sweating matter, excluding that sold in retail packing under a brand name	04.01 04.02
[74.]	Flavored milk, excluding that sold in retail packing under a brand name	0402.9900
[75.]	Yogurt, excluding that sold in retail packing under a brand name	04.03.1000
[76.]	Whey, excluding that sold in retail packing under a brand name	04.04
[77.]	Butter, excluding that sold in retail packing under a brand name	0405.1000
[78.]	Desi ghee, excluding that sold in retail packing under a brand name	0405.9000
[79.]	Cheese, excluding that sold in retail packing under a brand name	0406.1010
[80.]	Processed cheese not grated or powdered, excluding that sold in retail packing under a brand name	0406.3000

The Bill seeks to add word "fifth schedule" in the following table

[105.]	Raw materials for the basic manufacture of pharmaceutical active ingredients and for manufacture of pharmaceutical products, provided that in case of import, only such raw materials shall be entitled to exemption which are liable to customs duty not exceeding ten per cent <i>advalorem</i> , either under the First Schedule or fifth schedule to the Customs Act, 1969 (IV of 1969) or under a notification issued under section 19 thereof.	Respective headings.
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The Bill seeks to insert the following words "consisting of plastic covering and mulch film, anti-insect and shade net" in the following serial

[114]	Green House Framing and Other Green House Equipment, consisting of plastic covering and mulch film, anti-insect and shade net (If used for Agriculture Sector)	
	1. Tunnel farming equipment 2. Green houses (prefabricated)	3920.1000, 3926.9099, 5608.1900, 5608.9000

1. The following new items have been included after Serial number 116 of Table 1, in the Sixth Schedule, of Sales Tax Act, 1990.

"117	Appliances for colostomy	3006.9100
118	Colostomy and urostomy bags	3926.9050
119	Tubular day lighting devices (TDDs)	8539.3930

120	Diagnostic kits or equipment,	3822.0000
	namely:-	
	HIV Kits	
	4C EsTrionyx	
	5C Cell control Lnormal	
	Bovine precision multi sera	
	Pregnancy test	
	DNA SSP DRB Generic IC	
	Reticulocyte count (control) retic	
	C Control	
	Kit for vitamin B <sub>12</sub> estimation	
	Ferritin kit	
	HEV (Hepatitis E virus) ID-DA Cell	
	Urine Analysis Strips Albumin beg	
	Cratininsysi	
	Ring Detection cups ISE Standard	
	Alkaline phosphates (Alb) Bilirubin kit	
	HDL Cholesterol	
	Ckcreatinin kinase (mb)	
	CknacGlucose kit	
	Ammonia Modular	
	Lac	
	Ldh kit (lactate dehydrogenase kit)	
	Urea uv kit Ua plus	
	Tina quant	
	Crp control	
	Aslo tin Proteins Lipids	
	HDL/LDL cholesterol	
	Protein kit	
	U	
	Control Sera	
	Pac	
	Control	
	HCV	
	UIBC (Unsaturated iron binding	

	capacity) U/CSF  Inorganic Phosphorus kit  Kit amplicon kit (for PCR) Ige	
	Lchsv	
	Oligo	
	NA/K/CL	
	Hcy	
	Standard [or calibrated]	
	Hla B27	
	Liss Coombs	
	Typhoid kit	
	HCV amp	
	Urine test strips	
	Strips for sugar test	
	Blood glucose test strips	
	Kits for automatic cell separator	
	for collection of platelets	
	Elisa or Eclia kit	
	PCR kits	
	Immunoblast (western blot test).	
	I.C.T. (Immunochromatographic kit	
	CBC Reagent (For hematology	
	analyzer) Complete blood count	
	Reagent	
121	Blood Bag CPDA-1 with blood	Respective headings
	transfusion set pack in aluminum foil with set.	
122	Urine drainage bags	Respective Headings
123	Aircraft, whether imported or acquired on wet or dry lease	8802.2000, 8802.3000, 8802.4000
124	Maintenance kits for use in trainer aircrafts of PCT headings 8802.2000 and 8802.3000	Respective headings
125	Spare parts for use in aircrafts, trainer aircrafts or simulators	Respective headings
126	Machinery, equipment and tools for setting up maintenance repair and overhaul (MRO) workshop by MRO Company work shop by MRO Company recognized by Aviation Division.	Respective headings
127	Operational tools, machinery, equipment, furniture and fixtures on one time basis for setting of green field airports by a company authorized by Aviation Division.	Respective headings
128	Aviation Simulators imported by Airline Company recognized by Aviation Division.	Respective headings

2. The following items have been omitted from Table 2 of the Sixth Schedule:

3[13	Reclaimed lead, if supplied to recognized manufacturer of lead batteries	Respective headings
4[14	Waste paper	Respective headings

3. In Table 2 of the Sixth Schedule of Sales Tax Act, the following new items have been added after Serial number 16:

Sr. #	Description	Heading Numbers of the First Schedule of Customs Act, 1969
	Raw and Pickled hides and skins, wet blue hides and skins	41.01, 41.02, 41.03, 4104.1000, 4105.1000, 4106.2100, 4106.3000, 4106.9000
	Supplies made by the manufacturers of marble and granite having annual turnover less than five million rupees even if their annual utility bill is more than eight hundred thousand rupees.	Respective Headings
	Bricks (up to 30 <sup>th</sup> June 2018)	6901.1000
	Crushed stone (up to 30 <sup>th</sup> June,2018)	2517.1000

4. In the annexure of table-3 of the Sixth schedule of Sales Tax Act, the following items have been omitted:

10	Machinery, equipment, raw materials, components and other capital goods for use in buildings, fittings, repairing or refitting of ships, boats or floating structures imported by Karachi Shipyard and Engineering Works Limited.	Respective Headings	Nil
16	Plant, machinery, equipment and specific items used in production of bio-diesel.	Respective headings	The Alternative Energy Development Board (AEDB), Islamabad shall certify in the prescribed manner and format as per Annex-B that the imported goods are bonafide project requirement. The goods shall not be sold or otherwise disposed off within a

			period of five years of their import except with the prior approval of the FBR and payment of customs duties and taxes leviable at the time of import.
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**Eights Schedule, Table 1, Sales Tax Act 1990**

1. According to Sales Tax Act 1990, sales tax on Soya bean meal has been increased from 5% to 10%.
2. Directly reduced Iron has been exempted from tax. In last year, Sales Tax of 5% was charged on the said item.
3. Sales tax on Oil Seeds meant for sowing has been increased from 5% to 10% but subject to the same conditions as in last year.
4. Sales tax on Plant and machinery not manufactured locally and having no compatible local substitutes, has been increased from 5% to 10% but subject to the same conditions as in last year.
5. Following new items representing by serial number 7 to 30 (and respective sales tax on those items with conditions if, any) have been added in Eight Schedule, Table 1 of Sales Tax Act 1990:

7.	Flavoured milk	0402.9900	10%	Sold in retail packing under a brand name
8.	Yogurt	0403.1000	10%	Sold in retail packing under a brand name
9.	Cheese	0406.1010	10%	Sold in retail packing under a brand name
10.	Butter	0405.1000	10%	Sold in retail packing under a brand name
11.	Cream	04.01 and 04.02	10%	Sold in retail packing under a brand name
12.	Desi ghee	0405.9000	10%	Sold in retail packing under a brand name
13.	Whey	04.04	10%	Sold in retail packing under a brand name
14.	Milk and cream, concentrated and added sugar or other sweetening matter	0402.1000	10%	Sold in retail packing under a brand name
15.	Poultry feed, cattle feed, and their ingredients except soya bean meal of PCT heading 2304.0000 and oil- cake of cottonseed falling under PCT heading 2306.1000	2301.2090, 2305.0000, 2306.2000, 2306.3000, 2306.4100, 2306.5000, 2309.9010,	5%	



		2309.9020, 2309.9090, 2936.2100, 2936.2200, 2936.2300, 2936.2400, 2936.2500, 2936.2600, 2936.2700, 2936.2800, and 2306.4900 (Rape Seed Meal), 2308.9000 (Guar Meal), 2303.1000 (Corn Gluton Feed/Meal), 2303.1000 (Residues of starch manufacture and similar residues), 3507.9000 (Enzymes- others), 2302.1000 (Maize Bran), 2302.2000 (Rice Bran), 2302.3000 (Wheat Bran), 2302.4000 (Other Cereals), 2302.5000 (Bran of Leguminous Plants), 2306.7000(Oil- cake and other solid residuals of Maize (corn) germ), 2306.4900 (Sesame Cake), 2306.9000 (Sesame Meal/other Meal), 2842.1000 (Double or complex silicates, including aluminosilicates whether or not		
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		chemically defined), 2301.2010 (Fish Meal), 0505.9000 (Poultry by product Meal), and the following items only of Feed Grade: 2827.6000 (Potassium Iodide), 2833.2990 (Manganese Sulphate), 2833.2600 (Zinc Sulphate) 2817.4000 (Zinc Oxide), 2833.2500 (Copper Sulphate), 2833.2910 (Ferrous Sulphate) 2915.5000 (Propionic acid, its salts and esters), 2930.4000 (DL Methionine), 2930.4000 (Methionine Hydroxy Analogue (liquid)), 2922.4100 (Lysine Monohydro Chloride/sulphate) 2923.2000 (Lecithins), 2923.9000 (Betafin), 2922.4290 (Arganine), 2934.9910 (Furazolidone), 2922.5000 (Threonine), 2835.2600 (Mono Calcium Phosphate), 2835.2500 (Di		
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		Calcium Phosphate), and 2835.2600 (Mono Di Calcium Phosphate)		
	Incinerators of disposal of waste management, motorized sweepers and snow ploughs	8417.8000, 8430.2000 and 8479.8990	5%	
	Re-importation of foreign origin goods which were temporarily exported out of Pakistan	99.18	5%	Subject to similar conditions as are envisaged for the purposes of customs duty under the Customs Act, 1969, and taxable value shall be value determined under PCT heading 99.18 of said Act increased by customs duty payable
	Reclaimed lead	Respective headings	5%	If supplied to recognized manufacturers of lead and lead batteries
	Waste paper	47.07	5%	
	Soya bean seed	1201.1000	5%	The Alternative Energy Development Board (AEDB), Islamabad shall certify in the prescribed manner and format as per Annex-B, as given in the Sixth Schedule, that the imported goods are bonafide project requirement. The goods shall not be sold or otherwise disposed of within a period of five years of their import except with the prior approval of the FBR and payment of customs duties

				and taxes leviable at the time of import
21.	Rapeseed, sunflower seed and canola seed	1205.0000, 1206.0000	16%	On import by solvent extraction industries
22.			6%	On import by solvent extraction industries, subject to the condition that no refund of input tax shall be admissible";
23.	Secondhand and worn clothing or footwear	6309.0000	5%	
25.	Agricultural tractors	8701.9020	10%	
26.	Tillage and seed bed preparation equipment:		7%	
	(i) Rotavator	8432.801 0		
	(ii) Cultivator	8432.291 0		
	(iii) Ridger	8432.809 0		
	(iv) Sub soiler	8432.309 0		
	(v) Rotary slasher	8432.809 0		
	(vi) Chisel plow	8432.101 0		
	(vii) Ditcher	8432.109 0		
	(viii) Border disc	8432.299 0		
	(ix) Disc harrow	8432.210 0		
	(x) Bar harrow	8432.299 0		
	(xi) Mould board plow	8432.109 0		
	(xii) Tractor rear or front blade	8430.6900		
	(xiii) Land leveler or land planer	8430.690 0		
	(xiv) Rotary tiller	8432.809 0		
	(xv) Disc plow	8432.109 0		
	(xvi) Soil-scrapper	8432.809 0		
	(xvii) K.R.Karundi	8432.809 0		
	(xviii) Tractor mounted trencher	8701.902 0		

	(xix) Land leveler	8430.690 0		
27.	Seeding or planting equipment:		7%	
	(i) Seed-cum- fertilizer drill (wheat, rice barley, etc.)	8432.3010		
	(ii) Cotton or maize planter with fertilizer attachment	8432.3090		
	(iii) Potato planter	8432.3090		
	(iv) Fertilizer or manure spreader or broadcaster	8432.4000		
	(v) Rice transplanter	8432.3090		
	(vi) Canola or sunflower drill	8432.3010		
	(vii) Sugarcane planter	8432.3090		
28.	Irrigation, drainage and agro-chemical application equipment:	8421.2100	7%	
	(i) Tubewells filters or strainers	8421.9990		
	(ii) Knapsack sprayers	8424.2010		
	(iii) Granular applicator	8424.2010		
	(iv) Boom or field sprayers	8424.2010		
	(v) Self propelled sprayers	8424.2010		
	(vi) Orchard spray	8424.2010		
29.	(i) Harvesting, threshing and storage equipment:	8433.5200		
	(ii) Wheat thresher			
	(iii) Maize or groundnut thresher or sheller	8433.5200		
	(iv) Groundnut digger			
	(v) Potato digger or harvester	8433.5900		
	(vi) Sunflower thresher			
	(vii) Post hole digger			
	(viii) Straw balers	8433.5300		
	(ix) Fodder rake	8433.5200		
	(x) Wheat or rice reaper			
	(xi) Chaff or fodder cutter	8433.5900		
	(xii) Cotton picker	8433.4000		
	(xiii) Onion or Garlic Harvester	8433.5900	7%	

	(xiv) Sugar Harvester	8433.5900		
	(xv) Tractor Trolley or Forage Wagon	8433.5900		
	(xvi) Reaping machines	8433.5900		
	(xvii) Combined Harvesters	8433.5200		
	(xviii) Pruners/shears	8433.5200		
		8716.8090		
		8433.5900		
		8433.5100		
		8433.5900		
	30. Post-harvest Handling and processing & Miscellaneous machinery	8437.1000		
	(i) Vegetables and fruits cleaning and sorting or grading equipment			
	(ii) Fodder and feed cube maker equipment	8433.4000	7 %	

**Eights Schedule, Table 2, Sales Tax Act 1990**

1. 5 % of Sales Tax will be charged on all the goods included in Annexure of Table 2 of Eights Schedule, Sales Tax Act 1990, except goods mentioned below which shall be charged at the sales tax rate of 10% (in tabular form):

<b>Sr. #</b>	<b>Description</b>	<b>PCT Heading</b>	<b>Conditions</b>
1	Machinery and equipment for development of grain handling and storage facilities.	Respective Headings	Nil
5.	Complete plants for relocated industries.	Respective Headings	Nil
6.	Machinery, equipment and other capital goods meant for initial installation, balancing, modernization, replacement or expansion of oil refining (mineral oil, hydro-cracking and other value added petroleum products), petrochemical	Respective Headings	Nil

	and petrochemical downstream products including fibers and heavy chemical industry, cryogenic facility for ethylene storage and handling.		
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2. The following items which were charged to Sales Tax at the rate of 5 % in the last year have been exempted from tax as per finance Act 2015-16:

No.	Description	PCT heading	Conditions
3.	Following items imported by Call Centers, Business Processing Outsourcing facilities duly approved by Telecommunication Authority.		Nil
	1) UPS, inverters/converters.	8504.4010	
	2) Fax machines	8504.4090	
	3) Photo copiers	8443.3260	
	4) IP Phones	8443.3910	
	5) Telephone sets/head sets.	8517.1890	
	6) Dialers	8517.1100	
	7) Generator.	8502.1200	
	8) Cat 5/Cat 6/Power Cables	8544.4990	
	9) PAPX Switch	8517.6290	
	10) Multimedia projectors	8528.6110	
	11) Video conferencing equipment.	8525.8090	
	12) CCTV	8525.8010	
	13) Plasma TV	8528.7212	
	14) PUD's	8525.8090	
	15) Dedicated	8517.6290	

	telephone exchange system for call centers.		
	16) Parts, voice cards.	8517.7000	
	17) Other (digital call recorders)	8519.8990	
	18) VAST terminals	8525.6040	
7.	Proprietary Framework System for building/structures of a height of 100 feet and above and its various items/ Components consisting of the following, namely:		
	Plastic Tubes	3917.2390	(ii) the system is to be procured from a very renowned international manufacturer;
	Plastic tie slot filters/plugs, plastic cone.	3926.9099	(iii) a certificate from one of the following international pre-shipment inspection companies/survey firms to the extent that all the components/parts are to be used in the proprietary Formwork Systems for construction of structures/buildings of more than 100 feet height, is produced, namely:-
	(3) Standard steel ply panels, Special sized steel ply panels, wedges, tube clamps (B-Type & G Type), push/pull props, brackets (Structures), Steel Soldiers (Structure), drop head, standard, prop tic, buard rail post (structure), coupler brace, cantilever frame, decking beam/Infill beam and doorway angles.	7308.4000	(a) Messrs Lloyds of London; (b) Messrs Quality Tech, LLC; (c) Messrs ABS; (d) Messrs Bureau Veritas; and (e) Messrs SGS; and (iv) The Pakistan Engineering Council shall certify that the imported Proprietary Formworks Systems conform to the requirements of the Company's Project.
	(4) Lifting Unit	7308.9090	-do-



	(Structure)		
	(5) Bolts, Tie Bolts, Anchor Bolt Assembly (fastener), Anchors Screw (fasteners)	7318.1590	-do-
	(6) Nuts	7318.1690	-do-
	(7) Steel pins, tie wing nut (fastener)	7318.1900	-do-
	(8) Steel Washers, Water Plate (fastener)	7318.2290	-do-
	(9) Special Hammers	8205.2000	-do-
	(10) Extraction Keys	8205.5900	-do-
	(11) Adjustable Base Jack (thread rod with nut and steel plate), adjustable fork head (threaded rod with nut and steel channel)	8425.4900	-do-

- 1) The Sales Tax on cellular mobile phones or satellite phones has been increased by category-wise by 100% and it is elaborated as follows

<b>Description</b>	<b>Increase in Sales Tax</b>
Low Priced Cellular Mobile Phones or Satellite Phones	From Rs. 150 to Rs. 300
Medium Priced Cellular Mobile Phones or Satellite Phones	From Rs. 250 to Rs. 500
Smart Cellular Mobile Phones or Satellite Phones	From Rs. 500 to Rs. 1000

## **FEDERAL EXCISE DUTY**

### **Section 2 Addition of New Clause**

A new Clause is added in this section named as (24A) and states as follows

“(24A) “whistleblower” means whistleblower as defined in section 42D of the Federal Excise Act, 2005”;

Section 42D defines Whistleblower as follows;

“whistleblower” means a person who reports concealment or evasion of duty leading to detection or collection of duty, corruption or misconduct, to the competent authority having power to take action against the person or a federal excise authority committing fraud, corruption, misconduct, or involved in concealment or evasion of duty.”

### **Section 16 Subsection 2**

In Clause 2 of this section, new words proposed to be added and shall be stated as follows;

(2) The Federal Government may, pursuant to the approval to the Economic Coordination Committee of Cabinet, whenever circumstances exist to take immediate action for the purposes of national security, natural disaster, national food security in emergency situations, protection of national economic interests in situations arising out of abnormal fluctuation in international commodity prices, removal of anomalies in duties, development of backward areas and implementation of bilateral and multilateral agreements, by notification in the official Gazette, exempt subject to such conditions as may be specified therein, any goods or class of goods or any services or class of services from the whole or any part of the duty leviable under this Act.

### **Subsection 3**

The subsection 3 of this section is proposed to be omitted. The subsection 3 stated that;

(3) The Board may, by special order, exempt from the payment of the whole or any part of the duty leviable under this Act, under circumstances of exceptional nature, any goods or services on which such duty is leviable.

It is proposed that the powers of the Board to exempt the payment of duty which has to be paid on goods or services under this act has been revoked.

### **Subsection 4**

(4) In Clause 4 of this section the words and figures “sub-sections (2) and (3)”, have been proposed to be substituted by “sub-section (2)”.

Now the Subsection 4 is proposed to be read as;

(4) Notwithstanding the provisions of sub-sections (2), the Federal Government or the Board may, by a notification in the official Gazette, for reasons to be recorded, exempt any person or class of persons from payment of the whole or part of the default surcharge imposed under section 8 [and penalties] subject to the such conditions or limitations as may be specified in such notification.

## Subsections (5) & (6)

A new Subsection is proposed to be added after Subsection (4) of this section named as Subsection (5). It is stated as follows

“(5) The Federal Government shall place before the National Assembly all notifications issued under this section in a financial year.”

“(6) Any notification issued under sub-section (2) after 1<sup>st</sup> July, 2015, shall, if not earlier rescinded, stand rescinded on the expiry of the financial year in which it was issued.”

## Section 35 Subsection (1)

In Subsection (1) of this section the words “or otherwise” are proposed to be added. So this subsection is now proposed to be read as;

(1) The Board or the <sup>2</sup>[Commissioner] within his jurisdiction, may *suo moto*, or otherwise call for and examine the records of any proceedings under this Act for the purpose of satisfying itself or, as the case may be, himself as to the legality or propriety of any decision or order passed by a subordinate officer and may pass such order as it or he may think fit.

## Addition of Section 42D

A new Section named as Section 42D is proposed to be added after Section 42C. The new Section 42D states that;

“42D. **Reward to whistleblowers.**– (1) The Board may sanction reward to whistleblowers in cases of concealment or evasion of duty, corruption or misconduct providing credible information leading to such detection of evasion of duty;

(2) The Board may, by notification in the official Gazette, prescribe the procedure in this behalf and also specify the apportionment of reward sanctioned under this section for whistleblowers;

(3) The claim for reward by the whistleblower shall be rejected if–  
a. the information provided is of no value;  
b. the Board already had the information;  
c. the information was available in public records; or  
d. no collection of duty is made from the information provided from which the Board can pay the reward;

(4) For the purpose of this section, “whistleblower” means a person who reports concealment or evasion of duty leading to detection or collection of duty, corruption or misconduct, to the competent authority having power to take action against the person or a federal excise authority committing fraud, corruption, misconduct, or involved in concealment or evasion of duty.”;

## Section 45A Subsection (2)

In Subsection (2) of this section the word “barcodes” are proposed to be added after the word “labels”.

Now this Subsection is proposed to be read as;

(2) From such date, as may be prescribed by the Board, no excisable goods shall be removed or sold by the manufacturer or any other person without affixing tax stamp, banderole, stickers, labels, barcodes, etc. in any such form, style and manner as may be prescribed by the Board in this behalf.

### **Addition of Subsection (3)**

In this section a new subsection is proposed to be added named as Subsection (3). This subsection states that;

“(3) Such tax stamps, banderoles, stickers, labels, barcodes *etc.*, shall be acquired by the registered person referred to in sub-section (2) from a licensee appointed by the Board for the purpose, against price approved by the Board, which shall include the cost of equipment installed by such licensee in the premises of the said registered person.”

### **Section 46**

The heading of this section is proposed to be changed from “Departmental Audit” to “Audit”.

### **Subsection (4)**

The subsection (4) of this section is proposed to be substituted, previously this subsection was read as follows;

(4) The Board may appoint a Chartered Accountant or a Cost and Management Accountant or a firm of such accountants to conduct audit of a person liable to pay duties under this Act in such manner and subject to such conditions it may specify.

Now after proposed amendment this subsection shall be read as;

(4) The Board may appoint as many special audit panels as may be necessary, comprising two or more members from the following;

- a) an officer or officers of Inland Revenue;
- b) a firm of Chartered Accountants as defined under the Chartered Accountants Ordinance, 1961 (X of 1961);
- c) a firm of Cost and Management Accountants as defined in Cost and Management Accountants Act, 1966; or
- d) any other person as directed by the Board to conduct audit of a registered person or persons, including audit of refund claims and forensic audit and the scope of such audit shall be determined by the Board or the Commissioner Inland Revenue on a case-to-case basis. In addition, the Board may, where it considers appropriate, also get such audit conducted jointly with similar audits being conducted by provincial administrations of sales tax on services.”

### **Addition of Subsections (5), (6), (7) & (8)**

New subsections are proposed to be added as subsection (5), (6), (7) & (8). These subsections shall be inserted after subsection (4) and the existing subsection (5) shall be re-numbered as subsection (9).

The proposed subsections state that;

“(5) Each special audit panel shall be headed by a chairman who shall be an officer of Inland Revenue”;

“(6) If any one member of the special audit panel, other than the chairman, is absent from conducting an audit, the proceedings of the audit may continue and the audit conducted by the special audit panel shall not be invalid or be called in question merely on the ground of such absence.”

“(7) The Board may prescribe rules in respect of constitution, procedure and working of special

audit panel.”

“(8) Every member of the special audit panel shall have the powers of officers of Inland Revenue under sections 23 and 45 and sub-sections (1) to (3) of section 46”

#### **Addition of Section 47A**

##### **“47A. Agreements for the exchange of information.–**

(1) The Federal Government may enter into bilateral or multilateral agreements with provincial governments or with governments of foreign countries for the exchange of information, including electronic exchange of information, with respect to excise duty imposed under this Act or any other law of Pakistan, or under the corresponding laws of that country and may, by notification in the official Gazette, make such provisions as may be necessary for implementing such agreements.

(2) The provisions of section 107 of the Income Tax Ordinance, 2001 (XLIX of 2001) shall, *mutatis mutandis*, apply to this section.

#### **Addition of Section 47B**

##### **47B. Disclosure of information by a public servant.–**

(1) Any information acquired under any provision of this Act or in pursuance of a bilateral or multilateral agreement or tax information exchange agreement shall be confidential and no public servant shall disclose any such information, except as provided under section 216 of the Income Tax Ordinance, 2001 (XLIX of 2001).

The provisions of section 216 of Income Tax Ordinance 2001 (XLIX of 2001) shall, *mutatis mutandis*, apply to this section.”

#### **First Schedule Table I**

In this table the rate of duty against serial no. 4, 5 and 6 of Column (1) is proposed to be increased from “nine” to “twelve”.

Now the Serial No. 4, 5 & 6 is proposed to be read as follows;

<b>S. No.</b>	<b>Description of Goods</b>	<b>Heading/ sub-heading Number</b>	<b>Rate of Duty</b>
4	Aerated waters	2201.1020	<sup>2</sup> [Twelve] per cent of retail price
5	Aerated waters, containing added sugar or other sweetening matter or flavored	2202.1010	<sup>2</sup> [Twelve] per cent of retail price
6	Aerated waters if manufactured wholly from juices or pulp of [ ] vegetables, food grains or fruits and which do not contain any other ingredient, indigenous or imported, other than sugar, coloring materials, preservatives or additives in quantities prescribed under the West Pakistan Pure Food Rules, 1965.	Respective headings	<sup>2</sup> [Twelve] per cent of retail price

The Serial no. 9 and 10 are proposed to be substituted.  
Previously the serial no. 9 and 10 were stated as;

S. No.	Description of Goods	Heading/ sub-heading Number	Rate of Duty
9	Locally produced cigarettes if their on-pack printed retail price exceeds rupees two thousand seven hundred and six per thousand cigarettes.	24.02	Rupees two thousand six hundred and thirty two per thousand cigarettes.]
10	Locally produced cigarettes if their on-pack printed retail price does not exceeds rupees two thousand seven hundred and six per thousand cigarettes.	24.02	Rupees one thousand and eighty five per thousand cigarettes.]

Now after the proposed amendment the Serial no. 9 and 10 shall be read as;

S. No.	Description of Goods	Heading/ sub-heading Number	Rate of Duty
9	Locally produced cigarettes if their on-pack printed retail price exceeds rupees three thousand and fifty per thousand cigarettes	24.02	Rupees three thousand and thirty per thousand cigarettes
10	Locally produced cigarettes if their on-pack printed retail price not exceed rupees three thousand three hundred and fifty per thousand cigarettes	24.02	Rupees one thousand three hundred and twenty per thousand cigarettes

A new Serial No. is proposed to be added after serial no. 55 named as serial no. 56 which states that;

S. No.	Description of Goods	Heading/ sub-heading Number	Rate of Duty
56	Filter Rod for Cigarettes	5502.0090	Rupee 0.75 per filter rod

**Table II**

The sub-clause (iii) of clause (a) in Column (2) of serial no. 3 in Table II has been proposed to be omitted. It stated that;

S. No.	Description of Goods	Heading/ sub-heading Number	Rate of Duty
	(iii) Socio-economic routes		Five hundred rupees

Further the words and "**Socio-economic routes**" means **journeys along the Balochistan coastal belt**" in the Explanation after sub-clause (iii) has been proposed to be substituted by words "**as defined in S. No. 9 of Table II of the Third Schedule**".

Now the explanation is proposed to be stated as;

**Explanation:** For the purpose of this entry, "Long routes" means journeys exceeding 500 kilometers, short routes means the remaining journeys, other than as defined in S. No. 9 of Table II of the Third Schedule. Routes exempt from duty as on 1st July, 2014 shall, however, remain exempt.

**Third Schedule**  
**Table I**

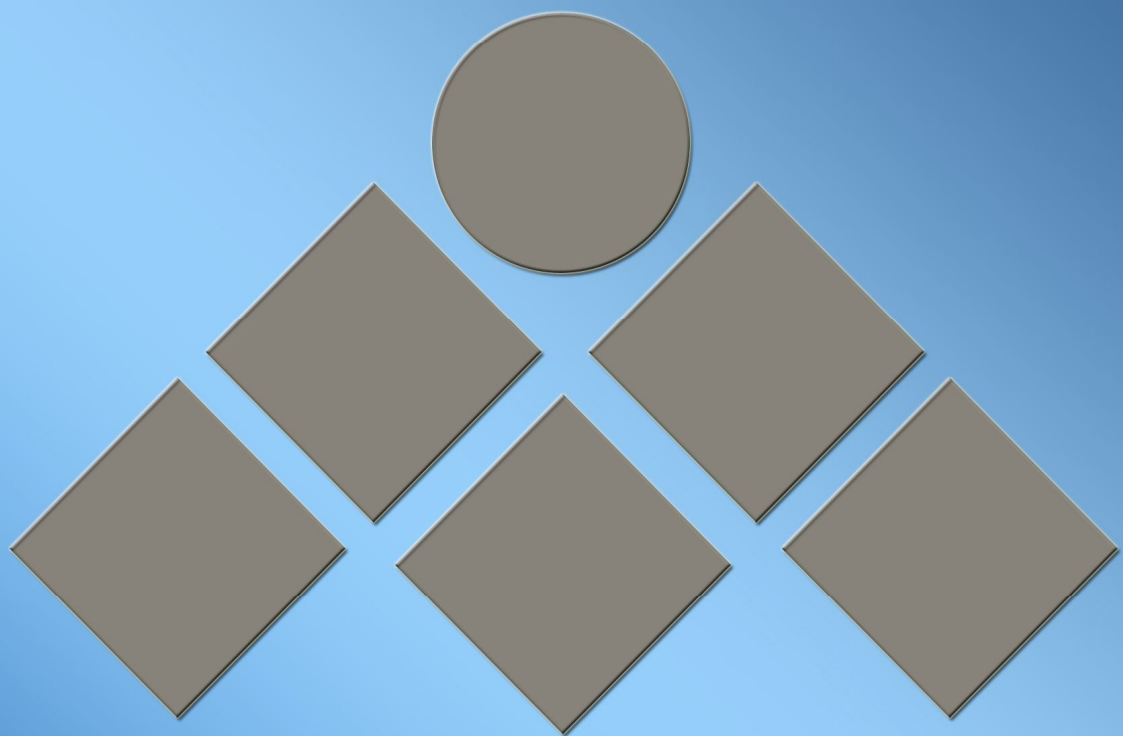
In table I of this schedule two new serial no. are proposed to be added after serial no. 17 named as serial no. 18 & 19.

S. No.	Description of Goods	Heading/ sub-heading Number	Rate of Duty
18	White cement	25.23	
19	Motor cars and other motor vehicles principally designed for the transport of persons including station wagons and racing cars of cylinder capacity exceeding 850cc.	87.03	

**Table II**

In Table II of this schedule Serial no. 9, 10, 11 & 12 are proposed to be added. These serial no. are stated as follows;

S. No.	Description of Goods	Heading/ sub-heading Number	Rate of Duty
9	Services provided or rendered in respect of travel by air of passengers on "socio-economic routes", which means the shortest part of journeys starting from or ending at an airport located in Makran coastel region, FATA Azad Jammu and Kashmir, Gilgit Baltistan or Chitral	98.03	
10	Services provided or rendered in respect of travel by air of passengers on international journeys from Pakistan to a) Hajj passengers b) Diplomats and c) Supernumerary crew		
11	Advertisements in newspapers and periodicals	9802.4000	
12	Services provided or rendered by banking companies and non-banking financial companies in respect of Hajj and Umrah, Cheque book, insurance, Musharika and Modaraba financing and utility bill collection	98.13	



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