

# BUDGET 2017

# HIGHLIGHTS

*Big Decisions, Tough Choices*



## VISION & MISSION

*Profession Leader* to provide highest quality services to our clients with complete independence and integrity by professionally trained, committed & motivated team.

*Environment* conducive to creativity, job security, personal growth and development of team members with adherence to ethical practices.

*Training Facilities* with dedication to groom professionals with the aim to make them leaders in chosen disciplines.



# BUDGET HIGHLIGHTS 2017



## PREAMBLE

Alhamdulillah!

It gives me great pleasure to present you RASG's special issue on budget titled 'Budget Highlights – 2017'. Keeping in view that the holy month of Ramadan will coincide with the budget announcement RASG's team decided to come with a unique idea to greet our readers 'Ramadan Kareem' with a very precise version of budgetary measures instead of our customary 'Tax Commentary' boxed with mouth sweetening Pakistani dates. RASG will 'In shaa Allah' publish its full version of the Tax Commentary once the Finance Act is approved by the parliament. Hope RASG's this initiative will be appreciated.

'Ramazan Kareem!'

Regards

Gohar Manzoor  
Managing Partner  
May 27, 2017

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# Economic Review:

**The Good!, The Bad!;** These words echo whenever the Economic Survey is announced by any government; everyone analyzes the economic performance with his own perspective. Achieving the desired targets have always been mentally and emotionally hard! We see that in many sectors despite the results obtained are better **(the Good!)** than the past however, the targets set in the previous year's budget have not been achieved **(the Bad !)**.

**Traditionally, the key measures of economic performance in macro-economics include:**

1. Economic growth – real GDP growth.
2. Inflation – e.g. target CPI inflation of 2%
3. Unemployment – target of full employment
4. Current account – satisfactory current account, e.g. low deficit

Keeping in view the above key indicators following are the highlights of Pakistan Economic Survey for the year 2016-17 unveiled by Minister of Finance Muhammad Ishaq Dar here on Thursday.

## **Inflation:**

The current year started with inflation at 4.1 percent in July 2016. It reached to 4.9 percent in March 2017 and then slows down to 4.8 percent in April 2017. On average during Jul-April FY 2017, it recorded at 4.1 percent. The target for current year is 6.0 percent; the present trend suggests that it will remain below the target.

## **Education:**

The overall education condition is based on key performance indicators such as enrolments, number of institutes and teachers which has witnessed improvements. The total number of enrolments at national level during 2015-16 stood at 46.223 million as compared to 43.948 million during 2014-15. This shows an increase of 5.2 percent and is estimated to increase 47.834 million during 2016-17. The target for current year is 4.0 percent.



	<b>2017 Target</b>	<b>2017 Achieved</b>	<b>2016 Achieved</b>
Economic Growth (Highest in past Nine Years)	5.7%	5.28%	4.51%
Agriculture Sector (The agriculture sector accounts for 19.53 % of GDP and 42.3 % of employment.)	3.5%	3.46%	0.27%
Industrial Growth	7.7%	5.05 %	5.8 %
Manufacturing Sector	6.1%	5.27%	3.66%
Services Sector	5.7%.	5.98%	5.55 %
Construction Sector	13.2%	9.05%	14.6%
Mining Sector		1.34%	6.86%
Power & Energy Sector		3.4%	8.43%

The above results are indicative of one significant factor i.e. industrial and manufacturing sectors are not keeping up their pace; mainly due to power shortage, better returns in other sectors such as real estate, construction, booming stock market and expanding consumer/supply chain sector. The service sector was able to surpass its set target. It is also important to perceive the impact CPEC would have on the economy and we need to prepare for it in advance.



# Income Tax

## Definitions

- Section 2 (22A) in the definition of the Fast Moving Consumer Goods it is proposed to exclude the durable goods from their purview.
- Section 2 (38A) Two new tax authorities are being introduced viz.; District Taxation Officer and Assistant Director Audit. Consequential amendments to cater to the introduction of these two new authorities have been proposed in various other section of the Ordinance including section 207, etc.
- Section 2 (62A) The concept of 'Startup' is being introduced with the following salient features:
  - It shall be a business of a resident individual, AOP or a Company;
  - Registered in Pakistan on or after 1<sup>st</sup> July, 2012;
  - To engage in technology driven products or services;
  - Registered with Pakistan Software Export Board; and
  - Having turnover of less than Rs. 100 Mn. in each of the last 5 years

The Startups will also enjoy exemption from normal tax for the period of three years. Further exemption from levy of minimum tax and withholding tax are also being accorded to them.

## Super Tax

Levy of super tax for rehabilitation of temporarily displaced persons under section 4B is being extended to 2017 on the pretext that the issue of temporarily displaced persons still persists.

## Tax on Undistributed Reserves

For the existing section 5A, a new section is being introduced for the Tax Year 2017 and onwards whereby tax shall be levied @ 10% on every public company other than scheduled bank or a modaraba or a company qualifying for exemption under clause 132 of Part I of the Second Schedule or a company in which not less than 50% shares are held by the Government, which does not distribute at least 40% of its after tax profit within 6 months of the end of the Tax Year in shape of cash or bonus shares. Except in the case of Tax Year - 2017 bonus shares or cash dividends may be distributed before the due date of filing of the return of total income.



## **Tax on Builders and Developers**

Under section 7C and Section 7D tax was levied on the income of builders and developers at different rates depending upon the areas under fixed tax regime. It is now proposed to finish this disparity and bring them to normal tax regime. However, for the Tax Year 2017 this section will apply where the projects have been initiated and approved, for which payment has been made under Rule 13S and online schedule of advance tax installments has been issued by the Chief Commissioner.

## **Loan to Employee Limit Extended**

Section 13 provided for the valuation of perquisites whereby any interest free loan to the employee exceeding Rs. 500,000 is treated as perquisite to the employee. Now it is proposed to enhance this limit to Rs. One Million.

## **Limit on Sales Promotion Expenses of Pharmaceutical Cos'. Enhanced**

Under section 21 various deductions have been given which are not allowable as deductions while computing the taxable income e.g. in case of sales promotion , advertising and publicity expenses of pharmaceutical companies exceeding 5% of the turnover are not allowable. Now, keeping in view the hardships being faced by these companies the limit is being enhanced to 10% of the turnover.

## **Jointly Owned Depreciable Assets to be treated as Wholly Owned by Taxpayer**

In Section 22 a proviso has been added where by a depreciable asset jointly owned by a taxpayer or a duly licensed Islamic Financial Institution shall be treated as wholly owned by the taxpayer.

## **Relief Granted on Tax Credit for Educational Expenses**

Under the existing provisions of Section 64AB a deductible allowance for education expenses in respect of tuition fees paid by the individual drawing taxable income of less than Rupees 1 million is granted. Now it is proposed to enhance this limit to Rupees 1.5 million.

## **Tax Credit for Investment in Health Insurance**

Presently, a resident person other than a company, deriving income from salary or business and being a filer is entitled to a tax credit in respect of any health insurance premium or contribution paid to an insurance company. Now it is proposed to enhance the lower limit of the tax credit available on proportionate basis from Rs. 100,000/- to Rs. 150,000/-.





## **Tax Credit to a Person Registered under Sales Tax Act Withdrawn**

Under section 65A, a special tax credit at the rate of 3% of the sale was been provided to a manufacturer selling 90% of this goods to persons registered under the Sales Tax Act, 1990. Now it is proposed to withdraw this special tax credit.

## **Tax Credit on Enlistment Extended**

Presently, under section 65C a tax credit at the rate of 20% of the tax payable is allowed to a company opting for enlistment in any registered stock exchange in Pakistan for consecutive two years. Now, it is proposed to extend this period to three years, however for the second and third year tax credit shall be allowed at the rate of 10% of the tax payable for each of these two years.

## **Ceiling Imposed on the Administrative and Management Expenditure of Non-Profit Organizations**

It is proposed that in order for the Non-Profit Organizations, Trusts or Welfare Institutions to avail 100% tax credit on the tax payable, the administrative and management expenditure should not exceed 15% of the total receipts. In our opinion, this is very harsh as various professionally managed such institutions require heavy amounts to properly manage the organization.

## **Non-Profit Organizations to Pay Tax on Surplus Funds**

Further a new sub-section 1A has been introduced in section 100C where by surplus funds of Non-profit Organizations shall be taxed at the rate of 10%. Surplus funds have been defined to include the following:

Funds or Monies:

- i) Not spent on charitable and welfare activities during the tax year;
- ii) Received during the tax year as donations, voluntary contributions, subscriptions and other incomes;
- iii) Or more than twenty five percent of the total receipts of the non-profit organization received during the tax year;
- iv) Are not part of restricted funds i.e. funds not treated as revenue due to restrictions imposed by the donor.



## **Widows, Orphans etc. not required to File Return in Certain Cases**

In section 115 it is proposed to include a widow and orphan below the age of 25, a disabled person or non-resident whereby they will not be required to file return of their total income solely because of owing an immovable property of 500 yards or more, or flat of 2000 sq ft or more, or a motor vehicle above 1000cc.

## **Power of Chief Commissioner to Grant Extensions**

In Section 119 after sub-section 4 a proviso is proposed to be added empowering the Chief Commissioner to grant extension for a period not exceeding fifteen days for furnishing a return against an application rejected by the Commissioner.

## **Scope of Best Judgment assessment extended**

It has been proposed that in case any person fails to furnish his return against a notice under section 114 (3) or (4) the Commissioner may based on the available information proceed to finalize his assessment on best judgment basis.

## **Provisional Assessment under Section 122C Abolished**

The concept of provisional assessment has been abolished due to the hardships being faced by the taxpayers. Under the Ordinance there was no right of appeal against the provisional assessment after the expiry of 45 days of service of such order.

## **Recovery of tax of a person assessed in Gilgit - Baltistan**

Section 146 provided for recovery of tax from persons assessed in Azad Jammu And Kashmir. Now it is proposed to add the name of Gilgit Baltistan also.

## **Import of Fertilizers by Manufacturer**

Under the current provision of Section 148 (7), fertilizers imported by Commercial Importers was taxed under Presumptive Tax Regime while all such imports by the manufacturers were considered under the Normal Tax Regime.

## **Non-Resident Given Option for Final Tax Regime**

Under Section 152(1B), the tax deductible is considered as Final Tax on the income of a non-resident person arising from a contract. Now it is proposed to add a proviso where by the Non-resident person shall have the option to opt for Final Tax Regime. Furthermore, sub-section 4A has been substitute whereby the Commissioner has been given powers to issue exemption certificate for non-deduction of tax or deduction of tax at reduced rate to a permanent establishment in Pakistan of a non-resident.



## Recipient to Collect Tax of his Agent

Under Section 153(1)(c) a proviso has been added where by recipient of the payment through agent is deemed to have paid the service charges or fees to the agent and the recipient is required to collect tax with the payment received.

## Withholding Tax Statement may be revised within Sixty days

A new sub-section 2A has been added under Section 165 whereby a person having furnished statements may revise the same within sixty days of the filing of the statement.

## Offences and Penalties Scope Enhanced

In Section 182 which deals with Offences and Penalties various amendments have been proposed whereby any non-compliance of Section 108 i.e. Transaction between the associates will be punishable under section 182. Among other things Section 108 requires transaction between associates to be on an Arms length and also proposes various records to be maintained.

In this section following clauses are also proposed to be added:

S.No.	Offences	The Penalties	Relevant Section
1.	Any reporting financial institution or reporting entity who fails to furnish information or country-by-country report to the Board as required under section 107, 108 or 165B within the due date.	Such reporting financial institution or reporting entity shall pay a penalty of two thousand rupees for each day of default subject to a minimum penalty of twenty five thousand rupees.	107, 108 and 165B
2.	Any person who fails to keep and maintain document and information required under section 108 or Income Tax Rules, 2002	1% of the value of transactions, the record of which is required to be maintained under section 108 and Income Tax Rules, 2002	108.



## **Permanent Establishment Allowed to Obtain Advance Ruling**

Under the existing provision of this section there is a proviso whereby a non-resident taxpayer having a Permanent Establishment in Pakistan is not allowed to obtain any advance ruling under this Section. Now it is proposed to omit this proviso.

## **Two New Directorates to be introduced under section 230D and 230E**

Directorate General of Broadening of Tax Base and Directorate General of Transfer pricing are being introduced with the scope embedded in their names.

## **Advance Tax**

Scope of section 231B is being extended whereby Every leasing company or a scheduled bank or a non-banking financial institution or an investment bank or a modaraba or a development finance institution, whether shariah compliant or under conventional mode, at the time of leasing of a motor vehicle to a non-filer, either through ijara or otherwise, shall collect advance tax at the rate of three per cent of the value of the motor vehicle.

## **Tax Collected by Stock Exchange Registered in Pakistan to be Final Tax**

Presently all taxes collected by the Stock Exchange from their operations were adjustable in the hands of the payees. Now it is proposed to bring all such tax collections under Final Tax Regime.

## **Advance Tax on Sale or Transfer of Immovable Property Acquired and Disposed off within the same year to be Minimum Tax**

In Section 236C another important amendment is being proposed whereby any immovable property referred in sub-section 1 is acquired and disposed off within the same tax year, the tax collected shall now be a minimum tax.

## **Advance tax on Tobacco**

Under Section 236X Pakistan Tobacco Board, at the time of collecting cess on tobacco, directly or indirectly, shall collect advance tax at the rate of five percent of the purchase value of tobacco from every person purchasing tobacco including manufacturers of cigarettes. Tax collected under this section shall be adjustable.



## FIRST SCHEDULE

### PART I, Division III, Section 5 PART III, Division I, Section 150 & 236S

#### Tax Rate on Dividend / Dividend in Specie - ***Increased:***

Dividend	from 12.5%	to 15%.
Dividend for Mutual funds	from 10%	to 12.5%.

#### Division IIIA

##### Section 151

#### Tax Rate for Profit on debt – ***Threshold Revised***

##### Proposed slab:

S.No.	Profit on Debt	Rate of Tax
1.	Where profit on debt does not exceed Rs.5,000,000	10%
2.	Where profit on debt exceeds Rs.5,000,000 but does not exceed Rs.25,000,000	12.5%
3.	Where profit on debt exceeds Rs.25,000,000	15%

#### Division III

##### Section 153

#### Payment of goods or services

The tax rate under clause (a) of sub-section 1 of section 153 on fast moving consumer goods to be reduced from 3% to 2% in case supplier is a company and from 3.5% to 2.5% in case supplier is other than a company.

#### Division VII

### CAPITAL GAINS ON DISPOSAL OF SECURITIES

#### The tax rates under section 37A for the Tax Year 2018

Category	Rate of tax (%)	
	Filer	Non-filer
Where holding period of securities is after July 01, 2013	15	20
Where holding period of securities is before July 01, 2013	0	0
Future commodity contracts entered into by members of Pakistan Mercantile Exchange	5	5



## Division IX

Minimum tax rate under section 113 to be increased from 1% to 1.25%.

## PART IV

### Division V

#### Telephone Users

Reduction in tax rate for subscribers of internet, mobile telephone and pre-paid telephone or internet card from 14% to 12.5%

## Division VII

### Section 234

#### Tax on purchase, registration and Transfer of Motor Vehicles

The bill proposes to reduce tax rate for filers under section 234 as under:

S.No.	Engine Capacity (for filers)	Tax Amount (Rupees)
1.	Up to 850 cc	From 10,000 to 7,500
2.	From 851 cc to 1000 cc	From 20,000 to 15,000
3.	From 1001 cc to 1300 cc	From 30,000 to 25,000

## Division XV

### Section 236H

#### Advance tax on sale to retailers

The bill proposes to introduce tax rate slab as under:

Category of sale	Rate of tax	
	Filer	Non-filer
Electronics	1%	1%
Other	0.5%	1%

## Division XXV

### Section 236U

#### Advance tax on Insurance Premium

Threshold of life insurance premium for levy of advance tax increased from 0.2 million to 0.3 per annum.



## INCREASE IN TAX RATE FOR NON-FILERS

The bill proposes to increase tax rates under various sections, in case of non-filer. Details are as under:

Section Reference	Existing Rate (%)	Proposed Rate (%)
152(1A)	12	13
152(2A)(a) - For Company	6	7
152(2A)(a) - For Other than Company	6.5	7.75
152(2A)(b) - For Company	12	14
152(2A)(b) - For Other than Company	15	17.5
152(2A)(c)	12	13
153(1)(a) – For Company	6	7
153(1)(a) – For Other than Company	6.5	7.5
153(1)(b) – For Company	12	14.5
153(1)(b) – For Other than Company	15	17.5
153(1)(c) – For Company	10	12
153(1)(c) – For Other than Company	10	12.5
155 – For Company	15	17.5
156	20	25
156A	15	17.5
234A	4	6
236A	10	15



## SECOND SCHEDULE

### Part-I - EXEMPTIONS FROM TOTAL INCOME

Incomes of registered political parties and start-up businesses have been proposed to be exempted, as a new initiative this year.

Further that, incomes of following few more entities has also been rendered exempt;

- (i) *Asian Infrastructure Investment Bank and persons as provided in Article 51 of Chapter IX of the Articles of Agreement signed and ratified by Pakistan and entered into force on December 25, 2015*
- (ii) *Gulab Devi Chest Hospital*
- (iii) *Pakistan Poverty Alleviation Fund*
- (iv) *National Academy of Performing Arts*

Particularly, investment income of **Japan International Cooperation Agency (JICA)**, from Islamabad- Burhan Transmission Reinforcement Project (Phase-I) undertaken in pursuance to the loan agreement for Islamabad-Burhan Transmission Reinforcement Project (Phase-I), also rendered exempt from taxation.

### Part-IV - EXEMPTIONS FROM SPECIFIC PROVISIONS

To promote Branchless Banking, provisions of section 231A requiring advance tax deduction on Cash Withdrawals (above Rs. 50,000/-) shall not apply in case of cash withdrawals made from Branchless Banking (BB) Agent Account (Clause 101);

To promote employment and as work initiative among the youth, provisions of section 231B requiring advance tax deduction by leasing companies at the time of lease of vehicle to non-filers, on the lease of light commercial vehicles under Prime Minister's Youth Business Loan Scheme; shall not apply (Clause 102).

Income Tax With-holding on Imports are also given a consideration as follows;

- (i) new Petroleum entities, ***M/s Z&M Oils (Pvt) Ltd, Exceed Petroleum (Pvt) Ltd, M/s Petrowell (Pvt.) Ltd, M/s Quality-1 Petroleum (Pvt) Ltd, M/s Horizon Oil Company (Pvt) Ltd, M/s Outreach (Pvt) Ltd, & M/s Kepler Petroleum (Pvt) Ltd*** have been protected from application of Income Tax With-holding provisions under Section 148
- (ii) Import allowable quantity for entities under exemption certificate has been enhanced from 100% to 125%

Following rationalization steps have also taken;

- (i) miscellaneous provisions were relaxed to Hajj Operators on payment of fixed tax per Hajj till 2016, has now been extended subject to such tax till **2017**





(ii) Companies engaged in particular services were given option to opt out of Minimum Tax regime under Section 153(1)(b) has been **extended till Tax Year 2018** with the addition of one service i.e. services rendered by Pakistan Stock Exchange.

## **BRIEF OF CHANGES IN SEVENTH SCHEDULE OF THE INCOME TAX ORDINANCE, 2001**

The bill introduced explanation to the sub-rule (g) of Rule of the Seventh Schedule as under:

***“Explanation.— For the removal of doubt, it is clarified that nothing in this sub-rule shall be so construed as to allow a notional loss, or charge to tax any notional gain on any investment under any regulation or instruction unless all the events that determine such gain or loss have occurred and the gain or loss can be determined with reasonable accuracy.”***

## **SALES TAX**

### **Restoration Of Retailers Position Of Sro 608(1)/2014 Through Insertion Of Sub-Section 9a To Section 3 To The Sales Tax Act, 1990**

The bill proposes to restore the position of retailers by introducing concept of tier -1 retailers which the Lahore High Court had struck down by declaring SRO 608(1)/2014 as ultra vires to the constitution, whereby retailers with some specific features i.e.

- Retailers as a unit of national or international chain of stores;
- Retailers operating in air-conditioned shopping mall, plaza or centre, excluding kiosks;
- Retailer having cumulative electricity bill exceeding Rs. 600,000 for the preceding 12 months; and
- wholesaler-cum-retailer engaged in bulk import and supply of consumer goods to general body of consumers

Other than those operating under sectors defined in SRO 1125(1)/2011, were required to operate under normal regime of 17 percent or paying 2 percent turnover tax without having adjustment for input tax and were required to observe all the provisions of the Act and the Rules.



## **Implication Of Sales Tax On Imported Goods**

The bill proposes to clarify that sales tax will be applicable on goods imported into Pakistan in non-tariff areas as well against some court judgments given in the past.

## **Notification Issuance Powers Given To The Board (Amendment Proposed In The Income Tax Ord. 2001 & Federal Excise Act Also)**

The bill proposes to give the powers to issue notifications to the Board with the approval of the Minister In charge to ease the administrative issues being faced in bringing changes to the law.

## **Further Tax On Zero-Rated Supplies**

The bill proposes to remove the ambiguity regarding the application of further tax on zero-rated supplies by bringing section -4 (i.e. section defining zero-rated supplies) in the purview of sub-section 1A of section 3 (i.e. section imposing further tax).

## **Extension Of Time Period For Goods Exempt Through Special Notification Of Economic Coordination Committee (Amendment In Federal Excise Act Also)**

The bill proposes to extend the time period for notification for exemption of goods approved through the Economic Coordination Committee up to June 30, 2018, which were due to expire at the end of the financial year i.e. June 30, 2017 pursuant to sub-section 7 of section 13.

## **Introduction Of New Designations To Improve Efficiency And Transfer Of Administrative Control To The Chief Commissioner Inland Revenue (Amendment In Federal Excise Act Also)**

The bill proposes to introduce new designations i.e. 'District Taxation Officers' and 'Assistant Director Audit' being subordinate to the Additional Commissioner Inland Revenue to improve efficiency. Further, now the Chief Commissioner will define the jurisdiction for the Commissioner Inland Revenue rather than the Board.

## **Restriction On Issuance Of Notice For Recovery Of Tax (Amendment In Federal Excise Act Also)**

The bill proposes to restrict the Commissioner Inland Revenue to issue notice for recovery of sales tax/FED incase appeal is pending before the Commissioner (Appeals) and the tax payer has deposited 25 percent of the tax due.

## **Electronic Notices To Be Treated As Valid Notices (Amendment In Federal Excise Act Also)**

The bill proposes to make the electronic notices served on e-portal or sent through email be treated as valid notices being properly served.



## The Sixth Schedule

### Exempted Supplies

#### Table 1

#### **Exemption from levy of sales tax on imported vehicles by CPHCL (Amendment In Federal Excise Act Also)**

It is proposed to allow exemption from chargeability of sales tax on vehicles imported by China Ports Holding Company Limited and its operating companies for a period of twenty-three years for construction, development and operations of Gwadar Port and Free Zone Area by adding them in the Sixth Schedule. Further, the scope of exemption earlier provided to 'materials and equipment' is being clarified by extending exemption to 'plant, machinery, equipment, appliances and accessories'.

#### **Exemption From Levy Of Sales Tax On Gifts And Donations**

Exemption from levy of sales tax is being proposed to be provided on goods received as gifts or donations from foreign governments and organizations by the Federal and Provincial Governments and public sector organizations by adding them in the Sixth Schedule.

#### **Exemption From Levy Of Sales Tax On Imported Seeds For Sowing**

By inserting an entry in the Sixth Schedule, the Finance Bill seeks to provide exemption from levy of sales tax on import of sunflower and canola hybrid seeds meant for sowing. Presently, imported oil seeds are subject to sales tax @ 5% under the Eighth Schedule.

#### **Exemption From Sales Tax On Combined Harvesters**

Presently, combined harvesters are subject to levy of sales tax at 7% ad valorem under the Eighth Schedule. The Finance Bill seeks to provide exemption from levy of sales tax on 'combined harvesters upto five years old' by inserting an entry in the Sixth Schedule.

#### **Exemption From Levy Of Sales Tax On Agriculture Diesel Engine**

It is being proposed to exempt the levy of sales tax on single cylinder agricultural diesel engines of 3 to 36 HP and CKD kits thereof.

#### Table 3

#### **Exemption From Levy Of Sales Tax To Items For Renewable Sources Of Energy**

Existing exemption available to items for renewable sources of energy is now being proposed to be aligned with exemption available to these items under the Customs Act, 1969.



## **Exemption From Levy Of Sales Tax To Items For Conservation Of Energy**

The Finance Bill seeks to provide exemption from levy of sales tax to items for conservation of energy on the pattern of exemption available under the Customs Act, 1969.

## **Exemption To Parts And Components For Manufacturing LED Lights**

It is being proposed to provide exemption from levy of sales tax to parts and components for manufacturing LED lights on the pattern of exemption available under the Customs Act, 1969.

## **The Eighth Schedule**

### **Reduction Of Sales Tax On Fertilizers To Replace Subsidy**

Due to complications in payment of subsidy to fertilizers manufacturers and importers, through Finance Bill 2017, it is being proposed to substitute the subsidy with reduction in sales tax rates on various fertilizers. Instead of ad valorem rates, specific rates have been proposed for various types of fertilizers. However, the rate on urea fertilizer shall remain unchanged at 5% ad valorem.

### **Reduction In Rate Of Sales Tax On Poultry Machinery**

It is being proposed to reduce the rate of sales tax on import of following six types of poultry machinery to 7%:

Machinery for preparing feeding stuff;

Poultry incubators and brooders;

Insulated sandwich panels;

Poultry sheds;

Evaporative air cooling system; and

Evaporative cooling pad.

### **Sales Tax On Import Of Multimedia Projectors**

The Finance Bill 2017 seeks to levy sales tax on import of multimedia projectors by educational institutions at a reduced rate of 10 percent. However, in Salient Features, of the Finance Bill it is stated that exemption is being provided on import of multimedia projectors by educational institutions.



## Sales Tax On Supply Of Locally Produced Coal

It is being proposed to levy sales tax on locally produced coal at Rs 425 per metric tonne or 17 % ad valorem, whichever is higher, by inserting an entry in the Eighth Schedule.

## The Ninth Schedule

### Rationalization Of Sales Tax On Mobile Phones

Mobile phones are chargeable to sales tax at the rates of Rs 300, Rs 1,000 and Rs 1,500 per mobile phone set depending upon categories of mobile phones. It is being proposed to merge sales tax rates of Rs 300 and Rs 1,000 per set into Rs. 650 per set. The proposal will promote use of information technology and will also reduce disputes on categorization of mobile phones.

# FEDERAL EXCISE

## FIRST SCHEDULE

1. The Bill proposes to amend the two tier duty on cigarettes to three tier duty as follows:

S. No.	Particulars	Duty Proposed
1.	Locally produced cigarettes with printed retail price not exceeding Rs. 2,925 per thousand cigarettes	Rs. 800 per thousand cigarettes
2.	Locally produced cigarettes with printed retail price exceeding Rs. 2,925 but not exceeding Rs. 4,500 per thousand cigarettes	Rs. 1,670 per thousand cigarettes
3.	Locally produced cigarettes with printed retail price exceeding Rs. 4,500 per thousand cigarettes	Rs. 3,740 per thousand cigarettes

2. The bill proposes to increase the duty from Rs. 1/ Kg to Rs. 1.25/KG on Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinkers
3. The bill also proposes to reduce Federal Excise Duty on Telecommunication Services from 18.5% to 17%.



# CUSTOMS

## PROPOSED EXEMPTIONS IN CUSTOM DUTIES:

Raw skins & Hides	Stamping foils
Import of ostriches	Import of combined harvesters-threshers up to 5 years old
Imports and donation of Federal, Provincial, AJ&K, Gilgit-Baltistan Governments, NDMA, PDMA and Govt. emergency/ rescue services	Import of solar panels and related components extended till June 30, 2018

## PROPOSED REDUCTIONS IN CUSTOM DUTIES

Reduction of duty from 11% to 3% on grandparent and parent stock of chicken and import of hatching eggs and removal of 5% Regulatory Duty on grandparent and parent stock of chicken	Reduction of regulatory duty on aluminum waste or scrap from 10% to 5% Reduction of CD on sheets for veneering from 16% to 11% Reduction of CD on pre-fabricated modular clean rooms panels from 20% to 3%
Reduction of custom duty on fabric (non-woven) for pharmaceutical industry	Custom duty reduced on uncoated polyester film and aluminum wire from 20% to 11% for manufacturers of metalized yarn
CD reduced from 20% to 16% and from 16% to 11%, on raw materials for manufacturers of Baby Diapers	Custom duty on Bituminous coal and other coal for Independent Power Projects reduced to 3%

## PROPOSED LEVY/INCREASE IN CUSTOM DUTIES

5% regulatory duty levied on import of synthetic filament yarn (of polyesters)	Increase of custom duty on aluminum beverage cans from 11% to 20%
Regulatory duty of 10% levied on animal protein meals	Regulatory duty levied on combined harvesters- threshers five to ten years and more than ten years old of 10% and 20% respectively.
Regulatory duty on betel nuts increased from 10% to 25% while RD @ Rs.200/kg levied on betel leaves	





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