FROM SENIOR PARTNER'S DESK

This is the 3rd budget presented by the PML (N) Government amidst launching of mega projects like Metro Bus system in twin cities, roads, flyovers followed by positive signs of foreign investment lead by Pak-China Economic corridor, improved national Security unfortunately some budgetary targets not met. Thus on a bird's eye view we can consider it a hope and groundbreaking towards the betterment and affluence of the country.

As per Economic Survey 2014-15, Ministry of Finance claimed that most of the macroeconomic targets set for the current fiscal year were not met. Government fails to achieve target of 5.1% as is able to achieve growth rate of 4.24%. However, Government targets a growth rate of 5.5% for the next year. The achieved rate of economic growth is the highest since 2008-09. Per Capita income in US Dollar terms recorded a figure of USD 1,512 as compared to USD 1,406 by the end of 2014-15.

The performance of agriculture sector in the departing fiscal year did not produce any significant breakthrough. However, the Government has announced some incentives to agriculture sector in order to boost its productivity and jack up country's economy and exports. Rs. 600 billion are allocated to farmers besides introduction of new schemes like crop loan insurance, livestock insurance and credit guarantee schemes for the uplift of agriculture-sector.

Industrial sector contains 20.9 percent of GDP having subsectors: manufacturing, construction, mining & quarrying and electricity and gas distribution etc. Growth rates of major industrial areas include wood products 8.89 percent, pharmaceuticals 0.65 percent, automobiles 0.02 percent and mining and quarrying sectors registered a growth rate of 4.3 percent, thus overall performance of industrial sector did not show any substantial impact. However, new steps are being taken for the uplift of industry that will trickle down the positive outcomes in the next fiscal year.

Manufacturing Sector has 64.92 percent contribution in overall industrial sector and has 13.2 percent share in GDP. In order to encourage manufacturing sector Government has announced a tax credit of 1% for manufacturing setups during next three years employing more than 50 employees duly registered with EOBI and Social Security. Provided that the tax credit is capped at a maximum of ten percent. Further, exemptions to green field projects and renewable energy projects have been extended. In order to encourage investments in KPK an IT holiday for all manufacturing set ups incorporated between July 1, 2015 to June 30, 2018 has been announced.

Tax collection by FBR was recorded at Rs. 3,418 Billion for fiscal year 2014-15. During the departing tax year tax collection was significantly improved, yet the Federal Government failed to achieve the set targets and at the same time a decrease in the tax-to-GDP ratio was recorded. In the coming fiscal year Government has pitched the tax collection target of Rs. 3.1 trillion. This target is planned to be achieved through registration of new taxpayers and putting an end to superfluous tax exemption policies. For this purpose Government has shifted powers to issue S.R.Os from FBR to parliament.

Pakistan is following a liberalized policy on foreign investment in order to encourage investment activities. The major inflow of FDI is from US, Hong Kong, UK, Switzerland and UAE. Oil & Gas Exploration, financial business, power, communications and Chemicals remained major recipient of foreign investment. This situation shows a positive symbol towards promotion of healthier business environment in the country.

The Tax memorandum hereinafter provides in depth analysis of the changes brought in tax laws of the country by the budget. We hope our clients and other users will find this document useful for the better understanding thereof. This document is simultaneously being made available at our website www.hlbitc.com. The clients are encouraged to access this and other useful information made available by the firm.

The Partners of HLB Ijaz Tabussum & Co., Chartered Accountants acknowledge the tireless efforts of Islamabad office to produce this document.

IJAZ AKBER – FCA
Senior partner and International Contact Person

BUDGET 2015-16 AT A GLANCE

RECEIPTS:		**Budget Estimates**
S. No.	**SOURCES OF FUNDS (ESTIMATED)**	**(Rs. In billion)**
1.	Tax Revenue	3,418
2.	Non-Tax Revenue	895
	a)Gross Revenue Receipts (1+2)	4,313
	b)Less: Provincial Share	1,849
I.	Net Revenue Receipts (a-b)	2,462
II.	Net Capital Receipts (Non-Bank)	649
III.	External Receipts (net)	346
IV.	Estimated Provincial Surplus	297
V.	Bank Borrowing	283
VI.	Privatization Proceeds	50
TOTAL RESOURCES (I To VI)		**4,088**
EXPENDITURES:		**Budget Estimates**
S. No.	**APPLICATION OF FUNDS (ESTIMATED)**	**(Rs. In billion)**
	(A) Current: (1 To 7)	**3,166**
1.	Interest payment	1,280
2.	Pension	231
3.	Defense Affairs & Services	781
4.	Grants and Transfers	410
5.	Subsidies	138
6.	Running of Civil Government	326
	(B) Development: (I to III)	**922**
I.	Federal PSDP	700
II.	Net Lending	58
III.	Other development expenditure	164
TOTAL APPLICATION (A+B)		**4,088**

SALIENT FEATURES FOR THE BUDGET 2015-16

Broad Principles of Taxation Proposals

The proposals for the budget 2015-16 are mainly based on the following principles:

- Least burden on poor and middle class
- Second phase of withdrawal of exemptions to further eliminate discriminatory tax exemptions and concessions.
- Expand the scheme of differential taxation for filers and non-filers for penalizing non-compliance without adding any further burden on the compliant.
- Customs tariff be rationalized to reduce both the number of slabs and the maximum duty rate.
- Reviewing tax laws and procedures to cut down on discretion.
- Removal of sectoral distortions in domestic taxes.
- Measures for broadening of the tax base and documentation of economy.
- Increasing the share of the direct taxes.

Agriculture Package

- Rural economy is based on Agriculture which has the shortest gestation period.
- Income Tax Holiday for 3 years is being introduced for new industrial undertakings engaged in (i) setting up and operating cold chain facilities, and (ii) setting up and operating warehousing facilities for storage of agriculture produce.
- The exemption for 4 year for Halal' Meat Production Companies which set up 'halal' meat production plant and obtain 'halal' certification by 31st December 2016.
- **Relief to Rice Mills:** In order to provide relief to Rice Mills suffering from low global demand, exemption from minimum tax for the Tax Year 2015 is being granted.

- **Exemption on Supply of Fish:** Exemption from withholding tax on supply of agricultural produce is to be extended to supply of fish.

- **Import and Local Supply of Agricultural Machinery and Equipment:** In order to promote farm mechanization and enhance productivity non-adjustable sales tax at reduced rate of 7%, instead of existing rate of 17% is being imposed.

- **Import of Agricultural Machinery:** At present Customs duty, Sales Tax and withholding tax on import of agricultural machinery in aggregate ranges from 28% to 43%. Customs Duty, Sales Tax and Withholding Income Tax are being cumulatively reduced to 9% as under:

    - Customs duty from existing rate of 5-20% to 2%;
    - Sales Tax from 17% to non-adjustable Sales Tax at 7%; and
    - WHT from 6% to 0%.

- **Interest Free Loans for Solar Tube Wells:** In order to facilitate the small growers and to reduce heavy expenditure incurred on diesel/electricity, tube wells interest free loans of upto Rs.1 Million for setting up new solar tube wells or replacing the existing tube wells with solar tube wells shall be provided.

- **Package for Construction/Housing sectors:** Construction sector has a ripple effect and impacts 16 other sectors;

    - **Housing Credit:** Mark-up on housing loans obtained by individuals from banks and other institutional lenders for construction or buying a house to be allowed as a deduction against income up to 50% of taxable income or Rs. 1 million.

    - **Suspension of Minimum Tax on Builders:** The minimum tax on builders leviable for the business of construction and sale of residential and other buildings is being suspended for a period of three years.

    - **Real Estate Investment Trust (REIT) Development Schemes:**

    - **Bricks and crushed stone:** Supply of bricks and crushed stone will be exempted from Sales Tax for three years up to 30.6.2018.

- **Reduction in customs duty on import of Construction Machinery:** On import of construction machinery in used condition by the Construction Companies registered with Pakistan Engineering Council and SECP, the Customs Duty is reduced to 10%.

- **Incentive Package for Manufacturing:**

  - **Employment Credit to Manufacturers:** If a company, being a manufacturer, set up during next three years and employs more than 50 employees duly registered with Social Security and Employees Old Age Benefit Institution an employment tax credit equal to 1% of the income tax payable for every 50 employees shall be provided to the company, subject to a maximum of 10%.

  - **Exemption to Greenfield Projects:** On demand of various investors and business community, this exemption is being extended up to 30th June, 2017.

  - **Domestic Production of Solar and Wind Energy Equipment Manufacturing:** Exemption from income tax for 5 years is being granted to industrial undertaking engaged in the manufacturing of equipment, plant and items required to produce solar and wind energy.

- **Incentives for Aviation Sector**

  - **Exemption from Customs Duty and Sales Tax:** It is proposed that Customs Duty, sales tax and withholding tax in respect of various items used in Aviation Sector may be reduced to zero subject to certain conditions.

  - **Remote Area Routes:** Infrastructure connectivity with major economic hubs is key to economic development of a region. Some areas of the country having great economic potential are, however, located far from existing major economic routes. In order to open up remote areas through aviation links it is proposed that air routes in Gilgit Baltistan, Makran Coastal belt, Azad Jammu and Kashmir, Chitral and FATA be exempted from payment of FED and withholding tax.

- **Relief Measures for Khyber Pakhtunkhwa**

  In order to revive the economy of Khyber Pakhtunkhwa and to provide relief to the people, the following measures are being taken:

  a) Five years Income Tax holiday on all new manufacturing units set up in KP between 1-7-2015 and 30-6-2018.
  b) Exports of perishable goods namely fruits, vegetables, dairy products and meat shall be allowed against Pak currency instead of dollars w.e.f. 1-7-2015.
  c) Quota for ghee and vegetable oil under DTRE for export to Afghanistan and Central Asia is being enhanced from 1000 Metric Ton per 90 days to 1000 Metric Ton per month.
  d) The legacy issues regarding minimum tax payable on turnover under the previous KP package available for tax years 2010 to 2012 shall be resolved.

- **Review of concessionary regime (SROs)**

  Concessionary regime under various SROs and Schedules are being reviewed. Minimally utilized concessions are being withdrawn. Socially sensitive concessions retained. Remaining concessions either withdrawn or continued on enhanced rates. Total impact of these measures is Rs. 132 B.

- **Customs Tariff Reforms:**
  - Maximum general tariff rate of 25% reduced to 20%.
  - Substitution of 1% duty slab with 2% customs duty.

- **Legislative changes:**

  To curb the menace of under invoicing, specific penal provision introduced for ensuring compliance of mandatory condition of invoice and packing list.

SALES TAX & FEDERAL EXCISE

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

1. Rationalization of sales tax on steel sector melters, re-rollers and, ship breakers.
2. The rate of further tax for supplies to unregistered persons is being enhanced to 2%.
3. Increase in the rate of sales tax on mobile phones to Rs. 300, 500 and 1000, from Rs. 150, 250 and 500, respectively, depending on features in the mobile set.
4. Restricting zero-rating on dairy products to milk only baby formula.
5. Enhancement of rates of Federal Excise Duty on locally produced cigarettes. Average tax incidence to increase from 58% to 63%.
6. The rate of Federal Excise Duty on aerated waters is being enhanced from 9% to 12% of retail price.
7. Certain services to be added in the Islamabad Capital Territory in order to align the taxation regime on services with that being followed by the provinces.

8. Exemption of sales tax on local supply of raw hides and skins to be granted as under the existing provisions of law.

9. Sales Tax Rules regarding temporary registration are being introduced to facilitate the importers-cum-manufacturers.

10. The electronic monitoring system is proposed to be introduced to monitor the production of specified sectors i.e. cigarettes, beverages, cement, fertilizer and sugar; and also to monitor the sales of restaurants etc.

11. The limit of utility bills for cottage industry is being enhanced from 700,000 to 800,000 rupees for the promotion of cottage industry.

12. Sales tax exemption on appliances for colostomy, colostomy / urosotomy bags and tubular daylight devices is being granted.

13. Input tax adjustment on Pre-fabricated buildings being allowed.

14. The provisions of temporary registration being inserted in the Sales Tax Rules, 2006, whereby a manufacturer shall be able to import machinery etc. without having to wait for completion of procedural formalities.

15. The refund on monthly basis to be allowed to persons making reduced rate supplies under SRO 1125(I)/2011 dated 31.12.2011.

INCOME TAX BUDGETARY MEASURES

Relief Measures

- **Reduction in Tax Rate for Companies:** Continuing with the policy of reducing corporate tax rates, the rate is being further reduced to 32% for Tax Year 2016.

- **Exemption to Electricity Transmission Projects** for a period of 10 years, provided that the project is set up by June, 2018.

- **Tax Credit for new investment in shares:** To encourage saving and investment in new companies quoted on stock exchange the limit for individual investors is being enhanced to 1.5 million.

- **Tax Credit for Enlistment:** At present, a 15% tax credit is available to a company, if it opts for enlistment in any registered stock exchange in Pakistan. To encourage enlisting of companies on stock exchange, the credit is being be enhanced to 20%.

- **Reduction in Withholding Tax on Token Tax and Transfer of Vehicles.**

- **Expanding the Scope of Small Company:** The limit of capital at Rs 25 million for qualifying as a small company is proposed to be enhanced to Rs 50 million.

- **Relief to Small Taxpayers:** Salaried taxpayers earning taxable income from Rs 400,000 to Rs 500,000 are chargeable to tax at a rate of 5%. To provide relief to this class the rate of tax is proposed to be reduced to 2%. Non-Salaried individual taxpayers and Association of Persons earning taxable income from Rs 400,000 to Rs 500,000 are chargeable to tax at a rate of 10 %. To provide relief to these taxpayers the rate of tax is proposed to be reduced to 7%.

- **Option to Exporters to Opt Out of the Final Tax Regime Revenue Measures Change in Rate of Tax and Taxable Holding Period for Securities:** The rates for capital gains tax on securities are being fixed as under:

  Held upto a period of 24 months: 15%

Held upto a period from 12 months to 24 months: 12.5%
Held upto a period from 2 years to 4 years: 7.5%

- **Increasing Cost of Non-Compliance with Tax Laws:** The scope of the distinction between a compliant and non-compliant taxpayer by prescribing higher withholding tax rates for those not filing income tax returns.

- **Adjustable advance income tax on banking instruments and other modes of transfer for Non-Filers:** Adjustable advance income tax at the rate of 0.6% of the amount of transaction is proposed to be collected on all banking instruments and other modes of transfer of funds through banks in the case of persons who do not file Income Tax returns.

- **Rationalizing Tax Rates for Various Sources of Banking Companies:** Presently, tax rate of 35% is applicable to banking companies from all sources except income from dividend and income from capital gains. Rate differential for different sources is proposed to be removed.

- **Taxation of Dividend:** The present rate of tax of 10% on dividend income is on the lower side as compared to most other countries. It is proposed that the rate be increased to 12.5%. Consequently, in case of non-filers, the rate of tax is proposed to be increased from 15% to 17.5% of which 5% shall continue to be adjustable. For Mutual Funds the existing rate of 10% shall continue.

- **Domestic Electricity Consumption:** Due to substantial reduction in electricity prices it is proposed that the threshold of deduction of withholding tax on electricity consumption be reduced from Rs 100,000 to Rs. 75,000.

- **Renting out Machinery and Certain Equipments:** At present there is no withholding tax on either use or right to use of commercial, industrial and scientific equipment or on renting out of machinery. It is proposed that a 10% withholding tax be imposed on renting out machinery and for use or right to use commercial, scientific or industrial equipment, in case of residents also, and be treated as final tax liability.

- **Holders of Mutual Funds and dividend be subjected to same tax rates.**

- **Taxation for Not Distributing Dividend:** In order to encourage public listed companies to distribute dividend which would encourage investment in stock markets, it is proposed that in the case of a listed company other than a scheduled bank or a modaraba, which does not distribute cash dividends within six months of the end of the said income year or distributes dividends to such an extent that its reserves, after such distribution, are in excess of hundred percent of its paid up capital, the excess amount may be taxed at the rate of 10%.

- **Revenue for Rehabilitation of Temporarily Displaced Persons:** To meet enhanced revenue needs for the rehabilitation of Temporarily Displaced Persons, it is proposed to levy a one-time tax on the affluent and rich individuals, association of persons and companies earning 12 income above Rs. 500 million in tax year 2015 at a rate of 4% of income for banking companies and 3% of income for all others.

- **Payments in respect of advertisement expenses to print/electronic media:** It is proposed that exemption from withholding tax on payments to electronic and print media in respect of the advertising services may be withdrawn.

- **Reduced rate for cash withdrawals by exchange companies:** It is proposed that on cash withdrawals by exchange companies may be subject to withholding tax at a reduced rate of 0.15% instead of being exempt.

- **Rate of tax on commission to advertising agencies:** Withholding tax at the rate of 12% as is applicable to commission agents, however, tax on commission of advertising agencies is withheld at a reduced rate of 7.5%. It is proposed that this rate be increased to 10%.

INCOME TAX ORDINANCE 2001
AMENDMENTS PROPOSED BY THE FINANCE BILL, 2015

Through Finance Bill 2015, following further amendments are proposed to be incorporated in the Income Tax Ordinance, 2001 (XLIX of 2001):

DEFINITIONS	SECTION 2

The following amendment have been proposed to be incorporated in section 2

a) A new clause (13AA) is proposed to be added after clause (13A), whereby, it has been sought to incorporate new definition for "Consumer Goods".

b) A definition of "Real Estate Investment Trust (REIT)" is opted from Real Estate Investment Trust Regulation, 2015 and is proposed to be added after clause 17D and accordingly clause 47A, 47B and 47C are modified.

c) A new clause (22A) is proposed to be added after clause (22), whereby, it has been sought to incorporate new definition for "Fast Moving Consumer Goods".

d) A new clause (28A) is proposed to be added after clause 28, whereby, following definition of "Imputable Income" is proposed;

   Imputable Income: in relation to an amount subject to final tax means the income which would have resulted in the same tax, had this amount not been subject to final tax.

e) The proposed amendment seeks to add section 236M and 236N, whereby, scope of definition of "Income" is extended and further it has been sought to provide benefit to the shareholder of listed company.

f) A new clause (42A) is proposed to be added after clause 42, whereby, the following definition is added:

   PMEX: means Pakistan Mercantile Exchange Limited a futures commodity exchange company incorporated under the Companies Ordinance, 1984

(XLVII of 1984) and is licensed and regulated by the Securities and Exchange Commission of Pakistan.

g) By virtue of amendment as proposed to clause (59A), the qualifying capital limit as small company has further been relaxed and is proposed to be fixed at 50 million.

h) A new definition is also proposed to be added for "whistleblower" in order to complement newly added section of 227B.

SUPER TAX FOR REHABILITATION OF TEMPORARILY DISPLACED PERSONS	**SECTION 4B**

By virtue of this amendment, a new section 4B is proposed to be incorporated, whereby, it has been sought to charge 4% tax on taxable income of the banking companies and 3% on other than banking companies. For the purposes of this section the taxable income will include the sum of following:

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

TAX ON UNDISTRIBUTED RESERVES	**SECTION 5A**

A new tax @10% is proposed through insertion of section 5A, which will be imposed on undistributed reserves of banking companies and on listed companies other than a scheduled bank and a Modarba, that derives profits for a tax year, but does not distribute cash dividends within six months of the end of the said tax year, or distributes dividends to such an extent that its reserves after such distribution are in excess of hundred percent of its paid up capital. So much of its reserves as exceed hundred per cent of its paid up capital shall be treated as income of the said company, provided that for tax year 2015 cash dividends may be distributed before the due date mentioned in sub-section (2) of section 118 for filing of return for tax year 2015. However, government holding companies are given relaxation against the above proposed tax.

Apparently, it's a double jeopardy and the same seems not tenable as per previously settled precedencies.

TAX ON SHIPPING OF A RESIDENT PERSON	SECTION 7A

By virtue of this amendment, it has been sought to withdraw tax immunity available to the resident shipping companies. A presumptive income tax shall be charged all resident person engaged in the business of shipping in the following manner:

a) ships and all floating crafts including tugs, dredgers, survey vessels and other specialized craft purchased or bare-boat chartered and flying Pakistan flag shall pay tonnage tax of an amount equivalent to one US $ per gross registered tonnage per annum; and

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

TAX ON PROFIT ON DEBT	SECTION 7B

By virtue of this amendment the following new section is proposed to be added:

Tax on profit on debt:

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

2) The tax imposed under sub-section (1) on a person who receives a profit on debt shall be computed by applying the relevant rate of tax to the gross amount of the profit on debt. (3) This section shall not apply to a profit on debt that is exempt from tax under this Ordinance."

DEDUCTION IN COMPUTING 'INCOME FROM PROPERTY'	SECTION 15A

The proposed amendment seeks to substitute clause (h) of section 15A, whereby, it has been sought to include the property administration charges as an admissible deduction, which earlier only include the collection charges, however the collective limit of such deduction will not exceed 6% of GLV.

CAPITAL GAIN	SECTION 37A

Earlier, for the purposes of exemption qualifying period of one year was prescribed, whereas, proposed amendment seeks to withdraw the said qualifying condition for exemption on capital gain.

EXEMPTION AND CONCESSIONS IN SECOND SCHEDULE	SECTION 53

By virtue of this amendment, it has been sought to withdraw the powers vested with the Board regarding grant of exemptions and same are proposed confer the Economic Coordination Committee of Cabinet. In this connection, all previous notifications whereby, exemptions have been granted stands rescinded after promulgation of Finance Act, 2015.

TAX CREDIT FOR INVESTMENT IN SHARES AND INSURANCE	SECTION 62

The proposed amendment seeks to further relax the parameter for tax credits claimed at the basis of investment in share and insurance. The maximum limit of such credit is enhanced to 1.5 Million, whereas earlier this limit was fixed at 1 Million.

TAX CREDIT FOR INVESTMENT IN SHARES AND INSURANCE	SECTION 64A

The terms of tax credit at the basis of markup paid on house building loans is further relaxed by substitution of clause 64A. The amount of an individual's deductible allowance, allowed under sub-section (1) for a tax year shall not exceed fifty percent of taxable income or one million rupees, whichever is lower. Any allowance or part of an allowance under this section, for a tax year that is not able to be deducted for the year shall not be carried forward to a subsequent tax year.

TAX CREDIT FOR EMPLOYMENT GENERATION BY MANUFACTURERS	SECTION 64B

The newly proposed section seeks to provide incentive for a period of 10 years to those manufacturers, which are established between 1st day of July, 2015 and 30th of June, 2018 and are administered through a company registered the Companies Ordinance, 1984. The tax credit under sub-section (1) for a tax year shall be equal to one percent of the tax payable for every fifty employees registered with The Employees Old Age Benefits Institution and the Employees Social Security Institutions of Provincial Governments during the tax year, subject to a maximum of ten percent of the tax payable.

MISCELLANEOUS PROVISIONS RELATING TO TAX CREDITS	SECTION 65

The provisions of clause (d) of sub-section (2) of section 169 and clause (d) of sub-section (1) of section 113 provides restriction for claim of tax credits available under clause 65B 65D or 65E . However, by virtue of this amendment the applicable restriction are proposed to be removed.

TAX CREDITS FOR ENLISTMENT	SECTION 65C

Where a taxpayer being a company opts for enlistment in any registered stock exchange in Pakistan a tax credit equal to 20% of the tax payable is proposed to be allowed. Earlier, the credit limit was fixed at 15% of the taxable income.

TAX CREDITS FOR ENLISTMENT	SECTION 65E

The amount of tax credit admissible under this section was available for four years subsequent to installations of new plant and Machinery. However, the proposed amendment seeks to increase the aforesaid term to five years.

AVOIDANCE OF DOUBLE TAXATION	SECTION 107

The proposed amendment seeks to add two sub-sections (1A) and (1B) and to substitute sub-section (1), whereby it has been sought to reinforce the provisions of section 107 and to avoid the exploitation. The sub-section are produced for the benefit of the reader:

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

1A) Notwithstanding anything contained in any other law to the contrary, the Board shall have the powers to obtain and collect information when solicited by another country under a tax treaty, a tax information exchange agreement, a multilateral convention, an inter-governmental agreement, a similar arrangement or mechanism.

1B) Notwithstanding the provisions of the Freedom of Information Ordinance, 2002 (XCVI of 2002), any information received or supplied, and any concomitant communication or correspondence made, under a tax treaty, a tax information exchange agreement, a multilateral convention, a similar arrangement or mechanism, shall be confidential subject to sub-section (3) of section 216.

MINIMUM TAX ON BUILDERS	SECTION 113A

A new sub-section (3) is proposed to be added to section 113A, whereby it has been sought to freeze the provisions this section till 30th June, 2018.

MINIMUM TAX ON LAND DEVELOPERS	SECTION 113A

By virtue of this amendment it has been sought to fix the minimum tax for land developers @ 2% of the value of land notified by any authority for the purpose of Stamp duty.

RETURN OF INCOME	SECTION 114

The proposed amendment seeks to provide time limitation of 60 days for revisions of Income tax return. Earlier no limitation is provided in this regards.

BEST JUDGMENT ASSESSMENT	SECTION 121

An amendment have been proposed to section 117, whereby it has been sought to provide provisions regarding appointment of "a special audit panel". Accordingly, the provisions of section 121(1) d have been modified.

PROCEDURE IN APPEAL	SECTION 128

The proposed amendment seeks to empower the Commissioner (Appeals) to grant stay to a maximum limit of 30 days with a condition to pass the order in the same case before the expiry stay period. We believe that by such amendments the independence of Commissioner (Appeals) will suffer.

DUE DATE FOR PAYMENT OF TAX	SECTION 137

The proposed amendments seeks to increase time frame for payments of a tax payable at the basis of an assessment order to 30 days as compare to previously prevailing time of 15 days. However, in case of an order passed in terms of section 122(c) due date for payment of tax liability is decreased to 45 days against the prevalent 60 days' time.

ADVANCE TAX	SECTION 147

By virtue of this amendment it has been sought to further strengthen the mechanism for collection of advance tax. For ready reference the substituted sub-section (4A) is produced:

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

TAX ON LOCAL PURCHASE OF COOKING OIL OR VEGETABLE GHEE BY CERTAIN PERSONS	SECTION 148A

A new section is proposed to be inserted after section 148, whereby, it has been sought to tax the manufacturers of cooking oil or vegetable ghee, or both at the rate of two percent and same shall be their final tax in respect of income accruing from locally produced edible oil and accordingly provision of clause (11A) of Part IV of 2nd Schedule are modified.

PROFIT ON DEBT	SECTION 151

The provisions of section 151 are also proposed to be modified in accordance with the amendment proposed in section 5A.

PAYMENT TO NON-RESIDENT	SECTION 152

A new sub-section (4A) is proposed to be added after sub-section (4), whereby, the relaxation available to the non-resident taxpayers regarding avoidance of tax withholding is withdrawn. The immunities shall remain avail to the non-resident persons in accordance with treaties for avoidance of double taxation. In this connection, the Commissioner have been conferred with such powers to make necessary inquiries before grant of any approval regarding non deduction of tax. In order to complement this process the provisions of section 107 has also be customized.

PAYMENT FOR GOODS AND SERVICES	**SECTION 153**

The proposed amendment seeks to substitute the clause (a) and (b) of sub-section (3) of section 153, whereby, it has been sought to exclude the all kind of companies from final tax regime with effect from tax year 2009 in respect of tax deducted under section 153. The substituted part of the aforesaid proviso is produced as under;

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

- (i) adjustable, with effect from tax year 2009, if payments are received by a company;
  and
- (ii) a minimum tax, if payments are received by a person other than a company;

Further, a new clause (d) is also been proposed to be added, whereby, it has been sought to treat the tax deducted under clause (c) of sub-section (1) in respect of a sportsperson as final tax with effect from tax year 2013.

EXPORTS	**SECTION 154**

The proposed amendment seeks to provide the exporters to opt for FTR and such option can be exercised at the time of filing of return under section 114, however, tax deducted under this section shall remain the minimum tax. Apparently, by opting for normal tax regime it seems that no tax benefit will accrue to the exporters as their tax deducted under the aforesaid provision of law shall remain the minimum tax.

EXEMPTION OR LOWER RATE CERTIFICATE	SECTION 159

Previously, the Board have been conferred power under sub-section 3 and 4 of section 159 to grant exemption of to issue lower rate certificates, however, by the proposed omission of sub-section 3 and 4, it has been sought to withdraw such powers of the Board.

FAILURE TO PAY TAX COLLECTED OR DEDUCTED	SECTION 161

The proposed amendment seeks to reduce the rate of default surcharge from 18% to 12%. The provisions of section 205 has also been proposed to change in line with the aforesaid change.

FURNISHING OF INFORMATION BY FINANCIAL INSTITUTIONS INCLUDING BANKS	SECTION 165B

In order to further complement the amendments made to section 107 and section 152 of the Ordinance, a new section 165B is proposed to be inserted. By virtue of this amendment it has been sought to make a proper mechanism for obtainment of information regarding bank accounts of non-resident persons from the financial institutions. The provisions of section 176 has also been modified to obligate all such institute and Authorities which are in agreement with Government of Pakistan to provide such information which may help to arrive at the actual taxable income of a taxpayer. The new proposed amendment is produced as under:

165B: Furnishing of information by financial institutions including banks:

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

automatic exchange of information under bilateral agreement or multilateral convention.

2) Subject to section 216, all information received under this section shall be used only for tax and related purposes and kept confidential.

ADDITIONAL PAYMENT ON DELAYED REFUND	**SECTION 171**

Previously, an amount equal to 15% of the tax refund was required to be paid to the taxpayer, if a settled refund is not paid for more than a period of 3 months. By virtue of this amendment, it has been sought to reduce the aforesaid compensation to KIBOR plus 0.5%.

NOTICE TO OBTAIN INFORMATION OR EVIDENCE	**SECTION 176**

The proposed amendment seeks to further strengthen the powers of the tax authorities regarding collection of information in terms of section 176. By virtue of this amendment, the Commissioner is authorized to depute a special audit panel duly appointed under sub-section (11) of section 177 to enter into the premises of a taxpayer, to obtain any information, require production of any record, on which the required information is stored and examine it within such premises and such panel may if specifically delegated by the Commissioner, also exercise the powers as provided in sub-section (4).

AUDIT	**SECTION 177**

The proposed amendment seeks to incorporate sub-sections from (11) to (17) in section 177, after sub-section (10). The newly proposed sub-section provides procedures for appointment of Audit Panel and their powers and functions to conduct audit. For the purposes of this section audit panel shall be appointed by Board and same may include all or any two of the following or more members from the following:-

a) an officer or officers of Inland Revenue;

b) a firm of Chartered Accountants as defined under the Chartered Accountants Ordinance, 1961 (X of 1961);

(c) a firm of Cost and Management Accountants as defined under the Cost and Management Accountants Act, 1966 (XIV of 1966); or

(d) any other person as directed by the Board, The audit panel shall be empowered to conduct an audit, including a forensic audit, of the income tax affairs of any person or classes of persons and the scope of such audit shall be as determined by the Board or the Commissioner on case to case basis. Special audit panel shall be headed by a Chairman who shall be an officer of Inland Revenue.

Previously, in 2010 firms of chartered accountants have been appointed for the composite audit, however, they were independent in their audits. However, by that time no legal supporting structure was available to conduct such audit and in several cases due to lack of technical and legal support the audit remained uncompleted. The proposed amendment provides a legal/technical support system to conduct such audit, except the supervision of such audits by Officer of Revenue, which will be a bar on the independence of auditor. Provisions of section 207, 210 and 2011 has also be modified in accordance with the aforesaid amendments.

TAXPAYER REGISTRATION	**SECTION 181**

A new sub-section 4 is proposed to be added to section 181, whereby, it has been sought to treat Computerized National Identity Card (CNIC) issued by the National Database and Registration Authority as National Tax Numbers.

PENALTIES	**SECTION 182**

Two new amendments have been proposed to this section, whereby, it has been sought to reduce the minimum penalty for non-filing of tax withholding statements and Income Tax Return to Rs. 25,000/- whereas, earlier this limit was fixed at Rs. 50,000/-. Further, where a person failed to submit wealth statement shall be charged with a penalty of "0.1% of the taxable income per week or Rs. 20,000/-, whichever is higher, whereas, as per prevalent provisions penalty of Rs. 100/- for each day of default is applicable.

PROSECUTION FOR MAKING FALSE OR MISLEADING STATEMENTS	**SECTION 195**

For the purposes of aforesaid provisions, it has been proposed to be provided penalties for making false statement and many other related acts as prescribed in Serial No. 10 of sub-section (1) of section 182. A penalty of Rs. 25,000/- or 100% of the amount of tax shortfall is proposed to be levied in case of aforesaid default.

AUTOMATIC SELECTION FOR AUDIT	**SECTION 214D**

The proposed amendment seeks to provide a new concept of automatic selection for total audits, whereby, it has been sought to conduct audit of Income Tax Affairs, where a retailed who has been registered under rule (4) or rule (6) of the Sales Tax Special Procedure Rules, 2007 who does not fulfill the parameters mentioned in sub-clauses (a) to (e) of sub-section (3) shall be automatically selected for audit.

REWARD TO WHISTLEBLOWERS	**SECTION 227B**

A new section 227B have been proposed to be incorporated, wherein, a complete procedure is provided for calculation and payment of reward to a person, who provided a valuable information, which is helpful in detection of concealments and tax frauds. The newly proposed section is produced for the benefit of the user of this documents:

227B. Reward to whistleblowers

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

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

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

a) the information provided is of no value;
b) the Board already had the information;
c) the information was available in public records; or
d) no collection of taxes is made from the information provided from which the Board can pay the reward.

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

TAX DEDUCTION ON CASH WITHDRAWALS	**SECTION 231A**

The proposed amendment seeks to withdraw the immunity available to Federal Government, Provincial Government, foreign diplomats and the persons which are exempt from levy of income tax from deduction of tax on cash withdrawal. The aforesaid impact is accounted for by omission of sub-section 2, however, same is cater through newly proposed section of 236O.

ADVANCE TAX ON TRANSACTIONS IN BANK	**SECTION 231AA**

The proposed amendment seeks to omit proviso available with sub-section (1) of section 231AA, whereby immunity from deduction of tax have been provided to the banking companies in case of interbank or intra bank transfers and also where payment is made through a cross cheque for purchase of a financial instruments,
as referred to in sub section (1) and in line with amendment made to section 231A immunity available under sub-section (4) has also been proposed to be withdrawn, however, same is cater through newly proposed section of 236O.

ADVANCE TAX ON PRIVATE MOTOR VEHICLES	**SECTION 231AA**

The proposed amendment seeks to add two new sub-section (6) and (7), whereby, various terms, e.g., date of registration and motor vehicle have been defined for the purposes of collection of tax under section 231AA upon registration of motor vehicles. The provisions of section 234 has also been modified in accordance with the definition provided in this section.

ADVANCE TAX ON PRIVATE MOTOR VEHICLES	**SECTION 231B**

The proposed amendment seeks to add two new sub-section (6) and (7), whereby, various terms, e.g., date of registration and motor vehicle have been defined for the purposes of collection of tax under section 231AA upon registration of motor vehicles. The provisions of section 234 has also been modified in accordance with the definition provided in this section.

AIR TICKETS	**SECTION 236B**

A new proviso is proposed to be added with sub-section (1), whereby, imuunity from tax withholding on purchase of air tickets have been granted on all routes of Baluchistan coastal belt, Azad Jammu and Kashmir, FATA, Gilgit-Baltistan and Chitral.

ADVANCE TAX ON SALE OF IMMOVABLE PROPERTY	**SECTION 236C**

As per sub-section (3) of section 236C immunity was available to the Federal Government. Provincial Government and local Government from payment of advance tax on sale on immovable property. The proposed omission of this sub-section seeks to withdraw the said immunity, however, same is cater through newly proposed section of 236O.. The provisions of section 236K has also been proposed to be modified in accordance with the aforesaid proposed amendment.

ADVANCE TAX ON SALE OF RETAILERS	SECTION 236H

As per sub-section (1) of section 236(H), 0.5 % tax was required to be collected at the time of sale of fertilizer to retailers. By virtue of this amendment, it has been sought to provide immunity to retailers of fertilizers.

ADVANCE TAX ON EDUCATIONAL INSTITUTES	SECTION 236I

Advance tax @10% was required to be collected on fee vouchers in terms of section 236I. By virtue of this amendment it has been sought to provide immunity from collection of advance tax under this section to non-residents after making necessary compliance in this regard.

ADVANCE TAX ON BANKING TRANSACTIONS OTHERWISE THAN THROUGH CASH	SECTION 236P

The proposed amendment seeks to impose tax @0.6% on different kind of banking transaction by non-filer. Every banking company shall collect advance adjustable tax from a non-filer at the time of sale of any instrument, including demand draft, pay order, special deposit receipt, cash deposit receipt, short term deposit receipt, call deposit receipt, rupee traveller's cheque or any other instrument of such nature. Further, every banking company shall collect advance adjustable tax from a non-filer at the time of transfer of any sum through cheque or clearing, interbank or intra bank transfers through cheques, online transfer, telegraphic transfer, mail transfer, direct debit, payments through internet, payments through mobile phones, account to account funds transfer, third party account to account funds transfers, real time account to account funds transfer, real time third party account to account fund transfer, automated teller machine (ATM) transfers, or any other mode of electronic or paper based funds transfer. The provision of this section shall not apply to Pakistan Realtime Interbank Settlement Mechanism (PRISM) transactions or payments made for Federal, Provincial or local Government taxes.

PAYMENT TO RESIDENTS FOR USE OF MACHINERY AND EQUIPMENT	SECTION 236Q

The proposed amendment seeks to impose advance tax @10% on rental payments against hiring of industrial, commercial and scientific equipment. The tax deductible under sub-sections (1) and (2) shall be final tax on the income of such resident person.

COLLECTION OF ADVANCE TAX ON EDUCATION RELATED EXPENSES REMITTED ABROAD	SECTION 236R

The proposed amendment seeks to impose advance tax @5% on education related expenses remitted abroad. In this connection, banks, financial institutions, foreign exchange companies and any other person responsible for remitting foreign currency abroad for the aforesaid purpose is held responsible for collection of advance in terms of section 236R from the payer of education related expenses. Tax collected under this section shall be adjustable against the income of the person remitting payment of education related expenses.

DIVIDEND IN SPECIE	SECTION 236S

A new section 236S is proposed to be inserted through this amendment, whereby, it has been sought to collect tax @17.5% from non-filer and 10% from filer on payment of dividend-in specie.

COLLECTION OF TAX BY PAKISTAN MERCANTILE EXCHANGE LIMITED(PMEX)	SECTION 236T

The proposed amendment seeks to insert a new section 236T, whereby it has been required from Pakistan Mercantile Exchange Limited (PMEX) to collect advance tax @ 0.1% from its members on purchase of futures commodity contracts. The tax collected under clauses (a) to (d) of sub-section (1) shall be a minimum tax.

FIRST SCHEDULE TO THE INCOME TAX ORDINANCE, 2001

The Finance Bill, 2015 aims to make the following amendments to the First Schedule of the Income Tax Ordinance, 2001.

PART-I

1. In order to introduce a progressive rate of taxation in case of Individuals and Association of Persons, Federal Government has introduced new tax slabs for computation of tax liability which has resulted in reduction in tax liability for respective taxpayers in accordance with their taxable incomes. Further, in paragraphs;

(1A): proviso relating to Internally Displaced Persons Tax which was levied on 5% of income exceeding Rs. 1,000,000/- is proposed to be omitted.
(1B): sub-para 2 are substituted with, a taxpayer of the age of not less than sixty years on the first day of the tax year, the tax liability on such income shall be reduced by fifty percent.

2. In line with the amendment in Division-II, rate of tax on the companies other than banking companies is reduced by 1% and is fixed at 32% for the tax year 2016.

3. In line with the amendment proposed by addition of Division – IIA, Federal Government seeks to adopt strict taxation policy on banking sector and other persons enjoying huge volumes of profits by imposition of super tax. Vide this amendment banking sector is made bound to pay 4% in terms of super tax irrespective of the volume of their profits. However, persons other banking companies are given a threshold of Rs. 500 Millions in order to be affected by the said amendment. This amendment is also progressive in nature due to its positive impact on the overall economy and government earnings.

4. In Division-III, Federal Government has increased the rate of tax on dividends from 10% to 12.5% in all other cases except those prescribed in clause (a) of the said division. Further, in case of dividend received from stock funds, the rate of tax has been increased to 15% from previously existing 12.5%. Further, in the second proviso words “REIT Scheme” are also proposed to be added after the word “Scheme” and a new proviso is then inserted as under;

“*Provided also that if a Development REIT Scheme with the object of development and construction of Residential Building is setup by Thirtieth Day of June 2018, Dividend received by a person from such Development REIT Scheme shall be reduced by 15% for three years from thirtieth day of June 2018.*”

5. A new section 5A and related Division IIIA are proposed to be inserted in the tax law whereby, every public company other than a scheduled bank or a modaraba, that derives profits for a tax year but does not dividends out the said profits within six months of the said tax year or simply the amounts allocated to its reserves after paying the said dividend are in excess of 100% of the paid up capital, then a tax rate of 10% is proposed to be levied on the amount exceeding 100% of the paid up capital. Due to this amendment, non-scheduled banking companies and large public sector companies are likely to be affected, which shall reap in substantial tax revenues to the Federal Government, if implemented successfully.

6. In line with the amendment proposed in Division VII, Capital gain on sale of securities under section 37A has been increased to 15% where holding period of security is less than 12 months, and to 12.5% where holding period is greater than 12 months but less than 24 months, for the tax year 2016. For exceeding periods but less than four years, the tax rate is proposed at 7.5%. Further, capital gain tax rates on a mutual fund and collective investment and REIT schemes have also been increased in accordance with the category of persons and filer status. The said rates have been provided along with the tax rate card.

Part II

1. In line with the amendment proposed in Part II of First Schedule, the rates of advance tax for collector of customs have been changed, which are given in tax rate card for ready reference.

Part III

1. In accordance with the amendment proposed for Division-III, a new section 236S has been added which is proposed to be taxed in accordance with the rates specified for section 150. However, the tax rate for non-filers in this case, is increased to 17.5%. In addition to this, REIT Schemes are also included in the ambit of this section and in cases where dividend receipts are less than capital gains, the rate of tax is increased to 15% instead of 12.5%.

2. In accordance with the amendment proposed for Division IA, tax rate on profit or yield under section 151 for non-filers is increased to 17.5%.

3. Through this proposed amendment in Division II, the prevalent rates of withholding tax under sub-section 2A(a) of section 152 are proposed to be enhanced. A comparison of such taxes is given as under:

Taxpayer Particulars	Applicable Tax Rate
Sale of Goods	
Companies	4 Percent of gross amount payable for filer, 6% for non-filers.
All other cases	4.5 Percent of gross amount payable for filer, 6.5% for non-filer
Rendering or providing of Services	
Companies	8.0 Percent of gross amount payable for filer, 12% for non-filer
All other cases	10.0 Percent of gross amount payable for filer, 15% for non-filer
Execution of Other Contracts	
Companies	7.0 Percent of gross amount payable for filer, 10% for non-filer
All other cases	7.5 Percent of gross amount payable for filer, 10% for non-filer
Sports Persons	10% of gross amount payable

4. In accordance with the amendment proposed in Division III, tax rates have been proposed as under;

Taxpayer Particulars	Applicable Tax Rate
Sale of Goods	
Companies	4 Percent of gross amount payable for filer, 6% for non-filers.
All other cases	4.5 Percent of gross amount payable for filer, 6.5% for non-filer
Rendering or providing of Services	
Companies	8.0 Percent of gross amount payable for filer, 12% for non-filer
All other cases	10.0 Percent of gross amount payable for filer, 15% for non-filer
Execution of Other Contracts	
Companies	7.0 Percent of gross amount payable for filer, 10% for non-filer
All other cases	7.5 Percent of gross amount payable for filer, 10% for non-filer
Sports Persons	10% of gross amount payable

5. Rate of collection of tax on petroleum products under section 156A shall be 12% for filers and 15% for non-filers.

Part - IV

1. In line with the proposed amendment in Division II, rates of advance tax on account of payments made for brokerage and commission under section 233(1) have been revised. In filer's cases, Tax at 10% shall be withheld from advertising agents, at 12% in all other cases. However, the rate of tax is increased to 15% in all non-filer cases.

2. In Division III, Motor Vehicle tax collection rate for person collecting the same is reduced to 2.5 Rs per Kg of Laden Weight for filer cases and Rs. 4 per Kg of Laden Weight for non-filer cases. Similarly, tax rates for passenger transport vehicles is calculated according to seating capacity for filer and non-filers cases, which is given in the tax rate card.

3. Through amendment in Division V, internet subscribers, mobile telephone and prepaid internet or phone card users have been included for the purposes of advance tax. A tax rate of 14% is proposed in this regard.
4. Through amendment in Division VI, non-filers doing cash withdrawals from bank shall be liable to advance tax at the rate of 0.6%.

5. Through proposed changes in Division VII, tax on registration, purchase and transfer of motor vehicles have been amended with some additions. Detailed tax rates for registration, purchase and transfer cases in accordance with filer status have included in tax rate card.

6. In Division XIV, advance tax on sale to dealers, distributors and wholesalers under section 236G in case of fertilizers, is increased to 0.7% for filers and to 1.4% for non-filers.

7. In Division XIX, the rate of advance tax of 7.5% under section 235A was levied, if monthly domestic electricity exceeded Rs. 100,000/-. This limit has now been reduced to Rs. 75,000/-.

8. Through proposed amendment in Division XX, per passenger tax rate on international air ticket has been revised. Economy class has been excluded from the charge of advance tax.

9. Through addition of Division XXI, non-filers doing transactions through banking like online transfers, CDRs, travelers cheques and internet banking etc, are required to bear tax at 0.6% of the transaction amount. Through this amendment, Federal Government intends to promote strict checks on banking transactions and is perceives to bring the banking transaction in a more regulated manner. However, from public point of view, it would be an additional burden, as no threshold is given on which tax rates will be applied. It will deemed to target small account holders across the board.

10. Through addition of section 236T, Division XXII has been proposed to be included where by Pakistan Mercantile Exchange Limited is required to collect and deposit advance tax on sale /purchase and commission on sale/ purchase of future commodity contracts as per given provisions at 0.1%.

11. Division XXIII has been proposed to be added after incorporation of section 236Q, whereby, every prescribed person making a payment in full or in part including advance payment for use or right to use industrial, commercial and scientific equipment, shall deduct tax from gross amount at the rate of 10%.

12. As per addition of section 236R, a new Division XXIV is proposed to be inserted whereby, banks, financial institutions, foreign exchange companies or other institutions responsible to remit money abroad for education related expenses, shall be liable to withhold tax at 5% of the amount being remitted. This will improve monitoring on international money transfers including wire transfers. Due to this provision money remittances in the name of education or family maintenance will be discouraged where tax authorities can cross cheque the amount being utilized for educational or other purpose through tax records.

SECOND SCHEDULE TO THE INCOME TAX ORDINANCE, 2001

The Finance Bill, 2015 aims to make the following amendments to the Second Schedule of the Income Tax Ordinance, 2001.

PART-I

1. By the omission of clause 20 it has been sought to withdraw exemption available on income received by a person from annuity issued under the Pakistan Postal Annuity issued under the Pakistan Postal Annuity Certificate scheme.
2. The proposed amendment seeks to modify the proviso provided with clause 99A in accordance with the definition provided for REIT vide section 2 of this Ordinance.
3. The income from the inter-corporate dividend within the group companies entitled to group taxation is exempt, however, the proposed amendment seeks to provide a condition of filing of Group tax return to qualifying for the said exemption.
4. The capital gain derived by a person, being income from the sale of shares of a public company setup in any industrial zone was exempt for a period of 5 years was exempt. The proposed amendment seeks to withdraw this exemption.

5. The exemption of income derived by China Overseas Ports Holding Company Limited from Gwadar Port operations is proposed to be extended for a further period of 3 years.

6. The provision of clause (126F) are proposed to be withdrawn as the same has already been expired.

7. A new clause 126I is proposed to be incorporated, whereby exemption has been granted against the profits and gains derived by a taxpayer, from an industrial undertaking set up by 31st day of December, 2016 and engaged in the manufacture of plant, machinery, equipment and items with dedicated use (no multiple uses) for generation of renewable energy from sources like solar and wind, for a period of five years beginning from first day of July, 2015.

8. A new clause 126J is proposed to be inserted, whereby, immunity has been provided against profits and gains derived by a taxpayer, from an industrial undertaking set up between 1st day of July, 2015 and 30th day of June, 2016 engaged in operating warehousing or cold chain facilities for storage of agriculture produce for a period of three years beginning with the month in which the industrial undertaking is set up or commercial operations are commenced, whichever is later.

9. A new clause (126K) is proposed to be inserted, whereby, immunity has been provided against profits and gains derived by a taxpayer, from an industrial undertaking set up between 1st day of July, 2015 and 31st day of December, 2016 which is engaged in operating halal meat production and has obtained halal certification, for a period of four years beginning with the month in which the industrial undertaking is set up or commercial production is commenced, whichever is later.

10. A new clause (126L) is proposed to be inserted, whereby, immunity has been provided against profits and gains derived by a taxpayer, from a manufacturing unit set up in Khyber Pukhtunkhwa Province between 1st day of July, 2015 and 30th day of June, 2018 for a period of five years beginning with the month in which the industrial undertaking is set up or commercial production is commenced, whichever is later.

11. A new clause (126M) is proposed to be inserted, whereby, immunity has been provided against profits and gains derived by a taxpayer from a

transmission line project set up in Pakistan on or after the 1st day of July, 2015. The exemption under this clause shall apply to such project which is owned and managed by a company formed for operating the said project and registered under the Companies Ordinance, 1984 (XLVII of 1984).

12. A new clause (141) is proposed to be inserted, whereby, immunity has been provided against profit and gains derived by LNG Terminal Operators and Terminal Owners for a period of five years beginning from the date when commercial operations are commenced.

13. A new clause (142) is proposed to be inserted, whereby, immunity has been provided against Income social security contributions derived by Balochistan Employees' Social Security Institution, Employees' Social Security Institution Khyber Pakhtunkhwa, Punjab Employees' Social Security Institution and Sindh Employees' Social Security Institution.

PART II

1. The clause (13c) is proposed to be omitted in accordance with the provisions of section 148A

2. By the omission of clause (14), it has been sought to withdraw reduction in tax available to goods transport vehicles

3. The proposed amendment to clause (14A) seeks to withdraw the reduced rates applicable to passenger transport vehicles.

4. In order to make compatible the provision of section 7, the clause (21) is proposed to be omitted.

5. By the insertion of new clause 28(B), it has been sought to reduce the rate of to 0.15% under section 231A on cash withdrawal by an exchange company, duly licensed and authorized by the State Bank of Pakistan, exclusively dedicated for its authorized business related transactions, subject to the condition that a certificate issued by the concerned Commissioner Inland Revenue for a financial year mentioning details and

particulars of its Bank Account being used entirely for business transactions is provided.

Part III

In order to complement amendment proposed to section 182 regarding charging of penalties for non-filing of tax statements and Income Tax return, clause (16) is proposed to be omitted.

Part IV

1. Exemption against minimum tax available to Kot Addu Power company Limited is withdrawn

2. Exemption against minimum tax has also been granted to coal mining project in Sindh, supplying coal exclusively to power generation projects, LNG Terminal Operators and LNG Terminal Owners, taxpayers located in the most affected and moderately affected areas of Khyber Pakhtunkhwa, FATA and PATA for tax year 2010, 2011 and 2012 excluding manufacturers and suppliers of cement, sugar, beverages and cigarettes and Rice Mills for the Tax Year 2015.

3. Further, exemption against minimum tax has also been granted to taxpayers qualifying for exemption under clauses (126I) of Part-I of this Schedule in respect of income from manufacture of equipment with dedicated use for generation of renewable energy.

4. Furthermore, exemption against minimum tax has also been allowed to the taxpayers qualifying for exemption under clauses (126J), (126K) and (126L) of Part-I of this Schedule.

5. Further immunity has also been granted to LNG Terminal Operators and LNG Terminal Owners.

6. The immunity provided against levy advance tax at the time of import of potatoes is withdrawn by the proposed omission of clause 56H.

7. By the insertion of clause (94) in this Part, immunity has been provided to the taxpayers operating halal meat production and qualifying for exemption under clause (126K) of Part-I of this Schedule for the period specified in clause (126K) against the deduction of tax at the time of export.

FOURTH SCHEDULE TO THE INCOME TAX ORDINANCE, 2001

1. Rule 6A regarding exemption on capital gain on sale of shares is proposed to be omitted.

2. Rule 6B has been revised to include new rates for computation of tax on capital gains arising from the securities. Revised rates are included in Tax rate card for ready reference. Further, the amendment proposes to delete the proviso.

3. Rule 6D is proposed to be added, whereby provisions of section 4B (Super Tax) shall apply to taxpayers falling in this schedule.

FIFTH SCHEDULE TO THE INCOME TAX ORDINANCE, 2001

Part I

1. Rule 4AA is proposed to be added after Rule 4A whereby, provisions of Section 4B (Super Tax) are applicable to taxpayers in this schedule.

Part II

1. Rule 2A is proposed to be added after Rule 2 whereby, provisions of Section 4B (Super Tax) are applicable to taxpayers in this schedule.

SEVENTH SCHEDULE TO THE INCOME TAX ORDINANCE, 2001

1. In Rule 6, the expression starting from "The net Income…….till its three provisos are proposed to be omitted.

2. Rule 6A and 6B are proposed to be omitted.

3. Rule 7B is proposed to be inserted after Rule 7, whereby Dividend and Capita; Gains arising to taxpayers in this schedule shall be taxed in accordance with rates specified in Division II of Part I of Ist Schedule.

4. Provisions of Section 4B shall apply to the banking companies and shall be taxed at the rate specified for computation of super tax in Division IIA of Part I of First Schedule.

EIGHTH SCHEDULE TO THE INCOME TAX ORDINANCE, 2001

1. Rule 8 is proposed to be added after Rule 7, where by provisions of section 4B (Super Tax) is also applicable on the income of taxpayers falling under this schedule.

THE SALES TAX ACT, 1990

AMENDMENTS PROPOSED BY THE FINANCE BILL, 2015
All amendments shall be effective from July 01, 2015 unless otherwise provided

The proposed amendments in Sales Tax Act, 1990, vide Finance Bill, 2015 seeks to continue the government policy to broaden the tax net and bring more taxpayers in the tax net.

The rate of further tax on taxable supplies to unregistered persons has been increased from 1% to 2%, tax @ 10% has been imposed on branded dairy products, tax @ 5% has been imposed on poultry & cattle feed and its ingredients, 10% tax has been imposed on agricultural tractors, 7% tax has been imposed of agricultural machinery, rate of tax on imported machinery and oilseeds has been increased from 5% to 10%, tax @ 5% has been imposed on secondhand and worn clothing or footwear, fixed tax on mobile phones has been increased.

On the other hand relief has been given in a number of areas. The limit of annual utility bills for cottage industry has been enhanced. Exemption has been provided on local supply of hides & skins, bricks, crushed stone and manufacturers of marble and granite having annual turnover less than five million rupees. Exemption on import and supply has been allowed on appliances for colostomy, colostomy and urostomy bags, tubular day lighting devices, specified diagnostic kits and equipments, blood bag

The detail of the amendments proposed in various sections and schedules of Sales Tax Act, 1990 is as under:-

1. Definitions SECTION 2

The following amendments to section 2 of the Sales Tax Act, 1990, have been proposed through the Finance Bill, 2015.

Active Taxpayer **Clause 1**

This newly proposed clause defines active taxpayer as a registered person who does not fall in any of the following categories:-

- Who is blacklisted or whose registration is suspended or is blocked.
- Who fails to file Monthly Sales Tax Return within the due date for two consecutive tax periods.

- Who fails to file an Income Tax return within due date.

- Who fails to file two consecutive monthly or an annual withholding tax statement under section 165 of the Income Tax Ordinance, 2001.

The existing clause 1 providing definition of "Appellate Tribunal" has been proposed to be renumbered as clause 1A.

Cottage Industry **Clause 5AB**

The proposed amendment seeks to enhance the minimum threshold of annual utility expense of a manufacturer, from seven hundred thousand rupees to eight hundred thousand rupees, in order to categorize such manufacturer as cottage industry.

Retailer **Clause 28**

It has been proposed that total turnover of a person, who combines business of import and retail business or manufacturing and retail business, will not be taken into account for registration as retailer.

Supply **Clause 33**

It has been proposed that the toll manufacturing (i.e. manufacturing or processing of goods, belonging to other persons, against processing or conversion charges) will also be treated as supply on delivery of such goods to respective owner.

Whistleblower **Clause 46A**

This newly proposed clause provides the definition of "whistleblower" as provided in newly proposed section 72D. As per section 72D, "whistleblower" means a person who reports concealment or evasion of sales tax and tax fraud to the competent authority against any person or a sales tax authority committing fraud, corruption, misconduct, or involved in concealment or evasion of taxes.

2. Scope of tax **SECTION 3**

It has been proposed to increase the rate of further tax from 1% to 2%. Consequent to this proposed amendment, further tax @2% in addition to standard rate of 17% is to be charged on taxable supplies to unregistered persons.

The existing sub clause 2(b) pertaining to power of Federal Government to specify the manner and rate of tax on specified goods / persons has proposed to be rephrased in order to achieve clarity and harmonization.

3. Time and manner of payment **SECTION 6**

The proposed insertion of word "including recovery" in sub section 1, aims to provide clarity and harmonization for payment of sales tax at import stage.

4. Determination of tax liability **SECTION 7**

The proposed insertion of "Section 81 of the Customs Act, 1969" in sub section 2(ii) aims to provide clarity and harmonization for adjustment of input tax paid at import stage.

5. Tax credit not allowed **SECTION 8**

It has been proposed to allow the adjustment of tax paid on pre-fabricated buildings.

It has also been proposed to disallow the adjustment of tax paid on following transactions:-

- Services in respect of which input tax adjustment is barred under the respective provincial sales tax law.
- Import or purchase of agricultural machinery or equipment subject to sales tax at the rate of 7% under Eighth Schedule.
- 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 respective supplier in his return.

6. Joint and several liability of registered persons in supply chain where tax unpaid **SECTION 8A**

The proposed insertion in this section bounds the tax department while invoking this section against any registered person, to prove the fact that such registered person was aware of non-payment of sales tax in respective supply chain.

7. Exemption SECTION 13

The proposed amendment aims to provide procedure and conditions for issuance of sales tax exemption notifications. As per propose amendment, the Federal Government can only issue notifications providing sales tax exemption 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. Prior to this amendment, the Federal Government was empowered to issue exemption notification at its will without any predefined conditions.

The powers of FBR to issue exemption notifications have been proposed to be withdrawn.

It has also been proposed that the Federal Government shall be required to place, all the sales tax exemption notifications issued during a financial year, before the National Assembly.

It has further been proposed that every sales tax exemption notification shall, if not earlier rescinded, stand rescinded on the expiry of respective financial year in which such notification was issued.

8. Registration SECTION 14

It has been proposed to redefine the sales tax registration requirement. As per amendment, following persons, if engaged in making taxable supplies in Pakistan (including zero-rated supplies) in the course or furtherance of any taxable activity, are required to get sales tax registration:-

- A manufacturer other than cottage industry.
- Retailer who is liable to pay sales tax excluding such retailer required to pay sales tax through his electricity bill.
- An importer.
- An exporter who intends to obtain sales tax refund against his zero-rated supplies.
- A wholesaler, dealer or distributor.

- A person who is required, under any other Federal law or Provincial law, to be registered for the purpose of any duty or tax collected or paid as if it were a levy of sales tax.

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

9. Active taxpayers list SECTION 21A

This newly proposed section empowers FBR to maintain list of active taxpayers and to prescribe rules for imposition of restrictions and limitations on non-active taxpayers.

10. Access to record, documents, etc. SECTION 25

The proposed amendment seeks to abolish the reference to the omitted section 36 relating recovery of tax not levied or erroneously refunded.

11. Audit by Special Audit Panels SECTION 32A

The existing scheme of special audit is proposed to be revised, under existing scheme, only chartered accountants and cost & management accountants were allowed to conduct special audit. The proposed revised scheme is named as "Audit by Special Audit Panels". Major features of the newly proposed audit scheme are as under:-

- Special audit panels will constitute two or more members appointed by FBR.

- Following persons can be appointed as member of audit panel:-

  - An officer or officers of Inland Revenue.
  - A firm of chartered accountants.
  - A firm of cost and management accountants.
  - Any other person as directed by the FBR.

- The audit panel may conduct the audit of registered persons, including audit of refund claims and forensic audit.

- The scope of audit shall be determined by FBR or the Commissioner Inland Revenue on a case-to-case basis.

- The audit panel may conduct audit jointly with similar audits being conducted by provincial administrations of sales tax on services.

- Every member of an audit panel shall have powers of an officer of Inland Revenue.

- Each special audit panel shall be headed by a chairman who shall be an Officer of Inland Revenue.

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

- FBR may prescribe rules in respect of constitution, procedure and working of special audit panel.

12. Offences and penalties SECTION 33

It has been proposed to impose penalty of Rs. 100 per day, in case return is filed within ten days after the due date. Prior to this amendment penalty of Rs. 100 per day, was imposable in case return was filed within fifteen days after the due date.

It has also been proposed to impose penalty of Rs. 500 per day, in case the amount of tax is paid within ten days after the due date. Prior to this amendment penalty of Rs. 100 per day, was imposable in case the amount of tax was paid within fifteen days after the due date.

13. Monitoring or tracking by electronic or other means SECTION 40C

It has been proposed that the tax stamps, banderoles, stickers, labels, barcodes etc., required to be affixed on goods, monitored under this section, shall only be acquired from a licensee appointed by FBR for this purpose. FBR shall also approve the price to be paid by respective registered person to respective licensee for such stamps, banderoles, stickers, labels, barcodes *etc*.

Prior to this amendment, there was no such restriction on respective registered person while acquiring such tax stamps, banderoles, stickers, labels, barcodes etc.

14. Agreement for the exchange of information **SECTION 56A**

This newly proposed section empowers the Federal Government to enter into bilateral or multilateral agreements with provincial governments or with governments of foreign countries for exchange of information pertaining to sales tax.

15. Disclosure of information by a public servant **SECTION 56B**

This newly proposed section provides that any information acquired under any provision of this Act or in pursuance of a bilateral or multilateral agreement or tax information exchange agreement shall be confidential and no public servant shall disclose any such information, except as provided under section 216 of the Income Tax Ordinance, 2001.

16. Prize schemes to promote tax culture **SECTION 56C**

This newly proposed section empowers FBR to prescribe prize schemes to encourage the general public to make purchases from registered persons.

17. Reward to whistleblowers **SECTION 72D**

This newly proposed section provides that the FBR may sanction reward to the persons providing credible information leading to detection of tax fraud. However the claim for reward by such person shall be rejected if:-

- The information provided is of no value.
- The Board already had the information.
- The information was available in public records.
- No collection of taxes is made from the information provided from which the Board can pay the reward

18. Fifth Schedule **ZERO RATING**

It has been proposed to withdraw zero rating on following dairy products. A corresponding amendment has been made in Sixth Schedule to provide specified exemption of sales tax on these products:-

Flavored milk	Yogurt	Cheese
Butter	Cream	Desi ghee
Whey	Milk and cream, concentrated and added sugar or other sweetening matter	

It has also been proposed to allow zero rating to any manufacturer, who exports exempt goods. Prior to this amendment, only the manufacturer who makes local supplies of both taxable and exempt goods was allowed zero rating on export of exempt goods.

The existing scheme of zero rating on supply of locally manufactured goods to Export Processing Zones is proposed to be revised. Consequent to the proposed amendment, supply of following locally produced plant and machinery to manufacturers in Export Processing Zone will be subject to zero rating:-

(i) Plant and machinery, operated by power of any description, as is used for the manufacture or production of goods by that manufacturer.

(ii) Apparatus, appliances and equipments specifically meant or adapted for use in conjunction with the machinery specified in Para (i) above.

(iii) Mechanical and electrical control and transmission gear, meant or adapted for use in conjunction with machinery specified in Para (i) above.

(iv) Parts of machinery as specified in Para (i), (ii) and (iii) identifiable for use in or with such machinery.

The zero rating on above mentioned plant and machinery is subject to following conditions and restrictions:-

- The supplier of the machinery is a registered person and proper bill of export is filed showing registration number.

- The purchaser of the machinery is an established manufacturer located in the Export Processing Zone and holds a certificate from the Export Processing Zone Authority.

- The purchaser submits an indemnity bond in proper form to the satisfaction of the concerned Commissioner Inland Revenue that the machinery shall, without prior permission from the said Commissioner, not be sold, transferred or otherwise moved out of the Export Processing Zone before a period of five years from the date of entry into the Zone.

- If machinery is brought to tariff area of Pakistan, sales tax shall be charged on the value assessed on the bill of entry.

- Breach of any of the conditions specified herein shall attract legal action under the relevant provisions of the Act, besides recovery of the amount of sales tax along with default surcharge and penalties.

19. Sixth Schedule **EXEMPTIONS**

It has been proposed to allow exemption of sales tax on import and supply of following goods:-

- Appliances for colostomy.

- Colostomy and urostomy bags.

- Tubular day lighting devices.

- Specified diagnostic kits or equipment.

- Blood Bag CPDA-1 with blood Respective transfusion set pack in aluminum foil with set.

- Urine drainage bags.

- Aircraft, whether imported or acquired on wet or dry lease.

- Maintenance kits for use in trainer aircrafts.

- Spare parts for use in aircrafts, trainer aircrafts or simulators.

- Machinery, equipment and tools for setting up maintenance, repair and overhaul (MRO) workshop by MRO Company recognized by Aviation Division.

- Operational tools, machinery, equipment and furniture and fixtures on one-time basis for setting up Greenfield airports by a company authorized by Aviation Division.

- Aviation simulators imported by an airline company recognized by Aviation Division.

- Following dairy items if not sold in retail packing under a brand name:-

Flavored milk	Yogurt	Cheese
Butter	Whey	Desi ghee
Processed cheese not grated or powdered	Milk and cream, concentrated and added sugar or other sweetening matter	

It has also been proposed to allow sales tax exemption on local supply of following goods:-

- Raw & pickled hides & skins and wet blue hides & skins.

- Supplies made by manufacturers of marble and granite having annual turnover less than five million rupees even if their annual utility bill is more than eight hundred thousand rupees.

- Bricks (up to 30th June, 2018).

- Crushed stone (up to 30th June, 2018).

It has been proposed to withdraw exemption of sales tax on import and supply of following goods and corresponding amendment has been proposed in Eighth Schedule to impose reduced rate of sales tax on these items:-

- Poultry feed, Cattle feed and their ingredients except soya bean meal and oil cake of cottonseed.

- Incinerators of disposal of waste management, motorized sweepers and snow ploughs.

- Re-import of foreign origin goods which were temporarily exported out of Pakistan.

- Following dairy products if sold in retail packing under a brand name:-

Flavored milk	Yogurt	Cheese
Butter	Whey	Desi ghee
Processed cheese not grated or powdered	Milk and cream, concentrated and added sugar or other sweetening matter	

The existing general exemption on import and supply of Green House Farming Equipment is proposed to be restricted to the extent of plastic covering, mulch film, anti-insect net and shade net only.

The exemption available on local supply of Reclaimed Lead and Waste paper is proposed to be withdrawn. A corresponding amendment has been proposed in Schedule Eight to impose 5% sales tax on these items.

The exemption available on import of following goods has been proposed to be withdrawn:-

- Machinery, equipments, raw materials, components and other capital goods for use in buildings, fittings, repairing or refitting of ships, boats or floating structures imported by Karachi Shipyard and Engineering Works Limited.

- Plant, machinery, equipment and specific items used in production of bio-diesel. A corresponding amendment has been proposed in Schedule Eight to impose 5% sales tax on this item.

19. Eighth Schedule **REDUCED RATE OF TAX**

It has been proposed to enhance the reduced rate from 5% to 10% on following goods:-

- Soyabean meal.

- Oilseeds meant for sowing at import stage.

- Plant and machinery not manufactured locally having no compatible local substitutes at import stage.

It has also been proposed to withdraw reduced rate of sales tax @ 5% on Directly Reduced Iron, accordingly 17% sales tax will be applicable on this item.

It has also been proposed to impose the specified reduced rate of sales tax on following items. A corresponding amendment has been proposed in Sixth Schedule to withdraw sales tax exemption on these items where applicable:-

Description	Rate of sales tax
Flavored milk sold in retail packing under a brand name.	10%
Yogurt sold in retail packing under a brand name.	10%
Cheese sold in retail packing under a brand name.	10%
Butter sold in retail packing under a brand name.	10%
Cream sold in retail packing under a brand name.	10%
Desi ghee sold in retail packing under a brand name.	10%
Whey sold in retail packing under a brand name.	10%
Milk and cream, concentrated and added sugar or other sweetening matter sold in retail packing under a brand name.	10%
Poultry feed, cattle feed, and their ingredients except soya bean meal of and oilcake of cottonseed	5%
Incinerators of disposal of waste management, motorized sweepers and snow ploughs.	5%
Re-importation of foreign origin goods which were temporarily exported out of Pakistan.	5%
Reclaimed lead if supplied to Recognized manufacturers of lead and lead batteries.	5%
Waste paper.	5%
Plant, machinery, equipment and specific items used in production of biodiesel.	5%
Rapeseed, sunflower seed and canola seed on import by solvent extraction industries.	16%
Soya bean seed on import by solvent extraction industries, subject to the condition that no refund of input tax shall be admissible.	6%
Secondhand and worn clothing or footwear.	5%
Agricultural tractors.	10%
Tillage and seed bed preparation equipment	7%
Seeding or planting equipment	7%
Irrigation, drainage and agro-chemical application equipment.	7%
Harvesting, threshing and storage equipment.	7%
Post-harvest handling and processing & miscellaneous machinery.	7%

It has been proposed to enhance the reduced rate from NIL to 10% on following goods:-

- Machinery and equipment for development of grain handling and storage facilities.

- Complete plants for relocated industries.

- Machinery, equipment and other capital goods meant for initial installation, balancing, modernization, replacement or expansion of oil refining, petrochemical and petrochemicals downs tream products including fibers and heavy chemical industry, cryogenic facility for ethylene storage and handling.

It has further been proposed to withdraw reduce rate of NIL on following goods consequently these goods will be subject to 17% sales tax:-

- Items imported by Call Centers and Business Processing Outsourcing facilities dully approved by PTA.

- Proprietary framework system for building structures of a height of 100 ft and above and its various items / components.

20. Ninth Schedule **FIXED TAX**

It has been proposed to increase the fixed rate of tax on following items at import stage:-

- The fixed tax has been increased from Rs. 150 to Rs. 300 on import of mobile / satellite phone having camera of 2.0 mega-pixels or less, 2.6 inches or less screen and keypad.

- The fixed tax has been increased from Rs. 250 to Rs. 500 on import of mobile / satellite phone having one or two cameras of 2.1 to 10 mega-pixels, 2.6 to 4.2 inches screen and micro-processor less than 2GHZ.

- The fixed tax has been increased from Rs. 500 to Rs. 1000 on import of mobile / satellite phone having one or two cameras of 10 or more mega-pixels, 4.2 or more inches touch screen, 4GB or more memory and 2GHZ or higher micro-processor.

THE ISLAMABAD CAPITAL TERRITORY (TAX ON SERVICES) ORDINANCE, 2001

AMENDMENTS PROPOSED BY THE FINANCE BILL, 2015
All amendments shall be effective from July 01, 2015 unless otherwise provided

The proposed amendments in Islamabad Capital Territory (Tax on Services) Ordinance, 2001 seeks to significantly enhance the scope of tax on services. The services which have proposed to be brought in the tax net under the scope of this ordinance are listed below along with respective tax rate:-

Description of Services	Tax rate
Construction services, excluding: (i) Construction projects (industrial and commercial) of the value (excluding actual and documented cost of land) not exceeding Rs. 50 million per annum. (ii) The cases where sales tax is otherwise paid as property developers or promoters. (iii) Government civil works including Cantonment Boards. (iv) Construction of industrial zones, consular buildings and other organizations exempt from income tax. (v) Construction work under international tenders against foreign grants-in-aid. (vi) Residential construction projects where the covered area does not exceed 10,000 square feet for houses and 20,000 square feet for apartments.	16%
Services provided by property developers and promoters (including allied services) excluding the actual purchase value or documented cost of land.	Rs. 100 per square yard for land development and Rs. 50 per square feet for building construction
Services provided by persons engaged in contractual execution of work, excluding: (i) aAnnual total value of the contractual works or supplies does not exceed Rs.50 million. (ii) The contract involving printing or supplies of books.	16%
Services provided for personal care by beauty parlours, clinics and slimming clinics, body massage centres, pedicure centres; including cosmetic and plastic surgery by such parlours/clinics, butexcluding:	16%

(i) Annual turnover does not exceed Rs.3.6 million; or (ii) The facility of air-conditioning is not installed or available in the premises.	
Management consultancy services	16%
Services provided by freight forwarding agents packers and movers.	16% or Rs. 400 per bill of lading, whichever is higher
Services provided by software or IT-based system development consultants.	16%
Services provided by technical, scientific and engineering consultants.	16%
Services provided by other consultants including but not limited to human resource and personnel development services; market research services and credit rating services.	16%
Services provided by tour operators and travel agents including all their allied services or facilities (other than Hajj and Umrah).	16%
Manpower recruitment agents including labour and manpower supplies.	16%
Services provided by security agencies.	16%
Services provided by advertising agents.	16%
Share transfer or depository agents including services provided through manual or electronic book-entry system used to record and maintain securities and to register the transfer of shares, securities and derivatives.	16%
Business support services.	16%
Services provided by fashion designers, whether relating to textile, leather, jewellery or other product regimes, including allied services, marketing, packing, delivery and display, etc.	16%
Services provided by architects, town planners and interior decorators.	16%
Services provided in respect of rent-a-car.	16%
Services provided by specialized workshops or undertakings (autoworkshops; workshops for industrial machinery, construction and earth- moving machinery or other special purpose machinery etc; workshops for electric or electronic equipments or appliances etc. including computer hardware; car washing or similar service stations and other workshops).	16%
Services provided for specified purposes including fumigation services, maintenance and repair (including building and	16%

equipment maintenance and repair including after sale services) or cleaning services, janitorial services, dredging or desilting services and other similar services etc.	
Services provided by underwriters, indenters, commission agents including brokers (other than stock) and auctioneers.	16%
Services provided by laboratories other than services relating to pathological or diagnostic tests for patients.	16%
Services provided by health clubs, gyms, physical fitness centres, indoor sports and games centres and body or sauna massage centres.	16%
Services provided by laundries and dry cleaners.	16%
Services provided by cable TV operators.	16%
Technical analysis and testing services.	16%
Services provided by TV or radio program producers or production houses.	16%
Transportation through pipeline and conduit services.	16%
Fund and asset (including investment) management services.	16%
Services provided by inland port operators (including airports and dry ports) and allied services provided at ports and services provided by terminal operators including services in respect of public bonded warehouses, excluding the amounts received by way of fee under any law or by law.	16%
Technical inspection and certification services and quality control (standards' certification) services.	16%
Erection, commissioning and installation services.	16%
Event management services.	16%
Valuation services (including competency and eligibility testing services).	16%
Exhibition or convention services.	16%
Services provided in respect of mining of minerals, oil & gas including related surveys and allied activities.	16%
Services provided by property dealers and realtors.	16%
Call Centres	18.5%
Services provided by car/automobile dealers.	16%

PROPOSED TAX CARD

Tax Year 2015-16

TAX RATES FOR INDIVIDUALS & ASSOCIATION OF PERSONS

Income group					Tax Rate
Up to			Rs.	400,000	NIL
Rs.	400,001	to	Rs.	500,000	7% of amount exceeding Rs. 400,000
Rs.	500,001	to	Rs.	750,000	Rs. 7,000 + 10% of amount exceeding Rs. 500,000
Rs.	750,001	to	Rs.	1,500,000	Rs. 32,000 + 15% of amount exceeding Rs. 750,000
Rs.	1,500,001	to	Rs.	2,500,000	Rs. 144,500 + 20% of amount exceeding Rs. 1,500,000
Rs.	2,500,001	to	Rs.	4,000,000	Rs. 344,500/- + 25% of amount exceeding Rs. 2,500,000/-
Rs.	4,000,001	to	Rs.	6,000,000	Rs. 719,500/- + 30% of amount exceeding Rs. 4,000,000/-
Rs.	6,000,001	to	Rs.	above	1,319,500+ 35% of the amount exceeding Rs. 6,000,000/-

Minimum Tax u/s 113 chargable as per Division IX, Part-I, Ist Schedule is 1% except the following given as under;

- Oil Marketing Companies, Oil Refineries, Sui Southern & Sui Northern Gas Co., (where annual turnover exceeds 1 Billion (Tax Rate : 0.5%)
- Pakistan International Airlines Corporation, Poultry industry including breeding, broiler production, egg and feed production (Tax Rate : 0.5%)
- Distributor of pharmaceutical products, fertilizers and cigarrets, petroleum agents and distributors (who are registered under Sales Tax Act, 1990) (Tax Rate: 0.2%)
- Rice Mills, Dealers & Flour Mills (Tax Rate : 0.2%) , Motor Cycle dealers registered under ST Act, 1990 (Tax Rate 0.25%)

The rate of tax as prescribed by section 113B for qualifying under PTR are given as under:

Rs. 1 to Rs. 5 M	Rs. 25,000/-
Rs. 5M to Rs. 10M	25000+0.5% of the turnover exceeding
Rs. 10 M and above	Rs. 50,000/-+ 0.75% of the turnover exceeding Rs. 10M

RATES OF ADVANCE TAX ON DIVIDEND

1.	Dividends declared by purchaser of power project privatized by WAPDA or on shares of a company setup for Power Generation or supplying coal for PG	7.5%
2.	Other cases	12.5%
3.	Dividends received by Stock fund if reciept is less than capital gain	15%

Payments to PE of non-resident (152 (2A))

in case of goods, services & execution of contracts

4% of amount payable in case of "filer" company
6% of amount payable in case of "non-filer" company
4.5% of gross amount payable in case of "filer" other cases
6.5% of gross amount payable in case of "non-filer" other cases

In case of Transport Services

2% of gross amount payable

In cases other than transport

8% of amount payable in case of "filer" company
12% of amount payable in case of "non-filer" company
10% of gross amount payable in case of "filer" other cases
15% of gross amount payable in case of "non-filer" other cases

Payments for Goods, Services & Contracts (153)

in case of goods

4% of gross amount payable in case of "filer" company
6% of gross amount payable in case of "non-filer" company
4.5% of gross amount payable in case of "filer" other cases
6.5% of gross amount payable in case of "non-filer" other cases

in case of services

8% of gross amount payable in case of "filer" company
12% of gross amount payable in case of "non-filer" company
10% of gross amount payable in case of "filer" other cases
15% of gross amount payable in case of "non-filer" other cases

TAX RATES FOR SALARIED CLASS

Income group					Tax Rate
		Up to	Rs.	400,000	NIL
Rs.	400,001	to	Rs.	500,000	2% of amount exceeding Rs. 400,000
Rs.	500,001	to	Rs.	750,000	Rs. 2,000/- + 5% of amount exceeding Rs. 500,000/-
Rs.	750,001	to	Rs.	1,400,000	Rs. 14,500 + 10% of the amount exceeding Rs. 750,000/-
Rs.	1,400,001	to	Rs.	1,500,000	Rs. 79,500/- + 12.5% of amount exceeding Rs. 1,400,000/-
Rs.	1,500,001	to	Rs.	1,800,000	Rs. 92,000/- + 15% of amount exceeding Rs. 1,500,000/-
Rs.	1,800,001	to	Rs.	2,500,000	Rs. 137,000/- + 17.5% of amount exceeding Rs. 1,800,000/-
Rs.	2,500,001	to	Rs.	3,000,000	Rs. 259,500/- + 20% of amount exceeding Rs. 2,500,000/-
Rs.	3,000,001	to	Rs.	3,500,000	Rs. 359,500/- + 22.5% of amount exceeding Rs. 3,000,000/-
Rs.	3,500,001	to	Rs.	4,000,000	Rs. 472,000/- + 25% of amount exceeding Rs. 3,500,000/-
Rs.	4,000,000	to	Rs.	7,000,000	Rs. 597,000/- + 27.5% of amount exceeding Rs. 4,000,000/-
Rs.	7,000,001	to	Rs.	above	Rs. 1,422,000/- + 30% of the amount exceeding Rs. 7,000,000/-

CAPITAL GAIN ON SALE OF IMMOVABLE PROPERTY

	Period	Rate
1.	Where Holding period of Immovable Property is upto one year	10.0%
2.	Where Holding period of Immovable Property is more than one year but not more than 2 Years	5.0%
3.	More than two years	0.0%

RATES OF ADVANCE TAX ON SALE OF SECURITIES

(Division VII, 37A)

	Period	Applicable Rates
1.	Where holding period of a security is less than twelve months.	**TY2015**: 12.5%, **TY2016**: 15%
2.	Where holding period of a security is more than twelve months but less than twenty four	**TY2015**: 10%, **TY2016**: 12.5%
3.	Where holding period of a security is twenty four months or more but less than four years	**TY2015**: 0%, **TY2016**: 7.5%

RATES OF ADVANCE TAX ON SALE OF IMMOVABLE PROPERTIES

Rate of tax under section 236C shall be as follows;

In case of filers	0.50%
In case of non- filers	1%

TAX RATES FOR IND & AOP UNDER SECTION 155

Up to Rs. 150,000/-	NIL
Rs. 150,001 to Rs. 400,000/-	10% of gross amount
Rs. 1,000,001	Rs. 85,000/-

TAX RATES FOR COMPANIES UNDER SECTION 155

The rate of tax in the case of company shall be 14% of gross amount of rent

in case of contracts including contracts signed by sports persons

7% of gross amount payable in case of "filer" company
10% of gross amount payable in case of "non-filer" company
7.5% of gross amou
10% of gross amount payable in case of "non-filer" other cases
10% of gross amount payable in case of "sports persons"

RATES OF TAX

Particulars	Rate
Depreciation Rates as per Third Schedule	
Buildings (All Types)	10%
Furniture including Fittings, Plant & machinery	15%
Motor Vehicle (All Types)	15%
Ships, Technical and professional Books	15%
Computer Hardware including Printer etc	30%
Mineral Oil Concerns	
- Below Ground Installations	100%
- Off Shore Platforms	20%
- Production Installations	20%
Ramp built for Disabled persons not exceeding Rs. 250,000/-	100%
Super Tax (Companies, Individuals & AOPs)	
Banking Cos.	4%
Other persons (on income greater than or equal to Rs. 500M)	3%
- Dividend recived by Banks (tax years) 2014	35%
- (to be taxed progressively over 1 year at given rates) 2015-16	35%
- Raffle, lottery, prize or winning a quiz or , Sales promotion schemes	20%
- Interest on an account or deposits with banks / financial institutions	10%
- Yield on a National Saving Deposit Certificate, including a Defense Saving Certificate, under the National Saving Scheme.	10%
Brokerage and Commision	
- Advertising Agents - Filers	10%
- Other Cases	12%
- Non Filers	15%
- Profit on any security issued by the Federal Government, a Provincial Government or a local authority to any person other than a financial institution.	10%
- Profit on any bond, certificate, debenture, security or instrument of any kind (not a loan agreement between a borrower and a banking company or a development finance institution) by a banking company, financial institution, finance society or a company a as defined in the 2001 Ordinance, other than to a financial institution.	10%
- On Export of Raw Cotton and Cotton Yarn	1%
- Prize on Prize Bond or a Cross-Word Puzzle	15%
- On sale by auction	10%
- On functions and gatherings	5%
- On foreign produced films and television plays	
- foreign produced films	Rs. 1,000,000/-
- foreign produced TV drama serials (per episode)	Rs. 100,000/-
- foreign produced TV plays (Single Episode)	Rs. 100,000/-
- By educational institutions (on amount of fee)	5%
Telephone Bills/Prepaid payphone Cards	10%
- Cash withdrawal from Bank - In case of filers	0.3%
- Cash withdrawal from Bank - In case of non- filers	0.5%
- Supply of Rice, Cotton and Cotton seed	1.5%
- Telephone and mobile subscriber exceeding bill Rs. 1000/-	10%
- On sales to distributors, dealers or wholesalers (on gross sales)	0.1%
- On sales to retailers (on gross sales)	0.5%
- Imports(on import value as increased by custom duty, sales tax and FED)	
Industrial Undertakings (remeltable steel & pottasic fert., Urea & Manufac.)	1%
Persons importing pulses	2%
Comercial Importers covered under Notification No. S.R.O.1125(I)	3.0%
Ship breakers	4.5%
Ind. Undertakings covered under S.No 1-4 of section 148	5.5%
Companies not covered under S.No. 1 to 5 of section 148	5.5%
Persons not covered under S.Nos. 1 to 6 of section 148	6%
- On gas consumption charges of CNG Stations	4%
- Payments to non-residents for execution of:	
- Turnkey Contract	6%
- Contract, Sub-Contract for the design, Construction or supply of plant & equipment:	
- Under a hydel power project or a transmission line project	6%
- Under any other power project	6%
- Any other contract:	6%
- Advertisement by the Private TV Channels	6%
- Petroleum Products u/s 156 A - For Filers	12%
- Petroleum Products u/s 156 A - For Non- Filers	15%
- Royalties / Fee for technical services	15%
- Local purchase of edible oil (net)	2%
- Purchase of Air Ticket	
- On payment to non residents other than salary, dividend, supplies, services, execution of contracts, property, prize money, winning from raffles, lottery or cross word puzzles.	20%
- Payment to non resident media person (tax on gross amount of sales)	1%
- Banking Transactions	0.3%
- On Sale and purchase of shares	0.01%

RATE OF TAX FOR COMPANIES

	TAX YEAR 2015	TAX YEAR 2016
Rate of tax for small company	25%	25%
Rate of tax for all kinds of companies	33%	32%
Rate of tax for banking companies	35%	35%

The rate of tax imposed under section 7 shall be:

- In the case of shipping 8% of the gross amount received or receivable;
- In the case of air transport 3% of the gross amount received or receivable;

RATES OF APPEAL FEE

	Appeal against assesment	Other cases
Commissioner (Appeals) /Addl. Commissioner	Rs. 1,000/-	Company Rs.1,000/- , Others Rs. 200/-
Income Tax Appellate Tribunal.	Rs. 2,000/-	Rs. 2,000/-

PROPOSED TAX CARD

Tax Year 2015-16

Tax on Motor Vehicles u/s 234

Goods Transport Vehicle

- Rs. 2.5/- per KG of Laden Weight in case of Filers
- Rs. 4/- per KG of Laden Weight in case of Non-Filers

Rates for Builders and Developers
In case of Building Rs. 50/- per Sq. Ft
In case of Land Rs. 100/- per Sq. yard

Tax rates for passengers & goods transport vehicles

20 persons or more	Rs.100 to Rs. 500 per seat per annum	
Goods transport vehicle	Rs.1 to Rs. 5 per Kg Laden Weight	

ADVANCE TAX ON PURCHASE OF IMMOVABLE PROPERTY

1.	Value less than Rs. 3,000,000/-	0%
2.	Value greater than Rs. 3,000,000/-	
	In case of filer	1%
	In case of non- filer	2%

Advance Tax on payment to a resident person for right to use machinery and equipment Section 236Q - Rate of tax shall be 10% of amount of payment

Advance Tax Collection by Pakistan Mercantile Exchange Limited Section 236T (Tax under this section shall be treated as minimum tax)	Sale or purchase of future commodity contract	0.10%
	Sale or purchase of future commodity contract	0.10%

Passenger Transport Vehicle - Plying for Hire *(Tax in accordance with seating capacity)*

Seating Cap.	Filer (Rs/ seat/ annum)	Non- Filer (Rs/ seat/ annum)
Four or more and less than ten	50	100
Ten or more and less than twenty	100	200
Twenty or more	300	500

RATE OF MOTOR VEHICLE TAX

Particulars	Section 234 (3)		Section 234(4)	
Engine Capacity	**Filer**	**Non-Filer**	**Filer**	**Non-Filer**
upto 1000cc	Rs.800.00	Rs.1,200.00	Rs.10,000.00	Rs.10,000.00
1001cc to 1199cc	Rs.1,500.00	Rs.4,000.00	Rs.18,000.00	Rs.36,000.00
1200cc to 1299cc	Rs.1,750.00	Rs.5,000.00	Rs.20,000.00	Rs.40,000.00
1300cc to 1499cc	Rs.2,500.00	Rs.7,500.00	Rs.30,000.00	Rs.60,000.00
1500cc to 1599cc	Rs.3,750.00	Rs.12,000.00	Rs.45,000.00	Rs.90,000.00
1600cc to 1999cc	Rs.4,500.00	Rs.15,000.00	Rs.60,000.00	Rs.120,000.00
2000cc and above	Rs.10,000.00	Rs.30,000.00	Rs.120,000.00	Rs.240,000.00

RATES OF ADVANCE TAX ON SALE OF SECURITIES
(Division VII, 37A)

Sr.No	Period	Applicable Rates
1.	Where holding period of a security is less than twelve months.	**TY2015**: 12.5%, **TY2016**: 15%
2.	Where holding period of a security is more than twelve months but less than twenty four months.	**TY2015**: 10%, **TY2016**: 12.5%
3.	Where holding period of a security is twenty four months or more but less than four years	**TY2015**: 0%, **TY2016**: 7.5%

Advance Tax on educational related expenses remitted abroad Section 236R - Rate of tax shall be 5% of amount of total educational related expenses

Payment by exporter to a non-resident person on account of services provided shall be taxed at 1%

Advance Tax on sale to dealers, distributors & wholesalers u/s 236G

	Filer	Non-Filer
Fertilizers	0.70%	1.40%
Other than fertilizers	0.10%	0.20%

Advance Tax on Banking Transactions other than through cash

In case of non-filers only (issuance of insruments, online transfers, internet banking etc)	0.6% of transaction amount

Advance tax on international air ticket u/s 236L

Type of Ticket	Rate (per person)
First/ Executive Class	16000/-
Others Excluding Economy	12000/-
Economy	0

RATE OF TAX ON COLLECTIVE INVESTMENT SCHEME OR MUTUAL FUND

Category	Indivdual/ AOP	Company
Stock Fund		
Filer	10%	10%
Non- Filer	17.50%	25%
Other Funds		
Filer	10%	25%
Non- Filer	17.50%	25%

** If dividend received is less than capital gain the rate of Tax shall be 12.5% (In case of Stock Funds)

ADVANCE TAX ON DOMESTIC ELECTRICITY CONSUMPTION

Monthly bill greater than Rs. 75,000/-	7.5%
Monthly bill less than Rs. 100,000/-	0%

Telephone, mobile & internet Users u/s 236

Telephone user (other than mobile phone) with bill exceeding Rs. 1,000/- (Tax @ exceeding amount)	10%
Subscriber of Internet, mobile phone and prepaid internet or telephone card	14%

Profit on Debt Under Division IIIA (Undistributed Reserves) - Section 5A

Profit upto Rs. 25,000,000/-	10%
Rs. 25,000,000/- to Rs. 50,000,000/-	2.5M+ 12.5% of amount exceeding Rs. 25 M
Rs. 50,000,000/- and above	Rs. 5,625,000/- + 15% of amount exceeding Rs. 50M

On registration & purchase of motor vehicle (Sec 231B (i) & (iii))

Engine capacity	Filer	Non- Filer
Upto Rs. 850cc	Rs.10,000	Rs.10,000
851 cc to 1000cc	Rs.20,000	Rs.25,000
1001 cc to 1300cc	Rs.30,000	Rs.40,000
1301 cc to 1600cc	Rs.50,000	Rs.100,000
1601 cc to 1800cc	Rs.75,000	Rs.150,000
1801 cc to 2000cc	Rs.100,000	Rs.200,000
2001 cc to 2500cc	Rs.150,000	Rs.300,000
2501 cc to 3000cc	Rs.200,000	Rs.400,000
Above 3000cc	Rs.250,000	Rs.450,000

** Provided that the rate of tax to be collected shall b reduced by 10% each year from the date of first registration in Pakistan

GENERAL TAX COMPLIANCES

Deposit of Tax	7 Days
Filing of Withholding Tax Statements	15th Day of following month
Filing of Annual Withholding Tax Statements u/s 165 for salaries	On or Before August 31
Anuual Income Tax Return	
- Individuals	On or before September 30 following year
- Association of Persons	On or before September 30 following year
- Companies	
- Having tax year falling between January 1 to June 31	On or Before December 31
- Other Cases	On or before September 30

Advance Tax u/s 147

Individual Cases	On or before 15 th day of month following quarter end except June quarter, which is June 15
AOP Cases	On or before 25 th day of month following quarter end except June quarter, which is June 15
Company Cases	On or before 25 th day of month following quarter end except June quarter, which is June 15

On transfer of registration of vehicle (Sec 231B (ii))

Engine capacity	Filer	Non- Filer
Upto Rs. 850cc	Rs.0	Rs.5,000
851 cc to 1000cc	Rs.5,000	Rs.15,000
1001 cc to 1300cc	Rs.7,500	Rs.25,000
1301 cc to 1600cc	Rs.12,500	Rs.65,000
1601 cc to 1800cc	Rs.18,750	Rs.100,000
1801 cc to 2000cc	Rs.25,000	Rs.135,000
2001 cc to 2500cc	Rs.37,500	Rs.200,000
2501 cc to 3000cc	Rs.50,000	Rs.270,000
Above 3000cc	Rs.62,500	Rs.300,000

Rate of Advance Tax to be collected by Collector of Customs u/s 148

	Persons	Filer	Non-Filer
1.	**Industrial Undertaking importig re-meltable steel**	1 % of the import value as increased by Custom Duty, Sales Tax & Federal Excise Duty	1.5% of the import value as increased by Custom Duty, Sales Tax and Federal Excise Duty
	Persons Importing Potassic Fertilizers in pursuance of economic co-ordination committee of cabinet's decision		
	Persons Importing Urea		
	Manufacturers covered under notification No. SRO 1125(1)/2011		
	Persons Importing Gold		
	Person Importing Cotton		
2.	**Person Importing Pulses**	2% of the Import Value as increased by Custom Duty, Sales Tax & FED	3% of the IV as increased by CD, ST & FED
3.	**Commercial importers covered under notification No. SRO 1125(1)/2011**	3% of the IV as increased by CD, ST & FED	4.5% of the IV as increased by CD, ST & FED
4.	**Ship Breakers on import of ships**	4.5% of the IV as increased by CD, ST & FED	6.5% of the IV as increased by CD, ST & FED
5.	**Industrial Undertaking not covered under section No. 1 to 4**	5.50%	8.00%
6.	**Companies not covered under S. No 1 to 5**	5.50%	8.00%
7.	**Person not covered under S.No 1 to 6**	6.00%	9.00%

General Offenses & Penalties

Offense	Penalty
Failure in Furnishing Return u/s 114	0.1% of Tax Payable for each day of default subject to maximum of 50%
Failure to Furnish Wealth Statement u/s 114,115,116	Rs. 100 for each day of default
Any person who fails to Deposit amount of Tax Due	5% of amount of defaulted tax
	An additional 25% for second default
	An additional 50% for third or sub-sequent default
Failure to Furnish correct particula	Rs.25,000/- or tax Evaded, Higher off