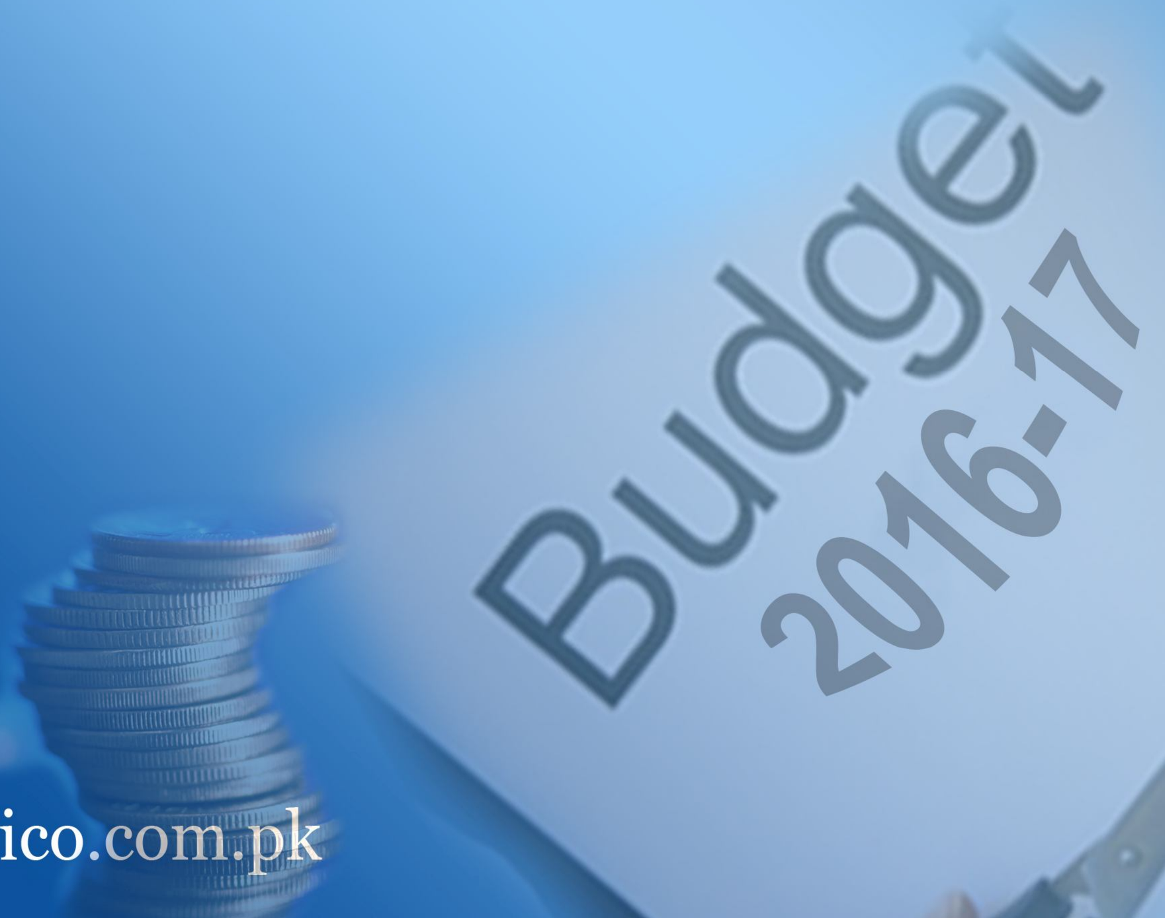
COMMENTARY

KABANI & COMPANY
Chartered Accountants



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TAX MEMORANDUM

FINANCE BILL 2016-17,

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 2016-17 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 03, 2016. 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 2016-2017 has been prepared according to the guide lines of the Finance Bill as announced by the Finance Minister Mr. Ishaq Dar as on June 03, 2016. 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 2016-17

Funds Source	**2015-2016**	**2016-2017**	**% Change**
	Rupees In Billion		
Net Capital Receipts	454	589	-22.9
Net Revenue Receipts	2779	2,481	12
External Receipts	820	860	-4.7
Privatization Proceeds	50	14	257.1
Provincial Surplus	339	337	0.6
Bank Borrowings	453	199	127.6
Total	**4,895**	**4,480**	**9.3**

NET REVENUE RECEIPTS	**2015-2016**	**2016-2017**	**% Change**
	Rupees In Billion		
Tax Revenue	3,956	3,420	15.7
Non-Tax Revenue	959	913	5.0
Gross Revenue Receipts	4,915	4,333	13.4
Less: Provincial Share in Taxes	2,136	1,852	15.3
Total	**2,779**	**2,481**	**12.0**

SALIENT FEATURES

INCOME TAX

Relief Measures

- **Reduction in Tax Rate for Companies:** Continuing with the policy of reducing corporate tax rates, the rate has been reduced to 31% for Tax Year 2017.

- **Exemptions under Gwadar Port Concession Agreement: F**or operation and development of Gwadar Port and Gwadar Free Zone exemptions and concessions in accordance with the decisions of ECC and concession agreement are proposed to be granted to concession holder (China Overseas Ports Holding Company Limited) and its operating companies, businesses to be established in the Free Zone and contractors and sub-contractors of the concession holder in accordance with concession agreement.

- **Exemption on Investment in Greenfield Industrial Undertakings:** Period of exemption to investment in Green Field Industrial undertakings is being extended from 2017 to 30th June, 2019.

- **Tax Credit for Employment Generation:** At present, 1% tax credit for a period of ten years is available for every 50 employees employed by an industrial undertaking to be set up by June 2018. In order to reduce unemployment and encourage new industry, the credit is being enhanced to 2% and the date for setting up of industrial undertaking is being extended to June 2019.

- **Tax Credit for making sales to registered persons:** At present 2.5% tax credit is available to a manufacturer registered under Sales Tax who is making over 90% sales to Registered Sales Tax Persons. To encourage documentation, the credit is being increased to 3%.

- **Tax Credit for Balancing, Modernization and Replacement (BMR):** At present, tax credit on BMR of the plant and machinery is allowable on plant and machinery purchased and installed up to June, 2016. Period for installation of plant and machinery is being extended to June, 2019.

- **Tax Credit for Enlistment:** At present 20% tax credit on tax payable for enlistment in stock exchange is available for 1 year. In order to encourage enlistment of companies on stock exchange tax credit is being extended to 2 years instead of one year.

- **Tax Credit for Establishing new industry and expansion of existing plant:** At present, 100% tax credit on tax payable is allowed if 100% fresh equity is raised through issuance of new shares. This tax credit is allowable for five years from commercial production. It is proposed to reduce the condition of 100% fresh equity to 70% equity and tax credit would be allowed proportionately on owned new equity and not on borrowed amount. Period of tax credit is also being extended to June, 2019.

- **Extending exemption to export of IT services:** Exemption to export of IT Services is going to expire in June, 2016. IT sector is passing through infancy stage in the country and requires support. It is proposed that the exemption may be extended till June, 2019. The taxpayers shall be allowed to retain 20% of the proceeds outside the country for meeting expenses, and shall remit 80% to Pakistan through Banking Channel.

- **Enhancing limit of interest on House Building Loan:** At present, an individual is allowed deductable allowance for profit on debt on the loan upto 1 Million for construction of a new house or acquisition of house. In order to provide relief to low income group, loan amount is being increased from 1Million to 2 Million.

▪ **Employers' Annual Contribution in Provident Funds:** At Present, employer is allowed to contribute in Provident Fund upto 1/10th of salary of an employee or Rs. 100,000 whichever is lower. Any amount exceeding this limit is treated as income of the employee. On demand of taxpayers, the limit of Rs. 100,000 on employer's contribution is proposed to be enhanced to Rs. 150,000.

▪ **Tax Credit on Health Insurance:** At present, tax credit is available on the payment of life insurance premium up to 1.5 M. A new tax credit @ 5% of tax payable or Rs. 0.1 M whichever less is proposed to be allowed on payment of premium of health insurance.

▪ **Reduction in Tax Rate on Commission of Life Insurance Agents:** At present, Commission paid to life insurance agents is taxed at the rate of 12% for filers. The rate of tax is being reduced to 8% for filer on commission received up to Rs. 0.5 M. ▪ **Relief on Education Expenses:** In order to provide relief for education expenses which are unbearable for low income groups, individual having taxable income less than Rs. 1 million is being given tax relief equal to 5% of school fee upto Rs. 60,000 per child per annum.

Revenue Measures

▪ **Advance Tax for Alternate Corporate Tax (ACT):** Advance tax is paid on the basis of tax calculated on income or minimum tax on turnover and is required to be deposited in four installments. However, advance tax is not calculated on the basis of Alternate Corporate Tax (ACT). Taxpayers under existing law have to pay entire tax at the time of filing of return. It is proposed that Alternate Corporate Tax may also be made the basis for payment of advance tax.

▪ **Rationalizing Rates For Capital Gain Tax On Immovable Property:** It is proposed to extend the holding period for taxation of capital gain on sale of immovable property from two years to five years to be charged at uniform rate of tax of 10%.

▪ **Taxation of Property Income on Gross Basis:** In order to simplify taxation of property income in the case of individuals and associations of persons, it is proposed that for such persons the property income may not be clubbed with income under other heads and may be taxed as a separate block of income. Accordingly separate rates of tax have been proposed.

▪ **Persons registered with Provincial Sales Tax Authorities:** At present a large number of service providers are filing sales tax returns with the Provincial authorities but are not filing Income Tax returns. In order to encourage filing of Income Tax returns, it is proposed that an advance tax at 3% of turnover of nonfiler service providers be collected by provincial ST authorities along with their sales tax returns.

▪ **Rationalizing Minimum Tax:** At present, Companies declaring Gross Loss are exempt from payment of Minimum Tax at the rate of 1% of turnover. However, this exemption is not available to Individuals and AOPs. In order to maintain neutrality and to stop misuse of the provision, it is proposed that Minimum tax may be charged on companies declaring gross loss.

▪ **Extending the Scope of Minimum Tax:** At present, minimum tax on turnover is paid by individuals and AOPs having turnover exceeding fifty million rupees. A large number of Individuals and AOPs having turnover below Rs. Fifty million are filing returns yet they are not paying any tax. It is proposed that minimum tax @ 1% of turnover may be made payable by Individuals and AOPs having turnover exceeding ten million rupees.

▪ **Taxation of Builders & Land Developers:** At present tax collection from Builders and Land Developers does not match with the level of investment and profits accruing in construction sector. After discussion with ABAD, final tax is being imposed on builders/ land developers on the basis of per unit area.

· **Withholding Tax on Mining:** In order to expand the tax base, It is proposed that a withholding tax at the rate of 5% of the value of minerals be collected from nonfilers by the departments of provincial governments responsible for issuing licenses for extraction of minerals and collection of royalty on the extracted minerals.

· **Extending the leviability of Super Tax for year:** Super Tax was levied for the Tax Year 2015 to meet revenue needs for certain unforeseen expenditure by the Government. Since the circumstances still persist, it is being extended for Tax Year 2016.

· **Increasing Cost of Non-Compliance with Tax Laws:** Continuing with the policy of differential taxation for filer and non-filer, various sections are included with higher withholding tax rates for those not filing income tax returns.

· **Rate of tax on Securities:** In order to encourage capital markets, it is proposed to maintain the existing tax rate for filers only. However, the tax rates for nonfilers are being increased.

· **Rationalization of Withholding Tax on Commercial Electricity Bills:** Traders are not properly contributing in tax collection therefore it is proposed to increase the adjustable Withholding Tax on commercial electricity bills exceeding Rs. 20,000 per month to 12 percent. No increase is however proposed on industrial and residential electricity bills.

SALIENT FEATURES

SALES TAX & FEDERAL EXCISE

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

1. Zero-rating of export oriented sectors. Five export-oriented sectors are subject to reduced rates i.e. 3% and 5% under SRO 1125(I)/2011, dated 31.12.2011. In order to facilitate the exporters and provide for a No-Tax, No-Refund Regime, the items as specified in the said SRO and the purchase of energy i.e. electricity, gas, furnace oil and coal by the five export-oriented, are to be subjected to zerorate of sales tax. The retail sales of locally manufactured finished goods of these sectors are to be subjected to sales tax @ 5%.

Enforcement through SRO, effective from 01.07.2016.

2. Exemption of sales tax on pesticides. Ministry of National Food Security and Research has proposed exemption from sales tax on Pesticides. Keeping in view importance of pesticides for the agriculture sector, pesticides and their ingredients are being granted exemption from sales tax.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

3. Exemption of sales tax on Premixes for Growth Stunting. Ministry of National Health Services has proposed exemption from sales tax on the import of vitamins, premixes, minerals and micronutrients (food grade) to combat growth stunting. These items are being granted exemption from sales tax.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

4. Exemption of sales tax on import of Laptops and PCs. Ministry of Information Technology has proposed exemption of sales tax on laptops and personal computers with a view to promoting Information & Communication Technology (ICTs). Exemption from sales tax to Laptops and Personal Computers is being granted. This step will also promote genuine imports and will render informal and illegal imports as uncompetitive.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

5. Increase in turnover threshold for cottage industry. Cottage industry is exempted from payment of sales tax. Turnover threshold prescribed for cottage industry is Rs. 5 million. This low turnover threshold causes undue hardships and registration requirements for small manufactures who make minimal contributions to revenues. Turnover threshold for cottage industry is being raised to Rs. 10 million.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

6. Exclusion of Secondhand and Worn Clothing from further tax levy. Sales tax is currently levied @ 5% on the import stage, @ 3% as value addition tax and 2% as further tax under section 3(1A) on second hand and worn clothing, which results in cumulative impact of sales tax at 10%. In order to provide relief to the low income segment, using second hand worn clothing, exemption from further tax is being provided.

Enforcement through SRO, effective from 01.07.2016.

7. FED at 16% is leviable on services such as Advertisement on CCTV / Cable TV, Shipping Agents, Banking Companies, Insurance Companies, Cooperative Financing Societies, Modarbas, Musharikas, Franchise Services, Stevedores, Stock Brokers, Forex Dealers etc. Provinces and various Chambers of Commerce & Industry have demanded withdrawal of FED on such services as provinces are already charging sales tax on these services. FED on these services on which provinces are collecting sales tax is being withdrawn.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

8. Exemption to Dump Trucks for Thar Coal Field. Exemption to coal mining machinery, equipment, spares, etc. for Thar Coal Field as provided in the Sixth Schedule to the Sales Tax Act, 1990 includes vehicles for site use i.e. single or double cabin pick-ups. Dump trucks, although being vehicles for site use, are not covered under the said provision. Exemption from sales tax is, therefore, being granted to dump trucks.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

9. Exemption from sales tax and Federal Excise Duty to Concession Holder of Gwadar Port Authority and its operating companies, their contractors and subcontractors for development of Gwadar Port and Gwadar Free Zone. Exemption from sales tax and Federal Excise Duty for a period of 40 years on the import and supply of materials, equipment, ship bunker oils brought and sold to ships calling on/visiting Gwadar Port, for the development of Gwadar Port and Free Zone for Gwadar Port is being granted.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

10. Exemption from sales tax and Federal Excise Duty to businesses to be established in Gwadar Free Zone. Exemption for a period of 23 years from sales tax and Federal Excise Duty is being granted to businesses to be established in Gwadar Free Zone. This exemption shall be available to sales/supplies within the Gwadar Free Zone. However, sales/ supplies outside the free zone and into the territory of Pakistan shall be subjected to applicable rates of sales tax and Federal Excise Duty.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

11. Exemption to machinery and equipment for the development of grain handling and storage facilities is available under the Sales Tax Act, 1990. It is proposed to include silos in the said exemption.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

12. Abolition of zero-rated status of stationery items. Stationery items are exempt from sales tax under the Sixth Schedule to the Sales Tax Act, 1990 as well as zero-rated under the Fifth Schedule thereof. It is proposed to withdraw zerorating on stationery items and their inputs.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

13. Abolition of zero-rated status of Milk. Milk, fat-filled milk and preparations for infant use have been enjoying zero-rating facility on supplies for many years. It is proposed to withdraw zero-rating on milk and fat filled milk. Zero-rating on preparations for infant use proposed to be retained.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

14. Enhancement of Federal Excise Duty on Cement. Cement is currently chargeable to Federal Excise Duty @ 5% of the retail price. It is proposed to replace the current regime with fixed rate basis and to charge FED on cement on fixed rate basis @ Rs. 1/ kg.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

15. (a) Levy of sales tax on sugar at reduced rate of 8%. Sugar is currently chargeable to Federal Excise Duty @ 8%. It is proposed to replace this Federal Excise Duty with levy of sales tax at reduced sales tax rate of 8%.
(b) Levy of sales tax on urea at reduced rate of 5%, in order to promote agriculture and alleviate the conditions of farmers.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

16. Increase in the rate of sales tax on import of Mobile Phones. Mobile Phones are currently charged to sales tax under three categories i.e. Rs. 300, Rs. 500 and Rs. 1,000, based on their features. The proposed new slabs are Rs. 300, 1000 and 1500, respectively.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

17. Enhancement of rates of Federal Excise Duty on cigarettes. The rates of FED on cigarettes are proposed to be increased on a bi-annual basis as under:

Retail Price	Proposed Rate with immediate effect upto 30.11.2016 (Rs. Per thousand cigarettes)	Proposed Rate with effect from 1st December, 2016 (Rs. Per thousand cigarettes)
Retail price threshold	4,000	4,400
For cigarettes with retail price equal to or above threshold	3,436	3,705
For cigarettes with retail price below threshold	1,534	1,649

Enforced through Finance Bill, 2016, effective from 01.07.2016.

18. Enhancement of Federal Excise Duty on Aerated Waters. The current rate of Federal Excise Duty on aerated waters is 10.5%. It is proposed to enhance the FED rate to 11.5% of retail price.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

19. Introduction of optional regime for Tier-1 Retailers. Tier-1 retailers are obliged to pay sales tax at standard rate after input tax adjustment. It is proposed to provide an option to these retailers to pay sales tax at fixed rate of 2% of their total turnover without any input tax adjustments.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

20. Inclusion of mineral/bottled water in the Third Schedule to the Sales Tax Act, 1990. Mineral water is charged to sales tax at 17% of value of supply. It is proposed to include mineral water in the Third Schedule so that the tax is charged on the basis of retail price.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

21. Enhancement of rate of sales tax on certain ingredients of poultry feed. Poultry feed and its certain ingredients are exempt from sales tax whereas certain other ingredients are subject to sales tax @ 5% ad valorem. It is proposed to increase the rate of sales tax on the latter category from 5% to 10%.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

22. Marble Cutting and Polishing Industry. Marble Industry is mostly unregistered and is not paying sales tax. This sector has electricity as a major input. In order to bring this sector in the ambit of sales tax, it is proposed to charge sales tax @ Rs. 1.25 per KWH of electricity consumed. The proposed tax shall be in addition to standard sales tax @ 17% on supply of electricity as well as extra tax @ 5%.

Enforced through amendment in the Sales Tax Special Procedure Rules, 2007, effective from 01.07.2016.

23. Enhancement of fixed rate basis on steel sector, ship breakers and steel melters. Sales tax on steel sector, including ship-breaking sector, is collected on fixed rate basis. Sales tax from steel melters and re-rollers is collected on the basis of electricity consumption whereas ship-breakers are paying sales tax on the basis of LDT of ships imported for breaking. These rates are proposed to be revised upwards.

Enforced through amendment in the Sales Tax Special Procedure Rules, 2007, effective from 01.07.2016.

24. Rationalization of exemption available to plant, machinery, equipment, etc. for production of Bio-Diesel. Exemption to plant, machinery, equipment and specific items used in production of bio-diesel is available under the Sales Tax Act, 1990. To preclude the possibility of misuse, it is proposed to exclude “specific items” from this exemption.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

INCOME TAX

Section 4B
Super tax for rehabilitation of temporarily displaced persons

It is proposed that duration of imposition of supper tax for the rehabilitation of temporarily displaced persons has been extended for further one year i.e. applicable till year 2016.

Depreciation and business losses have been disallowed for the calculation of the taxable income for the purpose of this section.

Section 7C
Tax on builders

A new tax is proposed to be imposed on the profits and gains of a person deriving income from the business of construction and sale of residential, commercial or other buildings at the rates specified in Division VIIIA of the First Schedule.

This section shall apply to business or projects undertaken for construction and sale of residential, commercial or other buildings initiated and approved after the 1st July, 2016.

Section 7D
Tax on developers

This new section is proposed to be introduced in which tax shall be imposed on the profits and gains of a person deriving income from the business of development and sale of residential, commercial or other plots at the rates specified in Division VIIIB of Part I of the First Schedule.

This section shall apply to projects undertaken for development and sale of residential, commercial or other plots initiated and approved after the 1st July, 2016."

Section 8
General provisions relating to taxes imposed under sections 5, 6 and 7

Income derived under section 5, 5A, 6, 7, 7A, 7B, 7C and 7D shall be taxed under final tax. Under section 7C tax is imposed on builders and section 7D tax is imposed on developers.

Section 15
Income from property

In section 15, after sub-section (5), the following new sub-sections shall be added, namely:

(6) Income under this section shall be liable to tax at the rate specified in Division VIA of Part I of the First Schedule.

(7) The provisions of sub-section (1), shall not apply in respect of an individual or association of persons who derive income chargeable to tax under this section not exceeding two hundred thousand rupees in a tax year and does not derive taxable income.

Section 15A
Deductions in computing income
chargeable under the
head "Income from Property

The deduction in computing taxable income from property is proposed to be allowed to company only which was previously allowed to all persons.

Section 21
Deductions not allowed

In section 21, the following changes have been made

a) Non deduction and payment of withholding tax renders the rated expense as inadmissible. The bill now seeks to limit the disallowance up to 20 %.

b) Recovery of any amount of tax under sections 161 or 162 shall be considered as tax paid.

c) any expenditure in respect of sales promotion, advertisement and publicity in excess of five per cent of turnover incurred by pharmaceutical manufacturers.";

Section 22
Depreciation

In section 22, after sub-section (5), the following explanation has been added, namely:-

"Explanation,- For the removal of doubt, it is clarified that where any building, furniture, plant or machinery is used for the purposes of business during any tax year for which the income from such business is exempt, depreciation admissible under sub-section (1) shall be treated to have been allowed in respect of the said tax year and after expiration of the exemption period, written down value of such assets shall be determined after reducing total depreciation deductions (including any initial allowance under section 23) in accordance with clauses (a) and (b) of this sub-section.";

Section 37A
Capital gain on disposal of securities

In section 37A, in sub-section (3A), after clause (b), the following explanation thereto has been added, namely:-

"Explanation: For removal of doubt it is clarified that derivative products include future commodity contracts entered into by the members of Pakistan Mercantile Exchange whether or not settled by physical delivery.";

Section 53
Sub-section 2
Exemptions and tax concessions
in the Second Schedule

In this sub-section, bill proposes to enhance the authority of Federal government by adding following at end of sub-section (2):

"or granting a exemption from any tax imposed under this Ordinance including a reduction in the rate of tax imposed under this Ordinance or a reduction in tax liability under this Ordinance or an exemption from the operation of any provision of this Ordinance to any international financial institution or foreign Government owned financial institution operating under an agreement, memorandum of understanding or any other arrangement with the Government of Pakistan"

Section 59B
Sub-section 1A
Group relief

Sub-section (1A) is proposed to be inserted. A subsidiary company surrendering loss in favor of its holding shall calculate loss according to following formula:

$$(A/100) \times B$$

where—

A is the percentage share capital held by the holding company of its subsidiary company; and

B is the assessed loss of the subsidiary company.

Section 62A
Tax credit for investment
in health insurance

This new section is proposed to be inserted in which a resident person investing in health insurance shall be given tax credit according to following formula:

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

Where

A is the amount of tax assessed to the person for the tax year before allowance of tax credit under this section;

B is the person’s taxable income for the tax year; and
C is the lesser of —
(a) the total contribution or premium paid by the person referred to in sub-section (1) in the year;
(b) five per cent of the person’s taxable income for the year; and
(c) one hundred thousand rupees.”;

Section 63
Contribution to an Approved
Pension Fund

Subject to certain conditions , persons aged 41 and above are entitled to an additional contribution at 2% per annum each year exceeding 40. The bill seeks to limit the benefit till tax year 2019 and to place limit on total contribution to 30% of total income of proceeding year.

Section 64A
Deductible allowance for
profit on debt

Previously Individual were entitled to deductible allowance up-to 50% of taxable income or 1 million for the amount of any profit or share in rent and share in appreciation for value of house acquisition of new house, paid on loan from scheduled bank , NBFC , Federal or provincial Government for construction of new house
.
This threshold has been increased from one million to two million

64AB
Deductible allowance
for education expenses

New section is proposed to be inserted by which every individual shall be entitled to a deductible allowance in respect of tuition fee paid by the individual in a tax year provided that the taxable income of the individual is less than one million rupees.
The amount of an individual‘s deductible allowance allowed shall not exceed the lesser of:

- five per cent of the total tuition fee paid
- twenty-five per cent of the person’s taxable income
- an amount computed by multiplying sixty thousand with number of children of the individual.

Section (64B)
Tax Credit for employment
Generation by manufacturers

In sub-section (1 & 2) of section 64B tax credit was allowed to those companies who set up new unit from 2015 to 2018 and provide employment for more than 50 employees shall be allowed 1% tax credit on each 50 employee.

This has been proposed extended from 2015 to 2019 and tax credit to be increase from 1% to 2% for each 50 employee.

Section (65 A)
Sub Section (1)
Tax credit to a person registered
Under the Sales Tax Act, 1990

In sub-section (1) of section 65 A, tax credit tax credit 2.5% was allowed to those companies whose 90% sales to registered person who is registered under sales tax act.

This tax credit has been increase from 2.5% to 3%.

Section (65B)
Tax credit on investment

In section 65B in sub-section (2), tax credit was allowed to those companies who purchased and installed plant and machinery is at any time between the first day of July, 2010, and the 30th day of June, 2016.

This has been proposed extended from 30th day of June 2016 to 30th day of June 2019.

Section (65C)
Tax credit for enlistment

In section 65C in sub-section (1), after the word enlisted, “and for the following tax year” added. 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 20% percent of the tax payable shall be allowed for the tax year in which the said company is enlisted”.

Section (65D)
Tax credit for newly established
Industrial undertakings

The bill proposes to add a new sub-section namely 1(A) to present the formula for the computation of tax credit available to the newly formed companies or undertakings , previously this credit was 100% of the tax payable on the income of such companies or undertaking but now such amount of tax credit shall be computed by the following formula

A/100*B

Where

A is the amount of tax assessed to the person for the tax year before allowance of any tax credit for the tax year; and

B is the equity raised through issuance of new shares for cash consideration

a) In sub section 2

  a) tax credit was allowed to those companies who are incorporated and industrial undertaking is setup between the first day of July, 2011 and 30th day of June, 2016. This has been proposed extended from 30th day of June 2016 to 30th day of June 2019.

  b) tax credit was allowed to those companies who set up industrial undertaking with hundred per cent equity (raised through issuance of new shares for cash consideration). This has been proposed to set up industrial undertaking with at least 70% equity from cash consideration.

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

In sub-section (1) of section 65E tax credit was allowed to those companies who set up industrial undertaking with hundred per cent equity through issuance of new shares, in the purchase and installation of plant and machinery for an industrial undertaking, including corporate dairy farming. This has been proposed to set up industrial undertaking with at least 70% equity through issuance of new shares instead of 100%.

In sub-section (2) of section 65E, tax credit was allowed to those companies who maintain separate accounts of an expansion project or a new project. In this sub section for the words “hundred per cent” is replaced by “an amount as computed in sub-section (3A)”.

In sub-section (3) of section 65E, tax credit shall be such proportion of the tax payable, including minimum tax and final taxes payable, for the words “this section” replaced by the words “sub-section (3A)”.

The sub-section (3A) is as following;

> 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

A/100*B

Where

A is the amount of tax assessed to the person for the tax year before allowance of any tax credit for the tax year; and

B is the equity raised through issuance of new shares for cash consideration

In sub-section (4) of section 65E, tax credit is allowed to those companies, who established the plant and machinery is installed at any time between the first day of July, 2011 and the 30th day of June, 2016. This has been proposed to extend the period from between the first day of July, 2011 and 30th day of June, 2019.

In sub section (6) of section 65E, the amount of credit is allowed under this section and subsequently it is discovered, on the basis of documents or otherwise, by the Commissioner Inland Revenue that any of the condition specified in this section was not fulfilled, the credit originally allowed shall be deemed to have been wrongly allowed and re-compute the tax payable by the taxpayer for the relevant year. In this sub section added the word “the business has been discontinued in the subsequent five years after the credit has been allowed” after the word “that”.

Section (67)
Apportionment of deductions

The bill proposes to clarify the concept of apportionment of deductions by including deductions and allowances in addition to appropriation of expenses as approved by the commissioner.

Section (68)
Fair market value

In sub-section (2) of section 68, the fair market value of any property, asset, service, benefit or perquisite shall be determined without regard to any restriction on transfer or to the fact that it is not otherwise convertible to cash. In this sub-section added the words “to the value fixed or notified by any provincial authority for the purpose of stamp duty or for any other purpose or” after the word “regard” so as to amend previous related to valuation of property.

Section (80)
Person

In clause (vb), sub-section (2) of section 80, in the definition of company a trust, an entity or a body of persons established or constituted by or under any law for the time being in force. In this clause of sub section (2) the trust includes a foreign trust, to clarify that foreign trust shall also be considered as a trust.

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

In sub-section (1) of section 107, international tax treaty, tax information exchange agreement, multilateral convention, inter-governmental agreement for avoidance of double taxation or prevention of fiscal evasion have been revamped in the light of recent agreements entered into by the government of Pakistan and other foreign countries.

In sub-section (1B) of section 107, 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, is proposed to be confidential. Irrespective of anything contained in this ordinance.

Previously, the stated information was confidential subject to the sub section (3) of section 216.

In sub-section (2) of section 107,

Where any agreement is made in accordance with sub-section (1), the agreement and the provisions made by notification for implementing the agreement shall, notwithstanding anything contained in any law for the time being in force, have effect in so far as they provide for at least one of the following;

a) relief from the tax payable under this Ordinance;

b) the determination of the Pakistan-source income of non-resident persons;

c) Where all the operations of a business are not carried on within Pakistan, the determination of the income attributable to.

In sub-section (3) of section 107, to correct the wording of law after the word "anything", the word "contained" has been added. Through these changes the bill proposes to further improve this section by adopting certain more types of instruments and arrangements.

Section (108)
Transactions between associates

It is proposed that every taxpayer who has entered into a transaction with its associates shall;

a) maintain a master file and a local file containing documents and information as may be prescribed;
b) keep and maintain prescribed country-by-country report, where applicable
c) keep and maintain any other information and document in respect of transaction with its associate as may be prescribed; and
d) Keep the files, documents, information and reports specified in clauses (a) to (c) for the period as may be prescribed.
e) Shall furnish within 30 days all these information if required by the commissioner.
f) Commissioner may grant an extension in time maximum up to 45 days for furnishing these details.

Section (113)
Minimum tax on the income of certain persons

The limit of turnover of resident company and AOP is proposed to be reduced from 50 million to 10 million for the purpose of applicability of this section 113 for 2017 and onward.

The minimum tax is also applicable to those companies who have gross loss before setoff of depreciation and inadmissible expenses.

For the explanation, at the end, the following shall be substituted, namely:-

“Explanation.- For the purpose of this sub-section, the expression “tax payable or paid” does not include-
(a) tax already paid or payable in respect of deemed income which is assessed as final discharge of the tax liability under section 169 or under any other provision of this Ordinance; and
(b) tax payable or paid under section 4B.

Section (113A & B)

Minimum tax on Developers and builders is proposed to be omitted as they will be taxed under final tax.

Section (114)
Sub-section 6
Revision of return

A person who wants to revise the return is required to obtain commissioner approval.

However it is proposed that Commissioner approval is not required if:
the Commissioner has not made an order of approval in writing, for revision of return, before the expiration of sixty days from the date when the revision of return was sought; or
taxable income declared is more than or the loss declared is less than the income or loss, as the case may be, determined under section 120.

Section 122C
Provisional assessment

Proviso is proposed to be changed as

Provisions of this sub-section shall not apply, if—

(a) return of income along with wealth statement, wealth reconciliation statement and other documents required under sub-section (2A) of section 116 are filed by the person being an individual or an association of persons for the relevant tax year during the said period of forty-five days; and

(b) the individual or an association of persons present accounts and documents for conducting audit of income tax affairs for that tax year:

Provided further that the provisions of sub-section (2) shall not apply-

a)to a company, if return of income tax alongwith audited accounts or final accounts, as the case may be, for the relevant tax year are filed by the company electronically during the said period of forty-five days; and

(b) if the company presents accounts and documents for conducting audit of its income tax affairs for that tax year.

Section 147
Sub-section 4
Advance tax paid by the taxpayer

Explanation of assessed income is proposed to be added at the end of component B as:
"Explanation.- For removal of doubt it is clarified that tax assessed includes tax under sections 113 and 113C."

In sub-section (4AA), for the expression "section 113" the expression "sections 113 and 113C" shall be substituted; and
(c) in sub-section (6A), in clause (a), for the expression "section 113" the expression "sections 113 and 113C" shall be substituted to insert an explanation that tax assumed for calculation of advance tax includes minimum tax under section 113. In addition alternate corporate tax under section 113C has also been brought under advance tax calculation.

Section 152A
Payment for foreign produced commercials

(1) Every person responsible for making payment directly or through an agent or intermediary to a non resident person for foreign produced commercial for advertisement on any television channel or any other media shall deduct tax at the rate of twenty percent from the gross amount paid.

(2) The tax deductable under sub-section (1), shall be final tax on the income of non-resident person arising out of such payment."To levy final tax of 20% on payments made directly or through an agent or intermediary to a non-resident person for foreign produced advertisement commercials.

Section 153
Sub-section (3) & (5)
Addition and Omission of a Clause

The finance bill 2016 proposes to add in section 153,

a) in sub-section (3),

(i) in clauses (b) and (c), the word "and" at the end shall be Omitted;

(ii) in clause (d) for full stop at the end a semicolon and the word ";and" shall be substituted and thereafter the following new clause shall be added, namely:-

"(e) tax deducted under clause (b) of sub-section (1) by person making payments to electronic and print media for advertising services shall be final tax with effect from the 1st July, 2016."; and

(b) in sub-section (5), clause (e) shall be omitted;

Following is the Omitted Clause (e)

"a cotton ginner who deposits in the Government Treasury, an amount equal to the amount of tax deductible on the payment being made to him, and evidence to this effect is provided to the "prescribed person";

Section 169
Addition of Sub-Section (4)

In section 169, after sub-section (3), the following new sub-section shall be added, namely:-

"(4) Where the tax collected or deducted is final tax under any provision of the Ordinance and separate rates for filer and non-filer have been prescribed for the said tax, the final tax shall be the tax rate for filer and the excess tax deducted or collected on account of higher rate of non-filer shall be adjustable.";

Section 170
Sub-section (2) Clause C

"An application for a refund under sub-section (1) shall be –

(a) made in the prescribed form;

(b) verified in the prescribed manner; and

(c) made within two years of the later of -

(i) the date on which the Commissioner has issued the assessment order to the taxpayer for the tax year to which the refund application relates; or

(ii) the date on which the tax was paid. "

The bill has Proposed that in section 170 subsection section (2) Clause C the word 'two years' has been substituted with 'three years'

Previously the limit of application for claiming the income tax refund was two years the year from the year that income was chargeable to tax, now the limit has been increased to three years

Section 182
Table Column (1)
Against serial No. 1A

'Where any person fails to furnish a statement as required under section 115, 165 or 165A within the due date.]'

The bill has proposed that in section 182, in the table, in column (1), against S.No.1A, -

(a) in the second column for the comma, word and figure "or 165A"
the word and figures ", 165A or 165B" shall be inserted;

Section 182
Table Column (1)
Against Serial No. 1A

'115, 165 and 165A]'

The bill proposed to change it to Section 115, 165, 165 A and 165 B

Section 198

'A person who discloses any particulars in contravention of section 216 shall commit an offence punishable on conviction with a fine [of not less than five hundred thousand rupees] or imprisonment for a term not exceeding [one year], or both

The bill has proposed the change in section 198, after the word "of" occurring for the first time the expression "subsection 1B of section 107 or" shall be inserted;

Section 231A
Sub-Section (1)

Addition of Explanation

The Bill proposed the Following explanation to be added after Sub Section (1)

"Explanation.- For removal of doubt, it is clarified that the said fifty thousand rupees shall be aggregate withdrawals from all the bank Accounts in a single day.";

Section 231B
Sub-Section (1)
Addition of Proviso

‘Every motor vehicle registering authority of Excise and Taxation Department shall collect advance tax at the time of registration of a motor vehicle, at the rates specified in Division VII of Part IV of the First Schedule.’

The bill has proposed to add in sub-section (1), for full stop at the end a colon shall be substituted and thereafter the following new proviso shall be added, namely:-“Provided that no collection of advance tax under this sub-section shall be made after five years from the date of first registration as specified in clauses (a), (b) and (c) of sub-section (6).”;

Section 231B
Addition of a Sub-section (1A)

after sub-section (1), the following new sub-section shall be added,
namely:—

“(1A) Every leasing company or a scheduled bank or an investment bank or a development finance institution or a modaraba shall, at the time of leasing of a motor vehicle to a nonfiler, collect advance tax at the rate of three per cent of the value of the motor vehicle.”;

Section 236A
Addition of a new Sub-section(3)

The Bill has proposed to add in section 236A, in sub-section (2), after full stop at the end, the following new sub-section shall be added, namely:-

“(3) Notwithstanding the provisions of sub-section (2), tax collected on a lease of the right to collect tolls shall be final tax.”;

Section 236C
Addition of a new Sub-section(3)

The Bill proposes an addition in section 236C, after sub-section (2), the following new sub-section shall be added, namely:-

“(3) Advance tax under sub-section (1) shall not be collected if the immovable property is held for a period exceeding five years.”;

Section 236E
Sub-section(1)
Addition of Expressions

‘Any licensing authority certifying any foreign TV drama serial or a play ‘dubbed in Urdu’ or any other regional language, for screening and viewing on any ‘landing rights’ channel, shall collect advance tax at the rates specified in Division XII of Part IV of the First Schedule.’

The Bill has proposed the addition of the following phrases in section 236E, in sub-section(1),-

(a) for the expression “dubbed in Urdu or any other regional language” the words “in any language other than English” shall be substituted; and

(b) the words “landing rights“ shall be omitted;

Section 236O
Substitution of words

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

The Bill has proposed in section 236O, for the words “in the case of withdrawals made by” the words “or deducted from” shall be substituted

Section 236P
Addition of Explanation in Sub-section(3)

The bill has proposed the following addition in section 236P, after sub-section (3), the following explanation shall be added, namely:-

“Explanation.- For removal of doubt, it is clarified that the said fifty thousand rupees shall be aggregate withdrawals from all the bank accounts in a single day.”;

Section 236T Omission
Addition of new sections

The Bill has proposed that section 236T shall be omitted and thereafter the following new sections shall be inserted, namely:-

“236U. Advance tax on insurance premium”

.- (1) Every insurance company shall collect advance tax at the time of collection of insurance premium from non-filers in respect of general insurance premium and life insurance premium, at the rates specified in Division XXV of Part IV of the First Schedule.

(2) Insurance premium collected through agents of the insurance company shall be treated to have been collected by the insurance company.

(3) Advance tax collected under this section shall be adjustable.

“236V. Advance tax on extraction of minerals”

(1) There shall be collected advance tax at the rate specified in Division XXVI of Part-IV of the First Schedule on the value of minerals extracted, produced, dispatched and carried away from the licensed or leased areas of the mines.

(2) Advance tax under sub-section (1) shall be collected by the provincial authority collecting royalty per metric ton from the lease-holder of mines or any person extracting minerals.

(3) Advance tax collected under this section shall be adjustable.

(4) The value of the minerals for the purpose of this section shall be as specified by the Board.

"236W. Advance tax from provincial sales tax registered person."

(1) Every provincial revenue authority shall collect advance adjustable tax at the rate of three per cent of the turnover from a non-filer who is a provincial sales tax registered person.

(2) The advance tax under sub-section (1) shall be collected along with the sales tax return filed with the provincial revenue authority.

(3) The provincial revenue authority shall not accept return for sales tax unless the tax required to be collected under this section has been collected or deposited.";

First Schedule
Part 1- Division V
Addition of new Division

in Part I,-

(i) after Division V, the following new Division shall be inserted, namely:-

"Division VIA"

INCOME FROM PROPERTY

The Bill has proposed the rate of tax to be paid under section 15, in the case of individual and association of persons, shall be as follows:-

S.No	Gross Amount of Rent	Rate of tax
(1)	(2)	(3)
1.	Where the gross amount of rent does not exceed Rs.200,000.	Nil
2.	Where the gross amount of rent exceeds Rs.200,000 but does not exceed Rs.600,000.	5 per cent of the gross amount exceeding Rs.200,000.
3.	Where the gross amount of rent exceeds Rs.600,000 but does not exceed Rs.1,000,000.	Rs.20,000 plus 10 per cent of the gross amount exceeding Rs.600,000
4.	Where the gross amount of rent exceeds Rs.1,000,000 but does not exceed Rs.2,000,000	Rs.60,000 plus 15 per cent of the gross amount exceeding Rs.1,000,000
5.	Where the gross amount of rent exceeds Rs.2,000,000.	Rs.210,000 plus 20 per cent of the gross amount exceeding Rs.2,000,000";

First Schedule
Part 1- DivisionVII
Substitution in DivisionVII Table

Bill has proposed the following Substitution in DivisionVII of the First Schedule

“Division VII”
CAPITAL GAINS ON DISPOSAL OF SECURITIES

The rate of tax to be paid under section 37A (Capital Gains in Disposal of Securities) shall be as follows:-

S.No	Period	Tax Year 2015	Tax year 2016	Tax Year 2017	
				Filer	Non-Filer
(1)	(2)	(3)	(4)	(5)	(6)
1.	Where holding period of a security is less than twelve Months	12.5%	15%	15%	18%
2.	Where holding period of a security is twelve months or more but less than twenty-four months	10%	12.5%	12.5%	16%
3.	Where holding period of a security is twenty-four months or more but the security was acquired on or after 1st July, 2012	0%	7.5%	7.5%	11%
4.	Where the security was acquired before 1st July, 2012	0%	0%	0%	0%
5.	Future commodity contracts entered into by the members of Pakistan Mercantile Exchange	0%	0%	5%	5%

First Schedule
Substitution of Division VIII Table

The bill has proposed that in Division VIII, for the Table, the following shall be substituted, namely:-

“S.No (1)	Period (2)	Rate of Tax (3)
1.	Where holding period of Immovable property is up to five years	10%
2.	Where holding period of immovable property is more than five years.	0%”

First Schedule
Part-I

After Division-VIII, the following Divisions shall be inserted, namely:-

“Division VIIIA
TAX ON BUILDERS

The rate of tax under section 7C shall be as follows:

(A) Karachi, Lahore and Islamabad		(B) Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbottabad, Quetta		(C) Urban Areas not specified in A and B	
For commercial buildings					
Rs. 210/ Sq Ft		Rs. 210/ Sq Ft		Rs. 210/ Sq Ft	
For residential buildings					
Area in Sq. ft	Rate/ Sq. Ft	Area in Sq. Ft	Rate/ Sq. Ft	Area in Sq. Ft	Rate/ Sq. Ft
Up to750	Rs. 20	Up to750	Rs. 15	Up to 750	Rs. 10
751 to 1500	Rs. 40	751 to 1500	Rs. 35	751 to 1500	Rs. 25
1501 & more	Rs. 70	1501 and more	Rs. 55	1501 and more	Rs. 35

Division VIIIB
TAX ON DEVELOPERS

The rate of tax under section 7D shall be as follows:

(A) Karachi, Lahore and Islamabad		(B) Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbottabad, Quetta		(C) Urban Areas not specified in A and B	
For commercial buildings					
Rs. 210/ Sq Yd		Rs. 210/ Sq Yd		Rs. 210/ Sq Yd	
For residential buildings					
Area in Sq. Yd	Rate/ Sq. Yd	Area in Sq. Yd	Rate/ Sq. Yd	Area in Sq. Yd	Rate/ Sq. Yd
Up to120	Rs. 20	Up to120	Rs. 15	Up to 120	Rs. 10
121 to 200	Rs. 40	121 to 200	Rs. 35	121 to 200	Rs. 25
201 & more	Rs. 70	201 and more	Rs. 55	201 and more	Rs. 35

Comments:
According to the Finance Bill 2016, the business or projects that will be approved or started after July 1, 2016 shall be subject to Final Tax Regime for Builders and Developers. According to the proposed bill, the tax liability will be calculated on the basis of area unlike before which was calculated on the basis of value of property or the value on which actual transaction took place.

Persons eligible for this law:
Persons engaged in construction & sale of:

i. Residential;
ii. Commercial;
iii. Other buildings or plots under the projects initiated after July 1, 2016.

The bill has proposed to withdraw the minimum tax regime under section 113A and 113B.

First Schedule
Part III
Division I

Clause (c) '' ["17.5"]% for non-filers other than mentioned in (a) above:

Provided that the rate of tax required to be deducted by a collective investment scheme [", REIT Scheme"]or a mutual fund shall be-

	Stock Fund	Money market Fund, Income Fund or ["REIT Scheme or"]any other fund
Individual	10%	10%
Company	10%	25%
AOP	10%	10%

According to the proposed bill, in Part III,

(i) in Division I, in clause (c),-

(I) for the figure "17.5" the figure "20" shall be substituted; and

(II) in the first proviso, for the Table the following shall be substituted, namely:-

	Stock Fund	Money market Fund, Income Fund or ["REIT Scheme or"]any other fund	
		Filer	Non-Filer
(1)	(2)	(3)	(4)
Individual	10%	10%	15%
Company	10%	25%	25%
AOP	10%	10%	15%

Comments:

The rate of withholding tax on dividends from companies in case of a non-filer recipient has been proposed to be increased from 17.5% to 20%.

The proposed bill has given separate rates of tax on dividends from Mutual Funds for filers and non-filers. Tax rates proposed for tax year 2017 are as mentioned in the above table.

First Schedule
Part III
Division III
Clause 1

The bill has proposed to add the following in clause (1), after sub-clause (a), namely:-

"(ab) in the case of the supplies made by the distributors of fast moving consumer goods, 3% of the gross amount payable, if the supplier is a company and 3.5% if the supplier is other than a company.";

Comments:

The rate of 3% shall apply on the supplies of FMCG by the distributors. 3% is the rate applicable on companies. But the rate for entity other than company, a rate of 3.5% shall prevail. This rate will not apply on distributor of cigarettes and pharmaceutical products subject to tax withholding at 1% under clause (24A) of Part II of Second Schedule.

First Schedule
Part III
Division III
Clause 2

“in respect of persons making payments to electronic and print media for advertising services,—

(i) in case of a filer, 1% of the gross amount payable; and

(ii)in case of a non-filer, 12% of the gross amount payable, if the non-filer is a company and 15% if the non-filer is other than a company;”

The bill has proposed to add in clause (2), in sub-clause (ii) in paragraph (c), in subparagraph (i), for the figure “1%” the figure “1.5%” shall be substituted;

Comments:
The income earned under this section shall be taxed under final tax. This section shall be applicable from July 1, 2016. Payments to Electronic and print media for advertisement services shall be subject to withholding tax at the rate of 1.5% which was 1% previously.

First Schedule
Part III
Division V
Clause (a)

The bill has proposed that in Division V, in clause (a), for the Table, the following shall be substituted, namely:-

“S.No.	**Gross amount of rent**	**Rate of tax**
(1)	**(2)**	**(3)**
1.	Where the gross amount of rent does not exceed Rs.200,000.	Nil
2.	Where the gross amount of rent exceeds Rs.200,000 but does not exceed Rs.600,000.	5 per cent of the gross amount exceeding Rs.200,000.
3.	Where the gross amount of rent exceeds Rs.600,000 but does not exceed Rs.1,000,000.	Rs.20,000 plus 10 per cent of the gross amount exceeding Rs.600,000.
4.	Where the gross amount of rent exceeds Rs.1,000,000 but does not exceed Rs.2,000,000.	Rs.60,000 plus 15 per cent of the gross amount exceeding Rs.1,000,000.
5.	Where the gross amount of rent exceeds Rs.2,000,000.	Rs.210,000 plus 20 per cent of the gross amount exceeding Rs.2,000,000”;

Comments:
Property income in the hands of individuals and AOPs of an amount less than Rs 200,000 in a tax year shall not be taxable, subject to the condition that such person does not derive income from any other head.

First Schedule
Part III
Division VI
Paragraph (1)

"The rate of tax to be deducted under section 156 on a prize on prize bond or cross-word puzzle shall be [15]% of the gross amount paid."

The bill has proposed to add in Division VI, in paragraph (1), after the word "paid" the expression "for filers and 20% of the gross amount paid for non-filers" shall be inserted;

First Schedule
Part IV
Division II

The bill has proposed that for Division II, the following shall be substituted, namely

"**Division II**
BROKERAGE AND COMMISSION

S.No.	**Person**	**Rate applicable on the amount of payment.**	
		Filer	**Non-Filer**
(1)	**(2)**	**(3)**	**(4)**
1.	Advertising Agents	10%	15%
2.	Life Insurance Agents where commission received is less than Rs.0.5 million per annum	8%	16%
3.	Persons not covered in 1 and 2 above	12%	15%"

First Schedule
Part IV
Division IIA

The bill has proposed that for Division IIA, the following shall be substituted, namely:-

"Division IIA
RATES FOR COLLECTION OF TAX BY A STOCK EXCHANGE REGISTERED IN PAKISTAN

S.No.	**Description**	**Rate**
(1)	**(2)**	**(3)**
1.	in case of purchase of shares as per clause (a) of sub-section (1) of section 233A.	0.02% of purchase value
2.	in case of sale of shares as per clause (b) of subsection (1) of section 233A.	0.02% of sale value";

First Schedule
Part IV
Division IV
Table

According to the proposed bill, in Division IV, in the Table, in the first column, against serial number (l), in column (3), for the figure "10" the figure "12" shall be substituted.

First Schedule
Part IV
Division X

"The rate of tax to be collected under section 236C shall be 0.5% of the gross amount of the consideration received [for filers and 1% of the gross amount of the consideration received for non-filers.]]"

The bill has proposed that in Division X:
(a) for the figure "**0.5**" the figure "**1**" shall be substituted; and
(b) for the figure "**1**" the figure "**2**" shall be substituted.

First Schedule
Part IV
Division XVIII
Table

S. No.	Period	Rate of Tax
(1)	(2)	(3)
1.	Where value of Immovable property is up to 3 million.	0%
2.	Where the value of Immovable property is more than 3 million	Filer 1%
		Non-Filer 2%

According to the proposed bill, in Division XVIII, in the Table, in column (1), against S.No.2, in column (3),—
(a) for the figure "**1**" the figure "**2**" shall be substituted; and
(b) for the figure "**2**" the figure "**4**" shall be substituted

First Schedule
Part IV
Division XIX

"The rate of tax to be collected under section 235A shall be---

(i) 7.5% if the amount of monthly bill is Rs. ["75,000"]or more; and
(ii) 0% the amount of monthly bill is less than Rs. 100,000."

The bill has proposed that in Division XIX, in clause (ii), for the figure "**100,000**", the figure"**75,000**" shall be substituted**.**

First Schedule
Part IV
Division XXI

The rate of tax to be collected under section 236P shall be 0.6% of the transaction for non-filers.

["Provided that the rate specified in this Division shall be 0.3 per cent for the period commencing from the 11th day of July, 2015 and ending on the 30th day of September, 2015 (both days inclusive) or till the date as the Federal Government may, by notification in the official Gazette on recommendation of the Economic Coordination Committee of the Cabinet, extend.".]

The bill has proposed that in Division XXI, in the proviso, after the word "**Division**" the words "**for the period it deems appropriate**" shall be inserted.

First Schedule
Part IV
Division XXII

"The rate of tax to be collected under section 236T shall be as follows:–
In case of sale or purchase of future commodity contract as per clause (a) and (b) of sub-section (1) of section 236T shall be 0.05%."

The bill has proposed that Division XXII shall be omitted.

First Schedule
Division XXV & XXVI
Addition of a new Divisions

The finance bill 2016 proposed that after Division XXIV, the following new Divisions shall be added, namely:-

"Division XXV
ADVANCE TAX ON INSURANCE PREMIUM

The rate of tax to be collected from non-filers under section 236U shall be as under:-

S.No.	Type of Premium	Rate
(1)	**(2)**	**(3)**
1.	General insurance premium	**4%**
2.	Life insurance premium if exceeding Rs 0.2 million per annum	**1%**
3.	Others	**0%**

The Bill Proposed to that after new Division XXV, the following new Division shall be added , namely:-

Division XXVI
ADVANCE TAX ON EXTRACTION OF MINERALS

The rate of tax to be collected under section 236V shall be **5% of the value of the minerals for non-filers and 0% for filers**.";

Second Schedule
Part I
EXEMPTIONS FROM TOTAL INCOME
Clause (66), Sub-Clause (xviii)
Micro Finance Banks

The Finance bill 2016 proposes to omit sub-clause (xviii) of clause (66) part I of Second Schedule. This clause was to amend time based exemption to microfinance banks.
[xviii.Micro Finance Banks for a period of five years starting from first day of July 2007:

Provided such banks shall not issue dividends to their shareholders and their profit and gain (if any) shall be utilized for Micro Finance Operations only.]"

Clause (98)
GAMES AND SPORTS

The finance bill 2016 proposes that in clause (98), after the word "established" the words "by Government" shall be inserted.
Previously it was read as follows:

(98) Any income derived by any Board or other organization established in Pakistan for the purposes of controlling, regulating or encouraging major games and sports recognized by Government

Provided that the exemption of this clause shall not be applicable to the Pakistan Cricket Board.

Now the finance bill 2016 proposes to withdraw exemption available to Boards (other than PCB) or other organization established in Pakistan for the purpose of controlling, regulating and encouraging the major games and supports recognized by Government.

Clause (103A)
Group Taxation

The Finance bill 2016 proposes that in clause (103A), the expression "or section 59B" shall be omitted.
Previously it was read 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."

Now the finance bill 2016 proposes to withdraw the exemption on inter-corporate dividend for companies availing group relief under section (59B) whereby a subsidiary surrenders it losses to holding companies.

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

Clause (126A)
Gawader-China

The finance bill 2016 proposes that for clause (126A) of Part I of Second Schedule, the following shall be substituted, namely:-

"(126A) Income derived by China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gawadar International Terminal Limited, Gawadar Marine Services Limited and Gawadar Free Zone Company Limited from Gawadar Port operations for a period of twenty-three years, with effect from the sixth day of February, 2007.

(126AA) Profit and gains derived by a taxpayer from businesses set up in the Gawadar Free Zone Area for a period of twenty three years with effect from the first day of July, 2016.

(126AB) Profit on debt derived by-

(a) any foreign lender; or
(b) any local bank having more than 75 percent shareholding of the Government or the State Bank of Pakistan, under a Financing Agreement with the China Overseas Ports Holding Company Limited;

(126AC) Income derived by contractors and sub-contractors of China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gawadar International Terminal Limited, Gawadar Marine Services Limited and Gawadar Free Zone Company Limited from Gawadar Port operations for a period of twenty years, with effect from the first day of July, 2016.; and

(126AD) (1) Any income derived by China Overseas Ports Holding Company Limited being dividend received from China Overseas Ports Holding Company Pakistan (Private) Limited , Gwadar International Terminal Limited Gwadar Marine Services Limited and Gwadar Free Zone Company Limited.
(2) Any income derived by China Overseas Ports Holding Company Pakistan (Private) Limited being dividend received from, Gwadar International Terminal Limited Gwadar Marine Services Limited and Gwadar Free Zone Company Limited. "

Previously it was read as follows:

"(126A) 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."

Previously tax exemption was given to only China Overseas Ports Holding Company Pakistan (Private) Limited for income from Gawader port operations for 23 years. Now, the finance bill 2016 proposes to give exemption to some other companies and also gives some other types of exemptions.

Clause (133)
Income from exports of computer software or IT services or IT enabled services

The finance bill 2016 proposes to make following substitutions and additions in clause (133) of part I of second schedule

(a) for the figure "2016" the figure "2019" shall be substituted; and
(b) after the figure "2019", substituted as aforesaid, for full stop at the end a colon shall be substituted and thereafter the following proviso shall be added, namely:-
"Provided that eighty per cent of the export proceeds is brought into Pakistan in foreign exchange remitted from outside Pakistan through normal banking channels."

Previously it was read as follows:

"**(133)** Income from exports of computer software or IT services or IT enabled services upto the period ending on 30th day of June, 2016.

Explanation.- For the purpose of this clause –

(a) "IT Services" include software development, software maintenance, system integration, web design, web development, web hosting, and network design, and

(b) "IT enabled services" include inbound or outbound call centers, medical transcription, remote monitoring, graphics design, accounting services, HR services, telemedicine centers, data entry operations , locally produced television programs] and insurance claims processing."

Income from exports of computer software or IT services or IT enabled services was exempt from tax up to period ending on June 30, 2016 and now the finance bill 2016 proposes to extend the period till June 30, 2019. However , it proposes to apply a condition that eighty per cent of the export proceeds is brought into Pakistan in foreign exchange remitted from outside Pakistan should be through normal banking channels. Now this clause would be read as follows:

"**(133)** Income from exports of computer software or IT services or IT enabled services upto the period ending on 30^{th} day of June, 2019;

Provided that eighty per cent of the export proceeds is brought into Pakistan in foreign exchange remitted from outside Pakistan through normal banking channels.

Explanation.- For the purpose of this clause –

(a) "IT Services" include software development, software maintenance, system integration, web design, web development, web hosting, and network design, and

(b) "IT enabled services" include inbound or outbound call centers, medical transcription, remote monitoring, graphics design, accounting services, HR services, telemedicine centers, data entry operations , locally produced television programs] and insurance claims processing."

SECOND SCHEDULE
PART II

REDUCTION IN TAX RATES

Clause (3)
Income from services rendered and construction contracts outside Pakistan

The finance bill 2016 proposes to make following amendments in clause 3 Part II of Second Schedule, namely;

(i) "(3) (a) The tax in respect of income from services rendered outside Pakistan and construction contracts executed outside Pakistan shall be charged at the rates as specified in sub-clause (b), provided that receipts from services and income from contracts are brought into Pakistan in foreign exchange through normal banking channel.

(b) The rates in respect of income from services rendered outside Pakistan shall be 50% of the rates as specified in clause (2) of Division III of Part III of the First Schedule and the rates in respect of contracts executed outside Pakistan shall be 50% of the rates as specified in clause (3) of Division III of Part III of the First Schedule."

(ii) after clause (3), substituted as aforesaid, the following new clause shall be inserted, namely:-

"(3B) The income of Pakistan Cricket Board derived from sources outside Pakistan including media rights, gate money, sponsorship fee, in-stadium rights, out-stadium rights, payments made by International Cricket Council, Asian Cricket

Council or any other Cricket Board shall be taxed at a rate of four per cent of the gross receipts from such sources:

Provided that Pakistan Cricket Board may opt to pay tax at the rate of four percent of the gross receipts from tax year 2010 and onwards:

Provided further that this option shall be available subject to withdrawal of appeals, references and petitions on the issue of tax rate pending before any appellate forum or tax authority:

Provided further that the outstanding tax liability payable under this clause up to tax year 2015 is paid by 30th June, 2016.";

Previously this clause was read as follows:

"(3) The tax in respect of income from services rendered and construction contracts outside Pakistan shall be charged at the rate of one per cent of the gross receipts, provided that receipts from services and income from contracts are brought into Pakistan in foreign exchange through normal banking channel."

Now the rates of tax on income from services rendered outside Pakistan and construction contracts executed outside Pakistan is linked with rates specified in clause (2) and (3) of Division III of Part III of the First Schedule. And further a new clause related to Pakistan cricket Board is proposes to be added to clause (3).

Receipts from	Existing role	Proposed rate			
		Company		Individual or AOP	
		Filer	Non filer	Filer	Non filer
Services rendered outside Pakistan	1%	4%	6%	5%	7.5%
Cash deposit outside Pakistan	1%	3.5%	5%	3.75%	5%

Second Schedule
Part IV
EXEMPTION FROM SPECIFIC PROVISIONS
Clause 11(A)

The finance bill 2016 proposes to introduce certain new exemptions as follows:

(a) in clause the word "; and" shall be substituted.
(b) following new sub-clauses shall be added, namely:-

"(xxvi) China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gwadar International Terminal Limited, Gwadar Marine Services Limited and Gwadar Free Zone Company Limited for a period of twenty three years, with effect from the sixth day of February, 2007.

(xxvii) Companies, qualifying for exemption under clause (126M) of Part-I of this Schedule, in respect of profits and gains derived from a transmission line project."

Previously this clause was read as follows:

"(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."

Now the Finance bill 2016 proposes to substitute "full stop" at the end of above clause with "semi-colon" and "and". Further (2) more clause (xxvi) and (xxvii) is proposes to be added.

Clause (11B & Clause (11C)

The finance bill 2016 proposes that in clauses (11B) and (11C), the words "or section 59B" shall be omitted.

Previously this clause was read as follows:

"(11B) The provisions of section 150 shall not apply in respect of inter-corporate dividend within the group companies entitled to group taxation under section 59AA or section 59Bsubject to the condition that the return of the group has been filed for the latest completed tax year"

(11C) The provisions of section 151 shall not apply in respect of inter-corporate profit on debt within the group companies entitled to group taxation under section 59AA or section 59Bsubject to the condition that the return of the group has been filed for the latest completed tax year."

Section (59B) deals with the group relief for any company, being a subsidiary of a holding company, which may surrender its assessed loss (excluding capital loss) for the tax year (other than brought forward losses and capital losses), in favour of its holding company or its subsidiary or between another subsidiary of the holding company.

Group relief available to group provided that one of the company in the group should be listed on stock exchange in Pakistan and hold fifty percent of the holding.

If none of the company in the group is listed on stock exchange the group relief available to company only if it holds seventy five percent of the holding.

Now the exemption available under clause (11B) and (11C) for group relief is omitted.

Clause (38AA)

The finance bill 2016 proposes to grant exemptions on withholding tax on dividend paid by China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gwadar International Terminal Limited, Gwadar Marine Services Limited and Gwadar Free Zone Company Limited for a period of twenty-three years.";

Clause (57)

The finance bill 2016 proposes to substitute the word sections with the word "section".

Previously this clause was read as follows:

"**(57)** The provisions of [sections] [113 and] 153 shall not apply to companies operating Trading Houses which—

(i) have paid up capital of exceeding Rs.250 million;
(ii) own fixed assets exceeding Rs.300 million at the close of the Tax Year;
(iii) maintain computerized records of imports and sales of goods;
(iv) maintain a system for issuance of 100% cash receipts on sales;
(v) present accounts for tax audit every year; and
(vi) is registered

Provided that the exemption under this clause shall not be available if any of the aforementioned conditions are not fulfilled for a tax year

[Provided further that the exemption from application of section 113 shall be available for the first ten years, starting from the tax year in which the business operations commenced.]"

Now fiancé bill 2016 proposes to substitute the word of section instead of sections.

Section (57) second proviso

The finance bill 2016 proposes to substitute the second proviso of section 57 namely:

Previously this clause was read as follows:

[Provided further that the exemption from application of section 113 shall be available for the first ten years, starting from the tax year in which the business operations commenced.

Now the finance bill 2016 proposes to substitute the above stated proviso with the following namely:

"Provided further that minimum tax under section 113 shall be 0.5% upto the tax year 2019 and one percent thereafter.

Previously the exemption of minimum tax available to companies for the ten years now this finance propose to amends this clause as no exemption available under this clause. The minimum tax rate also proposed as 0.5% upto tax year 2019 and one percent thereafter.

Clause (59) sub clause (i)
Withholding tax on
Profit on Debt

The finance bill 2016 proposes to omit the prevailing exemptions from deduction of withholding tax on profit or interest paid on TFC's issued on or after July, 1999 held by companies has been withdrawn.

Previously this clause was read as follows:

"in respect of profit or interest paid on a Term Finance Certificate held by a company which has been issued on, or after, the first day of July, 1999;"

Section (59) deals with to whom the provision of section 151 shall not apply regarding the withholding tax on profit on debt. The finance bill 2016 proposes to omit the sub-clause (i) of section (59).

Clause (72A)
Withholding tax on Hajj Operation

The finance bill 2016 proposes that in clauses (72A), the words "and 2015" shall be substituted with the word " to 2016" to extend time frame for non-applicability of previous of Minimum tax under section 113A liable to withhold tax from payments to non-resident under section 152 up to year 2016.

Previously this clause was read as follows:

"(72A) 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[and 2015] in respect of income from Hajj operations.]"

Clause (72B)
Industrial Undertaking

The finance bill 2016 proposes certain further conditions to imports by industrial undertaking which are exempt from collecting on tax at import stage.

a. the quantity of raw material to be imported which is sought to be exempted from tax under section 148 shall not exceed 110 per cent of the quantity of raw material imported and consumed during the previous tax year:
b. the Commissioner shall conduct audit of taxpayer's accounts during the financial year in which the certificate is issued in respect of consumption, production and sales of the latest tax year for which return has been filed and the taxpayer shall be treated to have been selected for audit under section 214C:

Provided further that if the taxpayer fails to present accounts or documents to the Commissioner or the officer authorized by the Commissioner, the Commissioner shall, by an order in writing, cancel the certificate issued and shall proceed to recover the tax not collected under section 148 for the period prior to 53 such cancellation and all the provisions of the Ordinance shall apply accordingly.

Clause (82)
Assessed income of individual and AOP

The finance bill 2016 proposes to omit the clause (82).
Previously this clause was read as follows:
"[(82) The provisions of sub-section (2) of section 116 shall not apply for the tax year [2014] to an individual or a member of an association of persons whose last declared or assessed income, or the declared income for the year is less than one million rupees.]"

Now finance bill proposes to omit the clause (82). The clause (82) deals that a person whose last declared or declared income for the year is less than one million is not required to file wealth statement alongwith return but now every resident being individual is required to file wealth statement along with the return.

Clause (86)
Investment made by individual, AOP and Company

The finance bill 2016 proposes to extend time frame for non-revocation of provision of section 111of Ordinance to cases where investment is made or commercial production commences on or before June, 2019 instead of dead line of June, 2017.

Previously this clause was read as follows:

(iii) "Investment made by a company in an industrial undertaking;
If the said investment is made on or after the 1st day of January, 2014, and commercial production commences on or before the 30th day of June, [2017].

Now the finance bill 2016 proposes to substitute the figure '2017' with the figure "2019" in the above stated paragraph."

Clause (91)
The Second Pakistan International
Sukuk Company Limited

The finance bill 2016 proposes to substitute the clause (91) with the clause (95).

“(91) The provisions of sections 147, 151, 152, 231A, 231AA, 236A and 236K shall not apply to “The Second Pakistan International Sukuk Company Limited”, as a payer.”

the following shall be substituted, namely:-

“(95) The provisions of sections 147, 151, 152, 231A, 231AA, 236A and 236K shall not apply to “The Second Pakistan International Sukuk Company Limited”, as a payer.

Clause (92)
The Second Pakistan International Sukuk Company Limited

The finance bill 2016 proposes to substitute the clause (92) with the clause (96).

“(92) The provisions of sections 147, 151 and 155 shall not apply to “The Second Pakistan International Sukuk Company Limited”, as a recipient.”

The following shall be substituted, namely:-

“(96) The provisions of sections 147, 151 and 155 shall not apply to “The Second Pakistan International Sukuk Company Limited”, as a recipient.”

Clause (93)
The Second Pakistan International Sukuk Company Limited

The finance bill 2016 proposes to substitute the clause (93) with the clause (97).

“(93) The provision of section 236C shall not apply to “Pakistan International Sukuk Company Limited”;

The following shall be substituted, namely:-

“(97) The provision of section 236C shall not apply to “Pakistan International Sukuk Company Limited.”;

Fourth Schedule
Rule 6 (B)
Capital gains on disposal of shares of listed companies

The Finance bill 2016 proposes to substitute rule 6(B), as follows, namely;

> “6B. In computing income under this Schedule, there shall be included capital gains on disposal of shares and dividend of listed companies, vouchers of Pakistan Telecommunication corporation, modaraba certificate or instruments of redeemable capital and derivative products and shall be taxed at the rates specified in Division II of Part I of First Schedule.”

Previously this clause was read as follows:

> “(6B) Capital gains on disposal of shares of listed companies, vouchers of Pakistan Telecommunication corporation, modaraba certificate or instruments of redeemable capital and derivative products shall be taxed at the following rates:

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 twenty four months	10%	12.5%
3	Where holding period of a security is twenty four months or more but less than four years; and”]	0%	7.5%

Now the finance bill 2016 proposes to substitute tax rates for computing capital gain on disposal of shares of listed companies given in above table with tax rates specified in Division II of Part I of First Schedule which is read as follows:

Rates of Tax for Companies

The rate of tax imposed on the taxable income of a company for the tax year 2007 and onward shall be 35%.

Provided that the rate of tax imposed on the taxable income of a banking company shall be:

Tax Year	Tax Rate
2014	34%
2015	33%
2016	32%
2017	31%
2018 and onwards	30%

However, where the taxpayer is a small company tax shall be payable at the rate of 25%.

Sixth Schedule
Part I Rule 3, Clause (a)
Employer's Annual Contributions

The finance bill 2016 proposes to substitute figure“100,000” with figure “150,000” in clause (a) of rule 3 of Part I of sixth schedule.

Previously Rule 3 was read as follows:

“3. Employer's annual contributions, when deemed to be income received by employee. —

That portion of the annual accretion in any year to the balance at the credit of an employee participating in a recognized provident fund as consists of -

(a) Contributions made by the employer in excess of one-tenth of the salary or Rs.100,000, whichever is low of the employee; and

(b) interest credited on the balance to the credit of the employee in so far as it exceeds one-third of the salary of the employee or is allowed at a rate exceeding such rate as may be fixed by the Federal Government in this behalf by notification in the official Gazette, shall be [treated] to have been received by the employee in that year and shall be included in his total income for that year and shall be liable to income tax.**"**

Now the finance proposes that contribution made by the employer to provident fund to be included in the taxable income of employee shall be lower of

(a) in excess of one-tenth of the salary of employee, or
(b) Rs.150, 000 (Substituted for Rs. 100,000).

Seventh Schedule
Rule 7C
Banking Companies

The finance bill 2016 proposes that in the Seventh Schedule, in rule 7C, after the figure "2015" the word and figure "and 2016" shall be inserted.

"(7C) 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."
The finance bill 2016 proposes to extend applicability of Rule (7C) to Tax year 2016 too.

Eighth Schedule
Rule 1
CAPITAL GAINS ON LISTED SECURITIES
Sub- rule (1) of Rule 1

The finance bill 2016 proposes to insert following sub- rules after sub-rule (1) of Rule 1 of Eighth Schedule, namely;

"(1A) Capital gains on disposal of units of open ended mutual funds and to which section 100B apply, shall be computed and determined under this Schedule and tax thereon shall be collected and deposited by NCCPL in the prescribed manner.

(1B) Gain or loss arising to persons through trading of future commodity contracts on Pakistan Mercantile Exchange, subject to tax under section 37A and to which section 100B apply, shall be computed and determined under this Schedule and tax thereon shall be collected and deposited on behalf of taxpayers by NCCPL in the manner prescribed."

Sub-rule (2) of Rule 1

The finance bill 2016 proposes to insert after the expression "(1)" the expression ", (1A) and (IB)".

Previously the sub- rule (1) & (2) of Rule 1 of Eighth Schedule was read as follows:

"1**. Manner and basis of computation of capital gains and tax thereon.** —
(1)Capital gains on disposal of listed securities, subject to tax under section 37A, and to which section 100B apply, shall be computed and determined under this Schedule and tax thereon shall be collected and deposited on behalf of taxpayers by NCCPL in the manner prescribed.
(2) For the purpose of sub-rule (1), NCCPL shall develop an automated system."

Now the finance bill 2016 proposes that

(a) capital gain and tax thereon on disposal of units of open ended mutual funds and to which section 100B apply, and;

(b) Gain or loss and tax thereon arising to persons, through trading of future commodity contracts on Pakistan Mercantile Exchange

shall also be collected and deposited on behalf of taxpayers by NCCPL in the manner prescribed. Previously NCCPL collects and deposits on behalf of taxpayers Capital gains and tax thereon on disposal of listed securities only in prescribed manner.

Sub-rule (3)of Rule 1

The finance bill 2016 proposes to substitute in sub-rule (3), for full stop at the end a colon and thereafter the following proviso shall be added, namely:-

> "Provided that if the said information is not furnished, NCCPL shall forward the details to the Commissioner who shall exercise powers under the Ordinance to enforce furnishing of the said information including all penalty provisions."

Sub-rule (3)of Rule 1

The finance bill 2016 that after sub-rule (3) the following new sub-rule shall be inserted, namely:-

> "(3A) The Asset Management Companies, Pakistan Mercantile Exchange and any other person shall furnish information when required by NCCPL for discharging obligations under this Schedule

SALES TAX ACT, 1990

Section 2 Clause (5AB)
Cottage Industry

The Finance Bill 2016 proposes that "in clause (5AB), for the word "five", the word "ten" shall be substituted."

Previously the above said section described cottage industry as: "**cottage industry**" means a manufacturer whose annual turnover from taxable supplies made in any tax period during the last twelve months ending any tax period does not exceed five million rupees or whose annual utility (electricity, gas and telephone) bills during the last twelve months ending any tax period do not exceed [eight] hundred thousand rupees;

Now in Finance Bill 2016, the condition of annual turnover of not exceeding five million rupees has been proposed to increase to ten million rupees for taxable supplies made during last 12 months for the manufacturers to qualify under cottage industry.

Section 2 Clause (9)
due date

The Finance Bill 2016 proposes that:

a) the expression "and section 26AA" shall be omitted; and
b) after the semi-colon at the end, the following shall be substituted, namely" and different dates may be specified for furnishing of different parts or annexure of the return;"

Previously the above said section defined "**due date**" as ""due date" in relation to the furnishing of a return [under section 26], [[...] and section 26AA] means the [15th] day of the month following the end of the tax period, or such other date as the [Board] may, by notification in the official Gazette, specify";

Now the Finance Bill 2016 proposes to omit "and section 26AA" from the above definition which has already become inoperative vide Finance Act 2008. Further the bill proposes to add the following words at the end of the definition "and different dates may be specified for furnishing of different parts or annexure of the return" so as to introduce the concept of furnishing different parts or annexure of the return on different due dates.

Section 2 Clause (14)
Input tax

The Finance Bill 2016 proposes that:

a) in sub-clause (c) the word "and" at the end shall be added; and
b) clause (d) shall be omitted;

Previously the above said section defined input tax as: "input tax", in relation to a registered person, means;

a) tax levied under this Act on supply of goods to the person
b) tax levied under this Act on the import of goods by the person
c) in relation to goods or services acquired by the person, tax levied under the Federal Excise Act, 2005 in sales tax mode as a duty of excise on the manufacture or production of the goods, or the rendering or providing of the services
d) Provincial sales tax levied on services rendered or provided to the person; and
e) levied under the Sales Tax Act, 1990 as adapted in the State of Azad Jammu and Kashmir, on the supply of goods received by the person;]

Now the Finance Bill 2016 proposes to add the word “and” at the end of the clause (c) described above. Further the Bill proposes to omit the clause (d) described above, so as to withdraw the previously adjustment against output tax from the definition of input tax.

Section 6 Sub-section (2)
Time and manner of payment

The Finance Bill 2016 proposes that: in section 6, in sub-section (2), for the words “at the time of filing the return in respect of that tax period under Chapter-V”, the words “by the date as prescribed in this respect” shall be substituted.

Previously the above section was described as:

Time and Manner of Payment

(2) The tax in respect of taxable supplies made during a tax period shall be paid by the registered person at [the time of] filing the return in respect of that period under Chapter-V [:]

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

Now the Finance Bill 2016 proposes to specify due date to be notified by the Board for the payment of sale tax by registered person in respect of taxable services and removes the time period for the payment of liability of the taxpayer to pay tax against taxable supplies at the time of filing of return and will be prescribed under sales tax rules.

Section 7 sub-section (2) clause (i)
Determination of tax liability

The Finance Bill 2016 proposes that: in section 7, in sub-section (2), in clause (i), for the semi-colon at the end, a colon shall be substituted and thereafter the following proviso shall be added, namely:–

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

Previously the above section was described as:

7. Determination of tax liability. –

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

(i) in case of a claim for input tax in respect of a taxable supply made he holds a tax invoice [in his name and bearing his registration number] in respect of such supply for which a return is furnished;

Now the finance bill 2016 proposes to enhance further preview by prescribing following additional condition which must be complied with for admissibility of input tax from output tax.

a. Supply needs to declared in respective return
b. The amount as indicated in return is also paid.

Section 8 Sub-section (1) Clause (l)
Tax credit not allowed

The Finance Bill 2016 proposes that: in section 8, in sub-section (1), in clause (l), after the word "return", occurring at the end, the following shall be added, namely:–

"or he has not paid amount of tax due as indicated in his return.";

8.Tax credit not allowed. – (1) Notwithstanding anything contained in this Act, a registered person shall not be entitled to reclaim or deduct input tax paid on –

(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.

> Now the Finance Bill 2016 proposes to add following words after the word "return", occurring at the end of clause (l) of sub-section (1) of Section 8 , namely; "or he has not paid amount of tax due as indicated in his return "which means that a registered person shall not be entitled to reclaim or deduct input tax paid on such goods and services as specified by the Board which, at the time of filing of return by the buyer, have not been declared by the supplier in his return or the supplier has not paid amount of tax due as indicated in his return.

Section 11
Assessment of Tax & Recovery of Tax
not levied or short levied
or erroneously refunded

> Finance bill 2016 proposes to add a new sub-section after sub-section (4) of section 11 to empower the officer of Inland Revenue who shall issue a show cause notice to such person for determining of amount in default if any person required to withheld sales tax facts to do so or withheld the same but failed to deposit tax in Government treasury.
> (4A) Where any person, required to withhold sales tax under the provisions of this Act or the rules made there under, fails to withhold the tax or withholds the same but fails to deposit the same in the prescribed manner, an officer of Inland Revenue shall after a notice to such person to show cause, determine the amount in default.

Section 13, Sub-section (2), Clause (a)
Exemption

The Finance Bill 2016 proposes that :in section 13, in sub-section (2), in clause (a),–
(i) for the word "and", occurring for the first time, a comma shall be substituted; and
(ii) after the word "agreements", the words "and matters relating to international financial institutions or foreign government-owned financial institutions" shall be inserted.

Previously the above mentioned section was described as:
<u>Exemption:</u>

(1) Notwithstanding the provisions of section 3, supply of goods or import of goods specified in the Sixth Schedule shall, subject to such conditions as may be specified by the Federal Government], be exempt from tax under this Act.
(2) Notwithstanding the provisions of sub-section (1)**–**

(a) the Federal Government may 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, exempt any taxable supplies made or import or supply of any goods or class of goods, from the whole or any part of the tax chargeable under this Act, subject to the conditions and limitations specified therein;

(3) The exemption from tax chargeable under sub-section (2) may be allowed from any previous date specified in the notification issued under clause (a)

(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), after 1st July, 2015 shall, if not earlier rescinded, stand rescinded on the expiry of the financial year in which it was issued.

Now the Finance Bill 2016 proposes to substitute comma (,) for the word "and" in clause (a) above. Further the words "and matters relating to international financial institutions or foreign government-owned financial institutions" shall be inserted after the word "and" in clause (b) above.

Section 26, Sub-section 2(2)
Return

The Finance Bill 2016 proposes to that "in section 26, sub-section (2) shall be omitted" which pertains to filing of separate sales tax return for each portion of tax period due to change in rate of tax.

Section 30DD
Directorate of Post Clearance Audit

The Finance Bill 2016 proposes to add a new section named as 30DDD to empower the Board to establish the Directorate General of Input Output Co-efficient Organization.
"30DDD. Directorate General of Input Output Co-efficient Organization.-The Directorate General of Input Output Coefficient Organization (IOCO)-Inland Revenue consisting of a Director General and many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as deem appropriate.

Section 33, Table, Column (1), Number 19
Offences and penalties

The Finance Bill 2016 proposes that in section 33, in the Table, in the entry in column (1), against serial number 19, after the word "Act", the words "or the rules made there under "shall be inserted.

Previously, the table was shown as below:

Offences	**Penalties**	**Section of the Act to which offence has reference**
(1)	(2)	(3)
19. Any person who contravenes any of the provision of this **Act** for which no penalty has, specifically, been provided in this section.	Such person shall pay a penalty of five thousand rupees or three per cent of the amount of tax involved, whichever is higher	General.]

Now the Finance Bill 2016 proposes to add the words “or the rules made there under ”shall be inserted after the word “Act” in column 1 of the table above.

Section 49, Sub-section (2)
Sales of taxable activity or transfer of ownership

The Finance Bill 2016 proposes that in section 49, for sub-section (2), the following shall be substituted, namely:–
“(2) In the case of sale or transfer of ownership of a taxable activity or part thereof to another registered person as an ongoing concern, the taxable goods or part thereof shall be transferred to the new owner through a zero-rated invoice and the sales tax chargeable thereon shall be accounted for and paid by the registered person to whom such taxable activity or part thereof is transferred.”

Previously, the above mentioned section was described as above:

<u>Sales of taxable activity or transfer of ownership</u>

(1) In case of termination of taxable activity or part thereof or its sale or transfer of ownership to a non-registered person, the possession of taxable goods or part thereof by the registered person shall be deemed to be a taxable supply and the registered person shall be required to account for and pay the tax on the taxable goods held by him:

Provided that if the tax payable by such registered person remains unpaid, the amount of unpaid tax shall be the first charge on the assets of the business and shall be payable by the transferee of business

(2) In the case of sale or transfer of ownership of a taxable activity or part thereof to another registered person as an ongoing concern, sales tax chargeable on taxable goods or part thereof shall be accounted for and paid by the registered person to whom such sale is made or ownership is transferred.

Now the Finance Bill 2016 proposes to treat the tax on sale or transfer of ownership of taxable activity from one registered person (transferor) to another (transferee) at the rate of zero percent.

Section (56B)
Disclosure of information
by a public servant

Section 56(B) is proposed to be substituted as:

Any information acquired under provisions of this act or under bilateral or multilateral agreements with government of foreign countries for exchange of information shall be confidential.

Third Schedule
Clause 37

Through this clause sales tax on Mineral/bottled water is proposed to be taxed on retail price which was previously tax under normal regime.

Fifth Schedule
serial number 12
clauses (i) to (ix) and (xviii)

- The bill proposes that the following items are proposed to be withdrawn from chargeability to sales tax at the rate of zero percent.

- Colours in sets
- Writing, drawing and marking inks
- Erasers
- Exercise books
- Pencil sharpeners
- Geometry boxes
- Pens, ball pens, markers and porous tipped pens
- Pencils including color pencils
- Milk
- Bicycles

Sixth Schedule
TABLE-1
Serial number 100A, 100B, Annex-I

Mechanism for exemptions on local and imported supplies of materials and equipment for construction and operation of Gwadar Port and development of Free Zone by China Overseas Ports Holding Company Limited and its operating companies, their contractors and subcontractors etc. has been proposed.
Supplies made by any businesses having a premises in Gawadar Free Zone has been proposed to be exempted from sales tax for a period of twenty-three years on sales and supplies made only within the Gwadar Free Zone,

Sixth Schedule
Serial number 111

The bill proposes to exclude white crystalline sugar from **exemp**t items at import and local supply stage and imposes sales tax at reduced rate of **8%**.

Sixth Schedule
After serial 129

Following new items are proposed to be inserted in exempt items after serial number 129 of sixth schedule, namely:

Premixes for growth stunting	
Laptop computers, notebooks whether or not incorporating multimedia kit	8471.3010
Personal computers	8471.3020
Pesticides and their active ingredients registered by the Department of Plant Protection under the Agricultural Pesticides Ordinance, 1971.	38.03
Xylol (xylenes)	2707.3000
Beta Pinene / Agrotin 527 / Terpenic derivative	2902.1990
Toluene	2902.3000
Mixed xylene isomers	2902.4400
Cadusafos Technical Material	2903.6900
Methanol (methyl alcohol)	2905.1100
Propylene glycol (propane-1, 2-diol)	2905.3200

Adhesives Polyvinyl Acetate	2905.4900
Polyvinyl Alcohol	2905.4900
Ingredients for pesticides	2906.2910
Other Ingredients for pesticides	2906.2990
Solvenon MP / 1-Methoxy 2-Propanol	2909.4910
Methyglycol Acetate	2909.4910
Methanal (formaldehyde)	2912.1100
Cyclo-hexanone and methyl- cyclohexanones	2914.2200
Acetic anhydride	2915.2400
Cyclohexanon	2914.2990
Cyclohexanone Mixed petroleum Xylene	2914.2990
Ingredients for pesticides	2916.3920
Dioctyl orthophthalates	2917.3200
Ingredients for pesticides	2918.9010
Ingredients for pesticides	2919.0010
Other Ingredients for pesticides	2919.0090
Endosulfan Technical Material	2920.9020
Other Ingredients for pesticides	2920.9090
Diethylamine and its salts	2921.1200
Ingredients for pesticides	2921.4310
Other Ingredients for pesticides	2921.4390
Ingredients for pesticides	2921.5110
Triethanolamine and its salts	2922.1300
Dimethyl Formamide (DMF)	2924.1990
Ingredients for pesticides	2924.2930
Alpha cyano, 3-phenoxybenzyl (-) cis, trans 3-(2,2-diclord vinyl) 2,2 dimethyl cyclopropane carboxylate	2926.9010
(S) Alpha cyano, 3-phenoxybenzyl (S)-2-(4, chloro phenyl)-3 mehtyl butyrate	2926.9020
Cyano, 3-phenony benzyl 2,2,3,3 tetra methyl cyclopropane carboxalate	2926.9030
- Cypermethrin, Alpha Cypermethrin, Beta-	2926.9050
Cypermethrin, Zeta-Cypermethrin, Lambda Cylalothrin, Deltamethrin, Fenpropathrin, Esfenvalerate, Bifenthrin Technical Material- Acetamiprid, Imidacloprid Technical Material- Monomehypo, Chlorothalonil Technical Material- Bromoxynil Technical Material	
Other nitrite compounds- Cyfluthrin, Beta Cyfluthrin Technical Material	2926.9090
2-N, N-Dimethyl amino-I sodium thiosulphate, 3-thiosulfourropane	2930.2010

Ingredients for pesticides	2930.2020
2- N,N-dimethyamino 1,3 disodium thiosulphate propane	2930.9010
O,S-dimethyl phosphoramidothioate	2930.9020
S-S (2 dimethyl amino (trimethylene) bis (thio carbamate)	2930.9030
Diafethiuran technical (itertbutyl) 3-2-6 disopropyl (4-phenoxyphenyl) thiourene	2930.9040
O-O diethyl O-(3,5,6 trichloro pyridinyl) phosphorothioate	2930.9050
O-(4-bromo, 2-chloro phenyl) o-ethyl spropyl (phosphorothioate)	2930.9060
O,O duethyl O-(3,5,6-trichloro 2-pyridyl) phosphorothioate	2930.9070
Ingredients for pesticides	2930.9080
Other orgonosulpher compounds - Ethion, Methamidophos Technical Material - Dimethysulfoxid	2930.9090
Ingredients for pesticides	2931.0010
Other Ingredients for pesticides	2931.0090
Ingredients for pesticides	2932.2920
2,3 Dihydro 2-2 dimethyl-7 benzo furanyl methyl-carbamate	2932.9910
Other ingredients for pesticides - Carbosulfan Technical Material	2932.9990
Fipronil	2933.1900
Ingredients for pesticides	2933.3930
Other Ingredients for pesticides	2933.3990
- Chlorpyrifos, Triazophos, Diazinon Technical Material	2933.5950
Other Ingredients for pesticides	2933.5990
Pyrimethanine	2933.6910
Ingredients for pesticides	2933.6940
- Atrazine Technical Material	2933.6990
Isatin (lactam of istic acid)	2933.7910
1-Vinyl-2-pyrrol-idone	2933.7920
- Triazophos Technical Material	2933.9910
Ingredients for pesticides	2934.1010
Ingredients for pesticides	2934.9920
-Methyl benzimidazol – 2 – ylcarbamate. -Dicopper chloride trihydroxide	2938.9010
Ingredients for pesticides	2939.9910
- Abamectin, Emamectin Technical Material	2941.9050
Other Ingredients for pesticides	2941.9090
Sulphonic acid (Soft)	3402.1110
Other surface active agents	3402.1190
Catonic	3402.1290
Non ionic surface active agents	3402.1300
Other organic surface active agents	3402.1990 3402.9000
Chemical preparations	3824.9099
Solvent C-9	2707.5000”;

6th Schedule

The bill has proposed that sales tax on dump trucks that are imported for Thar Coal Field Project shall be exempt.

8th Schedule

According to the proposed bill, the rates applicable on Poultry and Cattle Field have been increased to 10% from 5% and the sales tax rates on white crystalline sugar and urea have been reduces to 8% and 5% respectively.
The rate applicable on machinery and equipment for development of grain handling and storage facility has been reduced to 10%. It has been proposed to include silos in this category.

9th Schedule

Sales tax on medium priced and smart cellular mobile phones or satellite phones has been proposed to be increased to Rs.1,000 and Rs.1,500 from existing Rs.500 and Rs.1,000 respectively.
Zero Rating on five sectors has been announced to be restored with effect from 1st July 2016. However, conditions relating to Zero Rating would be introduced through SRO which has not yet been introduced till the date of this publication.

FEDERAL EXCISE DUTY

Federal Excise Act, 2005
Section (2) Definitions
Clause (8a)"due date", in relation to furnishing a return under section 4

This clause represents "due date", in relation to Filing of return and payment of duty under section 4 of **Federal Excise Act, 2005**. With respect to this clause, the current Bill proposes to substitute "and different dates may be specified for furnishing of different parts or annexure of the return;" against full stop. Consequently, the new amended clause is proposed to be:

"due date", in relation to furnishing a return under section 4, means the 15th day of the month following the end of the month, or such other date as the Federal Government may, by notification in the official Gazette, specify and different dates may be specified for furnishing of different parts or annexure of the return;

Section (4)Filing of return and payment of duty etc
Sub Section (2)

This section represents instructions regarding **Filing of return and payment of duty.** The current **Bill** proposes to substitute the words "by the date as prescribed in this respect" for the words "at the time of filing of his return under sub-section (1)" in sub-section (2) of this section; the new amended sub-section shall be proposed to be:

"Duty due for the dutiable supplies made or services rendered during a month shall be deposited by the registered person in the designated branch of the bank by the date as prescribed in this respect."

Section (4) Filing of return and payment of duty etc
Sub Section (3)

The current bill has proposed to obliterate sub-section (3) of section (4). In this abolished sub-section, it had been stated that "if during any month, there is a change in the rate of duty, a separate return showing the application of different rates of duty shall be used in respect of each portion of such month."

Section (6)Adjustment of duties of excise
Addition of new Sub Section (2A)

Section 6 is related to Adjustment of duties of excise. In current Bill, it has been proposed to insert following new sub section after subsection (2):
"(2A) From the date to be notified by the Board, adjustment of duty of excise under sub-section (1) shall be admissible only if the supplier of input goods and services has declared such supply in his return and he has paid amount of tax due as indicated in his return.";

Section (16) Exemptions
Sub Section (2)

Section (16) is related to **exemptions** in relation to **Federal Excise Duty**. The current Bill proposes to make following amendments with respect to sub-section (2) of section (16):

a) for the word "and", occurring for the first time, a comma shall be substituted; and
b) after the word "agreements", the words "and matters relating to international financial institutions or foreign government- owned financial institutions" shall be inserted.

Consequently, the new amended sub section shall be proposed to be:

"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, implementation of bilateral and multilateral agreement, and matters relating to international financial institutions or foreign government- owned financial institutions] 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."

However, the said sub-section was previously as follows:

"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 agreement,] 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."

Section (19)Offences, penalties, fines and allied matters Addition of new Sub Section (13)

In section 19 is related to Offences, penalties, fines and allied matters**.** After sub-section (12) of this section, a new sub section proposed to be inserted which is as follows:
"(13) Any person who contravenes any provision of this Act or rules made there under for which no penalty has specifically been provided in this section shall be liable to pay a penalty of five thousand rupees or three percent of the amount of duty involved, whichever is higher."

Section (47B) Disclosure of Information by a Public Servant

Section 47B has been substituted with new section, which is as follows;

"47B. Disclosure of information by a public servant.— (1) Any information acquired under any provision of this Act 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) Notwithstanding anything contained in sub-section (1) and the Freedom of Information Ordinance, 2002 (XCVI of 2002),many information received or supplied in pursuance of bilateral or multilateral agreements with government of foreign countries for exchange of information under section 47A shall be confidential."

First Schedule
Table I
Serial Number 4,5,6

The current Bill proposes to revise rates as stated in column (4) of serial numbers 4, 5 and 6 of Table I of first schedule.

Federal Excise Duty on the following was previously charged at the rate of ten and half per cent of retail price. Now it will be charged at the rate of eleven and half per cent of retail price.

i) Aerated waters
ii) Aerated waters, containing added sugar or other sweetening matter or flavored
iii) 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.

Table I
Serial Number 9,10

The current Bill proposes to revise serial numbers 9 and 10 and the corresponding entries relating thereto in columns (2), (3) and (4).
The following table demonstrates trend of amendments as a result of current Bill.

S.No.	Before Amendments Description of Goods	After Amendts Description of Goods	Heading/ sub-heading Number	Before Amendments	After Amendments Rate of Duty
Col.(1)	Col.(2)	Col.(2)	Col.(3)	Col.(4)	Col.(4)
9a.	Locally produced cigarettes if their on-pack printed retail price exceeds rupees three thousand three hundred and fifty per thousand cigarettes	For the period from 01-07-2016 to 30-11-2016, locally produced cigarettes if their on-pack printed retail price exceeds four thousand rupees per thousand cigarettes	24.02	Rupees three thousand and thirty per thousand cigarettes	Rupees three thousand four hundred and thirty-six per thousand cigarettes
9b		For the period from 01-12-2016 onwards, locally produced cigarettes if their on-pack printed retail price exceeds four thousand four hundred rupees per thousand cigarettes	24.02		Rupees one thousand five hundred and thirty-four per thousand cigarettes
10a.	Locally produced cigarettes if their on-pack printed retail price	For the period from 01-07-2016 to 30-11-2016, locally	24.02	Rupees one thousand three	Rupees one thousand five hundred and

	does not exceed rupees three thousand three hundred and fifty per thousand cigarettes	produced cigarettes if their on-pack printed retail price does not exceed four thousand rupees per thousand cigarettes		hundred and twenty per thousand cigarettes]	thirty-four per thousand cigarettes
10b.		For the period from 01-12-2016 onwards, locally produced cigarette if their on-pack printed retail price does not exceed four thousand four hundred rupees per thousand cigarettes			Rupees one thousand six hundred and forty-nine per thousand cigarettes";

Table I
Serial Number 13

Serial number **13** of **Table I** represents **Federal Excise Duty on cement**. The said duty has been proposed to be Rs. 1 per kg. Previously it was **5% of the retail price**.

Consequently, new amended column (**extract Table I**)of said table is proposed to be:

FIRST SCHEDULE
[*See* Section 3]

TABLE 1
(EXCISABLE GOODS)

S.No.	Description of Goods	Heading/ sub-heading Number	Rate of Duty
Col.(1)	Col.(2)	Col.(3)	Col.(4)
13	Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinkers	25.23	[4][One rupee per kilogram]

Table I
Serial Number 53

The current bill has proposed to obliterate this federal excise duty as per serial number **53** of **Table I.**

This abolished serial number **53** of **Table I** represented **Federal Excise Duty on White Crystalline Sugar** at the rate of **Eight percent ad valorem**.

Table II
Addition of Note

In current Bill, it has been proposed to add following **note** after **Table II:**
"Note.– The duty on the services as specified against serial numbers 1, 2, 2A, 5, 8, 11 and 13 shall not be levied on services provided in a Province where the provincial sales tax has been levied thereon."

Second Schedule
Serial Number 3

Serial number **3** of **Second Schedule** represents **White Crystalline Sugar** on which duty is collectable under sales tax mode with entitlement for adjustment with sales tax and vice versa.

The current Bill proposes to obliterate this serial number of Second Schedule and the relating entries thereto in columns (2) and (3).

Second Schedule
Addition of Serial Number 19,20

The current bill proposes to add following new serial number and corresponding related entries thereto shall be added in second schedule:

SECOND SCHEDULE

(Goods on which duty is collectable under sales tax mode with entitlement for adjustment with sales tax and vice versa)
[See section 7]

S.No.	Description of Goods	Heading/ sub-heading Number
19	Materials and equipment for construction and operation of Gawadar Port and development of Free Zone for Gawadar Port as imported by or supplied to China Overseas Ports Holding Company Limited (COPHCL) and its operating companies namely (i) China Overseas Ports Holding Company Pakistan (Private) Limited, (ii) Gwadar International Terminals Limited, (iii) Gwadar Marine Services Limited and (iv) Gwadar Free Zone Company Limited, their contractors and sub-contractors; and Ship Bunker Oils bought and sold to the ships calling on/visiting Gawadar Port, having Concession Agreement with the Gwadar Port Authority, for a period of forty years, subject to the conditions and procedure as specified under S.No. 100A of 66 Table-1 of Sixth Schedule to the Sales Tax Act, 1990.	Respective Headings
20	Supplies made by the businesses to be established in the Gwadar Free Zone for a period of twenty-three years within the Gwadar Free Zone, subject to the condition that the sales and supplies outside the Gwadar Free Zone and into the territory of Pakistan shall be subjected to Federal Excise Duty.	Respective Headings

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