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HLB IJAZ TABUSSUM & CO.
Chartered Accountants
Islamabad.

June 3, 2016

The information presented in this Memorandum has been sifted from the Federal Budget and Finance Bill, 2016, as presented in the National Assembly. It contains proposed amendments, which will become operative only after adoption by the legislative. Views expressed herein should not be acted upon without first obtaining professional advice, as the interpretation may differ in different circumstances.

CONTENTS

FROM SENIOR PARTNER'S DESK

This is the 4th budget presented by the PML(N) government under great challenges being faced by the nation. Although the budget deficit has shown a reduction in the financial year 2015-16 but most of the economic targets like GDP growth, investments and exports could not be achieved. But this has not deterred the Government from setting once again ambitious targets in the current budget. Economic growth is showing signs of sustained recovery aided by falling commodity and fuel prices, increased energy availability and improved security conditions. Preliminary data for the first half of FY2016 show industrial growth accelerating on the back of higher activity in large-scale manufacturing and construction, the latter being driven primarily by initiation of China Pakistan Economic Corridor (CPEC) infrastructure and energy projects. Pakistan has important strategic endowments and development potential. The country is located at the crossroads of South Asia, Central Asia, China and the Middle East and is thus at the fulcrum of a regional market with a vast population, large and diverse resources, and untapped potential for trade. Pakistan's increasing working-age population provides the country with a potential demographic dividend but also with the critical challenge to provide adequate services and jobs.

Pakistan faces significant economic, governance and security challenges to achieve durable development outcomes. The persistence of conflict in the border areas and security challenges throughout the country affect all aspects of life in Pakistan and impedes development.

A range of governance and business environment indicators suggest that deep improvements in governance are needed to unleash Pakistan's growth potential.

As per the Economic Survey 2015 - 16, the CPI based inflation stood at average below 3 percent while the per capita income went up to $ 1,560 from $ 1,516 in the previous year. The performance of the agriculture sector was dismal with a negative growth of 0.19 percent largely due to poor cotton crop. The budget provides incentive to agriculture sector on fertilizers, pesticides and on electricity rate on agriculture tube wells.

Helped by cheap international oil prices and steady implementation of its reforms program, economic conditions have improved. The improved economic growth prospects have led rating agencies (Moody's, S&P) to improve their outlook for Pakistan over the past year. Growth is slowly recovering supported by a favorable slump in international oil prices and fast-growing remittances.

The Government has targeted its tax revenue collection at Rs 3,621 billion, an increase of nearly 16 percent, by taking steps like increasing withholding tax on commission of members of stock exchanges from 0.01 percent to 0.02 percent, enhancing sales tax on import of mobile phones from Rs 500 to Rs 1,000, increasing excise duty on cement by almost 100 percent and on cigarettes by 23 paisa and 55 paisa per cigarette on low and high brands respectively. Other steps include imposing 10 percent Capital Gain Tax on disposal of immovable properties sold within 5 years of acquisition, doubling of withholding tax on purchase/sale of properties for filers/non-filers and increase in duties up to 11 percent on imports of 900 items. The Government also intends to raise Rs 50 billion through privatization, the same as it had intended in previous year but which it had to revise downward to Rs 13.6 billion.

The total expenditure is estimated at Rs 4,395 billion, an increase of 7.3 percent. The defense budget has been increased to Rs 860 billion from Rs 776 billion in previous year while federal public sector development fund is increased to Rs 800 billion from Rs 661 billion. The Government has shown its sensitivity to the power sector by allocating Rs 380.4 billion to 31 new projects.

The Tax Memorandum hereinafter provides in depth analyses of the changes brought about 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 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 & International Contact Person

BUDGET 2016-17 AT A GLANCE

RECEIPTS:		Budget Estimates
S. No.	**SOURCES OF FUNDS (ESTIMATED)**	**(Rs. In billion)**
1.	Tax Revenue	3,956
2.	Non-Tax Revenue	960
	a) Gross Revenue Receipts (1+2)	4,916
	b) Less: Provincial Share	2,136
I.	Net Revenue Receipts (a-b)	2,780
II.	Net Capital Receipts (Non-Bank)	539
III.	External Receipts (net)	234
IV.	Estimated Provincial Surplus	339
V.	Bank Borrowing	246
VI.	Privatization Proceeds	0
TOTAL RESOURCES (I To VI)		**4,916**
EXPENDITURES:		**Budget Estimates**
S. No.	**APPLICATION OF FUNDS (ESTIMATED)**	**(Rs. In billion)**
	(A) Current: (1 To 7)	**3,921**
1.	Interest payment	1,360
2.	Pension	245
3.	Defense Affairs & Services	860
4.	Grants and Transfers	442
5.	Subsidies	141
6.	Running of Civil Government	353
	(B) Development: (I to III)	**995**
I.	Federal PSDP	800
II.	Net Lending	38
III.	Other development expenditure	157
TOTAL APPLICATION (A+B)		**4,916**

SALIENT FEATURES FOR BUDGET 2016-17

Board Principles of Taxation Proposals

The proposals for the budget 2016-17 are mainly based on the following principles: -

- Least burden on poor and middle class.
- Third 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 the number of slabs.
- Measures for broadening of tax base and documentation of economy.
- Increasing the share of the direct taxes.

INCOME TAX

Relief Measures

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

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

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

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

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

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

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

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

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

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

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

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

- **Reduction in Tax Rate on Commission of Life Insurance Agents:** At present, Commission paid to life insurance agents is taxed at the rate of 12% for filers. The rate of tax is being reduced to 8% for filer on commission received up to Rs. 0.5 Million.

- **Relief on Education Expenses:** In order to provide relief for education expenses which are unbearable for low income groups, individual having taxable income less than Rs. 1 million is being given tax relief equal to 5% of school fee up to Rs. 60,000 per child per annum.

Revenue Measures

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

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

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

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

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

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

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

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

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

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

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

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

SALES TAX & FEDERAL EXCISE

Relief Measures

- Zero-rating of export oriented sectors. Five export-oriented sectors are subject to reduced rates i.e. 3% and 5% under SRO 1125(I)/2011, dated 31.12.2011.

- Exemption of sales tax on pesticides. Keeping in view importance of pesticides for the agriculture sector, pesticides and their ingredients are being granted exemption from sales tax.

- Exemption from sales tax on the import of vitamins, premixes, minerals and micronutrients (food grade) to combat growth stunting.

- Exemption of sales tax on import of Laptops and PCs, with a view to promoting Information & Communication Technology (ICTs). This step will also promote genuine imports and will render informal and illegal imports as uncompetitive.

- Turnover threshold for cottage industry is being raised from Rs. 5 million to Rs. 10 million.

- Exemption of FED on services on which provinces are collecting sales tax.

- Exemption to Dump Trucks for Thar Coal Field.

- Exemption from sales tax and Federal Excise Duty to Concession Holder of Gwadar Port Authority and its operating companies, their contractors and subcontractors for development of Gwadar Port and Gwadar Free Zone.

- 23 years' exemption from sales tax and Federal Excise Duty to businesses to be established in Gwadar Free Zone.

- Exemption of sales tax on silos for grain storage.

- Levy of sales tax on urea at reduced rate of 5%, in order to promote agriculture and alleviate the conditions of farmers.

Revenue Measures

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

- Abolition of zero-rated status of Milk and fat-filled milk.

- Enhancement of Federal Excise Duty on Cement.

- Increase in the rate of sales tax on import of Mobile Phones.

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

- Enhancement of Federal Excise Duty on Aerated Waters.

- Levy of sales tax at retail price on mineral/bottled water.

- Enhancement of rate of sales tax on ingredients of poultry feed and cattle feed.

Streamlining Measures

- Levy of sales tax on sugar at reduced rate of 8%. Sugar is currently chargeable to Federal Excise Duty @ 8%. It is proposed to replace this Federal Excise Duty with levy of sales tax at reduced sales tax rate of 8%.

- Rationalization of exemption available to plant, machinery, equipment, etc. for production of Bio-Diesel.

CUSTOMS

Relief Measures

- Tariff slabs reduced from existing 5 to 4 by merging 2% slab and 5% slab in new 3% slab.

- 10% and 15% slabs substitute with 11% and 16% slabs respectively.

- Concessions of duty for Dairy, Livestock & Poultry Sectors from 5% to 2%.

- Concessions of duty for Fish Farming, fish feed pellet (floating type) machines from 5% to 2%, fish / shrimp feed 10% & 20% to 0%.

- Exemption from duty on import of Premixes to prevent growth stunting (from 5 – 20 to 0%).

- Expansion in scope of exemption on Renewable Energy Technologies.

- Expansion in scope of exemption for Charitable non-profit making Institutions Operating Hospitals.

- Relief on Cool Chain Machinery.

- Extension in relief on import of Solar Panels till June, 2017.

- Exemption from duty and taxes on disposal of old & used ambulances imported by Edhi Foundation.

- Implementation of automotive development policy (ADP) 2016-2021.

- Exemption of duty on Water Quality Testing Kits (20 % to 0%).

- Concessions of duty on local manufacturing of LED Lights (20% to 5%).

- Exemption of duty on Linear Akyl Benzene (2% to 0%).

- Reduction of duty on raw material of PVC Resin (5% to 3%).

- Reduction of duty on White Spirits (10% to 3%).

- Reduction of duty on Stamping Foil (20% to 16%).

- Reduction of duty on Fatty Alcohol Ethoxylate (15% to 5%).

- Reduction of duty on CFC Free Gases (15% to 11%).

- Reduction of duty on Aluminum Sheet in Coil (20% to 11%).
- Reduction of duty on Thermostats of Deep freezers (20% to 3%).
- Removal of RD from Bead Wire for tyres Manufacturers (10% to 0%).
- Removal of RD from Carbon Steel Strips used by Razor blade manufacturers (17.5% to 0%).

Revenue Measures

- Increase of duty on Almonds (10% to 20%).
- Increase of duty on Frozen fish (10% to 20%).
- Increase of duty on Medium Density Fiber board (15% to 20%).
- Increase of duty on Cement Clinker (2% to 11%).
- Increase of duty on Semi Printed/Printed Security Paper (5% to 16%).
- Increase of duty on Live Chicken stock and Eggs of chicken (5% to 11%)
- Increase of duty on Birds eggs not in shell (5% to 16%).
- Levy of RD on Powdered Milk (20% to 20%+25RD).
- Levy of RD on Whey Powder (20% to 20%+25RD).
- Rationalization of duty on Betel nuts and Betel Leaves (10 rs. 300/kg to 20 Rs. 600/kg).

INCOME TAX ORDINANCE 2001
AMENDMENTS PROPOSED BY THE FINANCE BILL, 2016

Through Finance Bill 2016, following further amendments are proposed to be incorporated in the Income Tax Ordinance, 2001 (XLIX of 2001):

SUPER TAX	SECTION 4B

Through Finance Act, 2015, section 4B was inserted, whereby super tax was levied on the taxable income of the banking companies and on the taxable income of the taxpayer's whose income exceeds from Rs. 500 Million. Earlier, the super tax was levied for the tax year 2015, whereas through this proposed amendment the scope of this tax is extended till tax year 2016.

TAX ON BUILDERS	SECTION 7C

A new section 7C is proposed to be added after section 7B, whereby, a comprehensive procedural mechanism has been provided for collection of tax from builders. Earlier, spot rate of Rs. 50 per square feet was provided, whereas, through this amendment other attributes, including area and situation of building has also been added to assess the minimum tax payable by builders. Further, for business operations condition of NOC from the concerned Commissioner has also been required. The proposed provision of tax is reproduced for the benefit of the reader;

7C. Tax on builders:

(1) Subject to this Ordinance, a tax shall be imposed on the profits and gains of a person deriving income from the business of construction and sale of residential, commercial or other buildings at the rates specified in Division VIIIA of Part I of the First Schedule.

(2) The tax imposed under sub-section (1) shall be computed by applying the relevant rate of tax to the area of the residential, commercial or other building being constructed for sale.

(3) The Board may prescribe:

- a) the mode and manner for payment and collection of tax under this section;
- b) the authorities granting approval for computation and payment plan of tax; and
- c) responsibilities of the authorities approving, suspending and cancelling no objection certificate to sell and the matters connected and ancillary thereto.

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

TAX ON DEVELOPERS	**SECTION 7D**

In line with aforesaid proposed amendment a new section 7D is also proposed to be added after section 7C, whereby, a comprehensive package of tax has been provided for Developers, which carry multi attributes, including size/area and demographics of land has also been added to assess the minimum tax payable by Developers. Further, for business operations condition of NOC from the concerned Commissioner has also been required. The proposed provision of tax is reproduced for the benefit of the reader;

7D. Tax on developers:

1) Subject to this Ordinance, a tax shall be imposed on the profits and gains of a person deriving income from the business of development and sale of residential, commercial or other plots at the rates specified in Division VIIIB of Part I of the First Schedule.

2) The tax imposed under sub-section (1) shall be computed by applying the relevant rate of tax to the area of the residential, commercial or other plots for sale.

3) The Board may prescribe:

- a) the mode and manner for payment and collection of tax under this section;
- b) the authorities granting approval for computation and payment plan of tax; and

c) responsibilities of the authorities approving, suspending and cancelling no objection certificate to sell and the matters connected and ancillary thereto.

(4) This section shall apply to projects undertaken for development and sale of residential, commercial or other plots initiated and approved after the 1st July, 2016.
In order to rationalize the provision of section 7C and 7D, section 113A and section 113B are proposed to be deleted.

CHARGE OF TAX	**SECTION 8**

By virtue of proposed amendment, the scope of this section is further extended in line with aforesaid proposed amendments. The tax collected under section 7C and 7D shall be final tax.

INCOME FROM PROPERTY	**SECTION 15**

Through, this newly proposed amendment and respective proposed insertion of new Division VIA to Part I of First Schedule to the Income Tax Ordinance, 2001, it has been sought to increase the rate of tax on property income. Earlier the maximum rate of tax on property income was 15%, whereas now this rate is increased to 20%.

DEDUCTION NOT ALLOWED	**SECTION 21(C)**

Earlier, the provisions of section 21(c) were restricted to the extent of services and rent payments, however, through this proposed amendment, it has been sought to extend the scope of this section to material purchases and items pertaining to trading account. Under the prevalent hostile revenue collection system, this newly proposed amendment will effect almost every corporate taxpayer and the other taxpayers, who have been obligated as withholding agent. Apparently, it is against the basic principal of taxation to tax an activity, whereby a tradable commodity is generated. Further, a proviso has also been provided to restrict such add backs to the taxable income to the extent of 20% to minimize the impact. Further, a restriction has also been provided on publicity expenditures of the pharmaceuticals companies, whereby it has been desired to add back expenditure in respect of sales promotion, advertisement and publicity in excess of five per cent of turnover incurred by pharmaceutical manufacturers.

DEDUCTIONS-SPECIAL PROVISIONS	**SECTION 22**

By virtue of proposed amendment, it has been sought to provide a clarification regarding provision of depreciation on assets used to earn the exempt income. A practice has been observed regarding recording of the fixed assets at cost, where the income of the taxpayer is exempt from tax in order to take benefit in future, when the such prescribed immunities expired or withdrawn. Through this amendment it has been obligated to record the tangible at WDV.

DISPOSAL OF SECURITIES	**SECTION 37**

Through this amendment it has been sought to clarify the meanings of derivative products. According to proposed amendment derivative products include future commodity contracts entered into by the members of Pakistan Mercantile Exchange whether or not settled by physical delivery.

EXEMPTION AND CONCESSION IN SECOND SCHEDULE	**SECTION 53**

The proposed amendment seeks to clarify and supplement the meaning of the word agreement provided in sub-section 2 of the aforementioned section. It has been added after the word agreement, that agreement for granting an exemption from any tax imposed under this Ordinance including a reduction in the rate of tax imposed under this Ordinance or a reduction in tax liability under this Ordinance or an exemption from the operation of any provision of this Ordinance to any international financial institution or foreign Government owned financial institution operating under an agreement, memorandum of understanding or any other arrangement with the Government of Pakistan.

EXEMPTION AND CONCESSION IN SECOND SCHEDULE	**SECTION 53**

The proposed amendment seeks to clarify and supplement the meaning of the word agreement provided in sub-section 2 of the aforementioned section. It has been added after the word agreement, that agreement for granting an exemption from any tax imposed under this Ordinance including a reduction in the rate of tax imposed under this Ordinance or a reduction in tax liability under this Ordinance or an exemption from the operation of any provision of this Ordinance to any international financial institution or foreign Government owned financial institution operating under an agreement, memorandum of understanding or any other arrangement with the Government of Pakistan.

CARRY FORWARD OF CAPITAL LOSSES	**SECTION 53**

The proposed amendment seeks to rationalize the impact of the aforesaid section. Through this amendment it has been directed to restrict the succession of losses by a holding company from losses of a subsidiary to the extent of share capital in the subsidiary. For such purposes a formula has been provided which is produced hereunder:

(1A) The loss to be surrendered under sub-section (1) shall be allowed as per following formula, namely: -

(A/100) x B

Where:

A is the percentage share capital held by the holding company of its subsidiary company; and
B is the assessed loss of the subsidiary company.

TAX CREDIT FOR INVESTMENT IN HEALTH INSURANCE	**SECTION 62A**

A new section "section 62A" is proposed to be added after section 62, whereby tax credit have been provided to the taxpayers who have contributed premium for health insurance. The proposed section is provided as under:

62A. Tax credit for investment in health insurance:

1) A resident person other than a company shall be entitled to a tax credit for a tax year in respect of any health insurance premium or contribution paid to any insurance company registered by the Securities and Exchange Commission of Pakistan under the Insurance Ordinance, 2000 (XXXIX of 2000), provided the resident person is deriving income chargeable to tax under the head "salary" or "income from business".

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

(A/B) x C

Where:

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

B is the person's taxable income for the tax year; and

C is the lesser of —

a) the total contribution or premium paid by the person referred to in sub-section (1) in the year;

b) five per cent of the person's taxable income for the year; and

c) one hundred thousand rupees.

DEDUCTIBLE ALLOWANCE FOR EDUCATION EXPENSES	**SECTION 64AB**

The proposed amendment seeks to add a new section 64AB, whereby it has been sought to provide a deductible allowance to the taxpayer against the educational expenses. The benefit of this provision shall only ben available to the taxpayers, whose taxable income is less than one Million Rupees. The amount of an individual's deductible allowance allowed under this section shall not exceed the lesser of five per cent of the total tuition fee paid by the individual referred to in sub-section (1) in the year or twenty-five per cent of the person's taxable income for the year and an amount computed by multiplying sixty thousand with number of children of the individual. 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. However, the withholding agents are not allowed to account for this allowance at the time of deduction of tax on payment of salary.

TAX CREDITS FOR EMPLOYMENTS GENERATORS	**SECTION 64B**

The proposed amendment seeks to extend the scope for claim of aforesaid credits till tax year 2019. Further, the earlier settled credit of 1% per 50 employees is increased to 2%.

TAX CREDITS FOR SALES TAX REGISTERED PERSONS	**SECTION 65A**

The tax credit available to the sales tax registered persons is enhanced to three percent earlier it was two and a half percent.

TAX CREDITS FOR NEWLY ESTABLISHED INDUSTRY	**SECTION 65D**

The 100% tax credit available to a newly established undertaking under the aforesaid section is restricted. The amount of a person's tax credit allowed under sub-section (1) is desired to be computed as per the following formula:

(A/100) x B
Where:

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

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

AGREEMENTS FOR AVOIDANCE OF DOUBLE TAXATION	**SECTION 107**

By substitution of the newly proposed sub-section it has been sought to rationalize the provisions of section 107 in accordance with the prevalent circumstances. The purpose of this amendment is to avoid the misuse of treaties for avoidance of double taxation.

TRANSACTION BETWEEN ASSOCIATES	**SECTION 108**

Over a period of last few years the provisions of section 108 read with section 152 has been subjugated by the taxpayers and due to non-availability of the proper information reasonable action could not be taken in this regard. To address this situation, few amendments had been brought through Finance Act, 2015, however, in order to regularize the tax exemption granted to the claimant the level of information was further required to be improved. For such purposes further amendments are proposed to section 108, whereby it has been desired from the taxpayers to maintain a master file and a local file containing documents and information as may be prescribed and to keep and maintain prescribed country-by-country report, where applicable. Further it has also been desired to keep and maintain any other information and document in respect of transaction with its associate as may be prescribed; and to keep the files, documents, information and reports specified in clauses (a) to (c) for the period as may be prescribed. Furthermore, it has been directed to the taxpayer who has entered into a transaction with its associate shall furnish, within thirty days the documents and information to be kept and maintained under sub-section (3) if required by the Commissioner in the course of any proceedings under this Ordinance. Some other procedural amendments are also proposed for effective implementation of the proposed amendment. Further, section 236T is proposed to be omitted in the light of aforesaid proposed amendments.

MINIMUM TAX	**SECTION 113**

As per the prevalent provisions of section 113, the business individuals/AOPs having turnover of Rupees Fifty Millions or above are required to pay minimum tax @1%. The proposed amendment seeks to obligate the individuals/AOPs whose turnover exceeds Rupees 10 Million or above to pay minimum tax with effect from July 1, 2017. Further, earlier immunity against the minimum tax has been granted to the taxpayers, who has suffered from gross loss, this facility is also proposed to be withdrawn.

FILING OF RETURN	**SECTION 114**

Through Finance Act, 2010 amendment has been made to the sub-section 6 of section 114, whereby, the taxpayers are obligated to get approval from the Commissioner before revision of the filed income tax return. Conventionally, the Commissioners are found reluctant to grant such approvals to revise the returns. By virtue of this amendment a technical hindrance of obtaining approval from Commissioner will be bypassed. As per proposed amendment approval will be deemed, if after receipt of application, the Commissioner has not made an order of approval in writing, for revision of return, before the expiration of sixty days from the date when the revision of return was sought or taxable income declared is more than or the loss declared is less than the income or loss, as the case may be determined under section 120.

PROVISION ASSESSMENT	**SECTION 122C**

As per the prevalent provisions of section 122C, if within 45 days of receipt of provisional assessment order, the taxpayer file their income tax return along with wealth statement and in case of company, if the return is filed along with audited financial statements, the impugned order will become ineffective. The proposed amendment seeks to add another condition to the whereby, it has been sought from the taxpayer to provide all such evidences and records for the purposes of audit to support their declared version. Apparently, the proposed provisions are in contradiction with the norms of universal self-assessment scheme.

ADVANCE TAX	**SECTION 147**

A clarification is proposed to be added in subsection 4 of the section 147, whereby it has been sought clarify that the advance tax must include the minimum tax payable in terms of section 113 and 113C.

PAYMENT FOR FOREIGN PRODUCED COMMERCIALS	**SECTION 152A**

The proposed amendment seeks to obligate the person responsible for making payment directly or through an agent or intermediary to a non-resident person for foreign produced commercial for advertisement on any television channel or any other media shall deduct tax at the rate of twenty percent from the gross amount paid. The tax deductible under sub-section (1), shall be final tax on the income of non-resident person arising out of such payment

DEDUCTION ON PAYMENTS FOR GOODS AND SERVICES	**SECTION 153**

In line with aforesaid amendment, the tax deducted on payment made for local electronic and print media for advertising services shall be considered as final tax with effect from July 1st, 2016.

TAX COLLECTED AND DEDUCTED FINAL TAX	**SECTION 169**

The proposed amendment seeks to address a general anomaly of the taxpayers regarding refund/adjustment of the additional tax deducted/collected being non-filer. By virtue of this amendment it has been sought to treat the additional tax collected from the non-filer as adjustable.

FURNISHING OF INFORMATION BY FINANCIAL INSTITUTION	**SECTION 165B**

Over a period of last few years the various sub-offices of FBR and many other public offices used their power to get access over the tax record of the taxpayer. For such purposes section 175 and section 176 of the Ordinance are used. Section 216 provides right of confidentiality to the taxpayer against all statutory filing, however, information obtained from or furnished by the financial institution were not covered under the ambit of section 216. Therefore, by elimination of the words "subject to section 216" a blanket cover has been provided against all such information.

REFUNDS	**SECTION 170**

The time period for filing of a refund application is proposed to be extended to three years whereas the prevailing time frame is settled at two years.

PENALTIES	**SECTION 182**

If any financial institution failed to provide information in terms of section 165B, it has been proposed that the penal action should be taken against them in terms of section 182. Minimum penalty of Rs. 10,000/- or Rs. 2500/- per day for the default period shall be charged against the financial institution who failed to comply with the notices issued under section 165 B of the income Tax ordinance, 2001.

Disclosure of information by servants	**SECTION 198**

By virtue of this amendment it has been sought to provide protection to the taxpayer against misuse of any information obtained in terms of section 107. Such information includes the information obtained from the related parties on their transaction with the nationals of other contracting states.

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

As per current practice, the cash withdrawals can be made from different bank accounts of a single user to the extent of Rs. 50,000/- per account without deduction of 0.3% tax. However, through this proposed direction, it has been sought to clarify that the limit of Rs. 50,000/- is fixed for cash withdrawals from all bank accounts.

TAX DEDUCTION ON REGISTRATION OF MOTOR VEHICLES	**SECTION 231B**

As per the prevalent provisions immunity has been granted against payment of advance tax at the time of registration to all departments of the Federal Government, Provincial Government and the Local Government. However, through the proposed amendment it has been directed that no collection of advance tax under this sub-section shall be made after five years from the date of first registration as specified in clauses (a), (b) and (c) of sub-section (6). Further, the leasing companies are required to deduct tax @3% from the non-filers at the time of signing of lease agreements.

TAX COLLECTED ON SALE THROUGH AUCTIONS	**SECTION 231A**

An overriding has been provided after sub-section (2) of section 231A, whereby it has been directed that, tax collected on auction of toll is proposed to be considered as final tax.

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

The qualifying period for claiming immunity against advance tax on sale of immovable property is proposed to be extended till 5 years. Earlier this limit was fixed at 2 years.

TAX ON FOREIGN PRODUCED DRAMA SERIALS	**SECTION 236E**

Under prevent provisions of section 236E the licensing authority is direct to collect tax on any foreign produced drama serials which is dubbed in Urdu or any other regional language. However, the aforesaid provisions are proposed to be applied on all foreign produced drama serials which are produced in any language other than English.

ADVANCE TAX ON INSURANCE PREMIUM	SECTION 236U

A new section 236U is proposed to be added, whereby it has been required from the Insurance companies to collect 4% tax on General Insurance and 1% tax in case of life insurance from non-filers, provided the premium of life insurance exceeds Rupees two hundred thousand. The tax collected under this section shall be adjustable. The proposed section 236U is produced hereunder;

236U. Advance tax on insurance premium:

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

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

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

ADVANCE TAX ON EXTRACTION OF MINERALS	SECTION 236V

A new section 236V is proposed to be added, whereby it has been required from the licensing authority to collect 5% tax on value of minerals extracted, produced from non-filers. The tax collected under this section shall be adjustable. The proposed section 236U is produced hereunder;

236V. Advance tax on extraction of minerals:

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

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

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

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

ADVANCE TAX FROM PROVINCIAL SALES TAX REGISTERED PERSON	SECTION 236W

A new section 236W is proposed to be added, whereby it has been required from the provincial revenue authorities to collect 3% tax from the non-filer sales tax registered persons. The tax collected under this section shall be adjustable. Further, it has also been directed that, no such return should be accepted provided 3% tax is not deposited along with return. The proposed section 236W is produced hereunder;

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

1) Every provincial revenue authority shall collect advance adjustable tax at the rate of three per cent of the turnover from a non-filer who is a provincial sales tax registered person.
2) The advance tax under sub-section (1) shall be collected along with the sales tax return filed with the provincial revenue authority.
3) The provincial revenue authority shall not accept return for sales tax unless the tax required to be collected under this section has been collected or deposited.

AMENDMENTS PROPOSED TO THE FIRST SCHEDULE TO THE INCOME TAX ORDINANCE, 2001.

The following amendments are proposed to be made to the First Schedule to the Income Tax Ordinance, 2001.

PART I:

- **Division VI-Tax on Property Income:** The finance Act, 2013 Division V has provided the benchmark for the exempt rental income to be at Rs. 150,000. However, through the Finance Bill 2016, a new Division VI has been added incorporating tax rates to be charged on the gross rental income received by an individual or an association of person deriving rental income exceeding Rs. 200,000 per year.

- **Division VII-Capital Gain on Disposal of Securities:** Division VII has been substituted namely capital gain on disposal of securities whereby tax rates have been increased comparatively to previous years. Also higher tax rates have been imposed for filer individuals as compared to non-filers.

- **Division VIII-Capital Gain Tax on Sale of Immovable Property:** The holding period for the sale of immovable property has been increased from 2 years to five years and also the tax rates have been revised increasing to 10% for the sale of immovable property after the sale of property within 5 years of acquisition and no tax to be charged where the holding period exceeds 5 years.

- **Division VIIIA-Tax on Builders:** The rate of tax under section 7C has been revised and the proposed amendment increased the rate of tax to be charged per square feet clearly specifying separate rates of tax for commercial and residential buildings for separate classes of cities.

- **Division VIIIA-Tax on Developers:** The rate of tax under section 7D has been revised and the proposed amendment increased the rate of tax to be charged per square feet clearly specifying separate rates of tax for commercial and residential buildings for separate classes of cities.

PART III:

- **Advance Tax:**
  - The rate of advance tax on dividend to be collected has been increased for non-filers from 17.5% to 20%.
  - In the first proviso to the Division I of Part III, the tax required to be deducted by a Collective Investment Scheme, [REIT Scheme] or a mutual fund has been amended by this bill whereby the rates of taxes have been increased as compared to the previous year.
  - A new clause has been inserted in clause (1), Division III, after sub-clause (a) stating: (ab) in the case of the supplies made by the distributors of fast moving consumer goods, 3% of the gross amount payable, if the supplier is a company and 3.5% if the supplier is other than a company.
  - The rate of tax in case of filer cases has been increased from 1% to 1.5% in case of payments made against services rendered by advertising services providers.
  - In case of prizes won on prized bonds or cross word puzzle, rates of tax for filer and non-filer have been separately proposed to be 15% and 20% respectively of the gross amount paid.

PART IV:

- **BROKERAGE AND COMMISSION:** In addition to the prevailing provision regarding taxation of the brokerage and commission, a new amendment has been proposed by this bill whereby in case of Life Insurance Agents where commission received is less than Rs. 0.5 Million per annum, the proposed rates of tax are 8% in case of filer and 16% in case of non-filers.

- **COLLECTION OF TAX BY STOCK EXCHANGE REGISTERED IN PAKISTAN:** In case of sale and purchase of shares from a stock exchange registered in Pakistan, the rate for the collection of tax by the exchange have been increased from 0.01% to 0.02% by the Finance Bill, 2016 on both the sale and purchase of shares.

- **ELECTRICITY CONSUMPTION:** The prevailing rate of tax on consumption of electricity by commercial consumers has been increased from 10% to 12% by this proposed Finance Bill 2016 whereby the amount of electricity bill exceeds Rs. 20,000.

- **SALE OF IMMOVABLE PROPERTY:** The prevailing rates of collection of tax on the sale of immovable property by the person responsible for registering or attesting the transfer of any immovable property has been enhanced by this Finance Bill, 2016 from o.5% and 1 % to 1% and 2% for filer and non-filer cases respectively.

- **PURCHASE OF IMMOVABLE PROPERTY:** The prevailing rates of collection of tax on the purchase of immovable property by the person responsible for registering or attesting the transfer of any immovable property has been enhanced by this Finance Bill, 2016 from 1% and 2 % to 2% and 4% for filer and non-filer cases respectively.

- **DOMESTIC ELECTRICITY CONSUMPTION:** The benchmark of electricity bill for advance tax collection from a domestic consumer has been reduced from Rs. 100,000 to Rs. 75,000.

- **BANKING TRANSACTIONS OTHERWISE THAN THROUGH CASH:** The prevailing proviso regarding the collection of advance tax @ of 0.3% for period commencing from 11th day of July, 2015 and ending on 30th day of September, 2015 (Both days inclusive), the period has been amended as for the period it deems appropriate by this Finance Bill, 2016.

- **RATE OF COLLECTION OF TAX BY PAKISTAN MERCANTILE EXCHANGE LIMITED:** Division XXII has been omitted by this Finance Bill, 2016.

- **<u>NEW DIVISIONS TO PART IV:</u>**

  - **ADVANCE TAX ON INSURANCE PREMIUM:** The rate of tax to be collected from non-filers in respect of General Insurance Premium shall be 4% and in case of Life Insurance Premium exceeding Rs. 0.2 Million per annum shall be 1% and in other case of insurance premium, the rate of tax shall be 0%.

- **ADVANCE TAX ON EXTRACTION OF MINERALS:** The rates of tax proposed by this bill to be collected on extraction of minerals from non-filer shall be 5% and for filer shall be 0%

AMENDMENT PROPOSED TO THE SECOND SCHEDULE TO THE INCOME TAX ORDINANCE, 2001.

The following amendments are proposed to be made to the second schedule of the Income Tax Ordinance, 2001.

PART-I

1. Exemption provided under clause 66 are found in contradiction with provisions of clause (66), therefore, same is proposed to be omitted.

2. Exemptions available to the sports clubs/boards are proposed to be made available only sports clubs/boards duly established by the Government.

3. By omission of the expression “or section 59B” it has been sought to restrict the exemption to the extent of inter-corporate dividend covered under the provisions of section 59AA.

4. Exemptions have been granted against the income derived by China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gawadar International Terminal Limited, Gawadar Marine Services Limited and Gawadar Free Zone Company Limited from Gawadar Port operations for a period of twenty-three years, with effect from the sixth day of February, 2007.

5. Exemption against the total income has been granted to the businesses set up in the Gawadar Free Zone Area for a period of twenty-three years with effect from the first day of July, 2016.

6. Exemption has been granted against Profit on debt derived by any foreign lender; or any local bank having more than 75 percent shareholding of the Government or the State Bank of Pakistan, under a

Financing Agreement with the China sports clubs/boards Overseas Ports Holding Company Limited.

7. Exemption has been granted against Income derived by contractors and subcontractors of China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gawadar International Terminal Limited, Gawadar Marine Services Limited and Gawadar Free Zone Company Limited from Gawadar Port operations for a period of twenty years, with effect from the first day of July, 2016.

8. Exemption has been granted against any income derived by China Overseas Ports Holding Company Limited being dividend received from China Overseas Ports Holding Company Pakistan (Private) Limited, Gwadar International Terminal Limited Gwadar Marine Services Limited and Gwadar Free Zone Company Limited.

9. Exemption has been granted against any income derived by China Overseas Ports Holding Company Pakistan (Private) Limited being dividend received from, Gwadar International Terminal Limited Gwadar Marine Services Limited and Gwadar Free Zone Company Limited.

10. The exemption available to the exporters of software and IT enabled services is extended till tax year 2019 subject to the fulfillment of condition that eighty per cent of the export proceeds are brought into Pakistan in foreign exchange remitted from outside Pakistan through normal banking channels.

PART-II

1. Through this amendment to clause (3), it has been sought to substitute the prevalent clause (3). As per prevailing law 1% of the tax was required to be paid on the contracts performed outside Pakistan. The proposed amendment seeks to provide reduction @ 50% of the rates as specified in clause (2) of Division III of Part III of the First Schedule and the rates in respect of contracts executed outside Pakistan shall be 50% of the rates as specified in clause (3) of Division III of Part III of the First Schedule.

2. A specific conditional exemption has been provided to Pakistan Cricket Board against income derived from sources outside Pakistan including media rights, gate money, sponsorship fee, in-stadium rights, out-stadium rights, payments made by International Cricket Council, Asian Cricket Council or any other Cricket Board shall be taxed at a rate of four per cent of the gross receipts from such sources, provided that Pakistan Cricket Board may opt to pay tax at the rate of four per cent of the gross receipts from tax year 2010 and onwards and provided further that this option shall be available subject to withdrawal of appeals, references and petitions on the issue of tax rate pending before any appellate forum or tax authority.

PART IV

1. In line with exemption provided as per Part I of the Second Schedule immunity against payment of minimum tax has also been granted to China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gwadar International Terminal Limited, Gwadar Marine Services Limited and Gwadar Free Zone Company Limited for a period of twenty three years, with effect from the sixth day of February, 2007 and the companies qualify exemption under clause 126 M Part-I of this Schedule in respect of profits and gains derived from a transmission line project.

2. In line with aforesaid exemption, immunity against withholding tax on dividend has also been provided to China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gwadar International Terminal Limited, Gwadar Marine Services Limited and Gwadar Free Zone Company Limited for a period of twenty-three years.

3. The Trading housing qualifying under clause 57 are required to pay minimum tax under section 113 shall be 0.5% upto the tax year 2019 and one percent thereafter.

4. The immunity against gain received on TFCs issued by the financial institutions has also been proposed to be withdrawn.

5. The immunity available to Hajj Umra Services Companies is further extended till 2016.

6. The blanket exemption available to the taxpayer under clause 72B of Part IV is proposed to be withdrawn. In this connection, various provisos are proposed to be added whereby several conditions have been imposed which are produced as under:
   a) The quantity of raw material proposed to be imported and which is sought to be exempted from tax under section 148 shall not exceed 110 per cent of the quantity of raw material imported and consumed during the previous tax year.
   b) The Commissioner shall conduct audit of taxpayer's accounts during the financial year in which the certificate is issued in respect of consumption, production and sales of the latest tax year for which return has been filed and the taxpayer shall be treated to have been selected for audit under section 214C and in case of failure to provide requisite data exemptions certificate will be cancelled.
   c) Immunity regarding filing of wealth statement has also been withdrawn with effect from tax year 2014.
   d) Exemption against specific withholding tax provisions has also been granted Pakistan International Sukuk Company Limited.
   e) Further immunity has been granted to exporters of the IT enabled services in terms of clause 94 provided the company shall ensure their status as filer.

THE SALES TAX ACT, 1990

AMENDMENTS PROPOSED BY THE FINANCE BILL, 2016

All amendments shall be effective from July 01, 2016

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, 2016.

Cottage Industry Clause 5AB

It has been proposed to enhance the maximum annual turnover threshold from rupees 5 million to rupees 10 million for cottage industry manufacturers. Consequent to this proposed amendment, manufacturers whose annual turnover does not exceed rupees 10 million will be categorized as cottage industry and their supplies will be exempt from levy of sales tax.

Due Date Clause 9

It has been proposed to specify different dates for filing of different parts and annexures of monthly sales tax return. Currently there is one date (i.e. 15^{th} day of the following month) for filing of monthly sales tax return.

It has further been proposed to abolish the reference to the omitted section 26AA relating to tax return for retailers.

Input Tax **Clause 14**

It has been proposed to exclude the provincial sales tax from the ambit of this definition. Consequently, provincial sales tax paid on services will not be claimable / adjustable as input tax in returns filed under Sales Tax Act, 1990.

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

The proposed amendment seeks to harmonize the current statue with proposed amendment in definition of Due Date.

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

It has been proposed that input tax will not be admissible for adjustment, if the respective supplier has not declared the same in his return (as sales) or has not paid the tax due as indicated in the return for that respective tax period. Consequently, the input tax will not be adjustable where respective supplier has not declared and / or has not paid the tax in respective monthly return.

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

The proposed insertion seeks to harmonize the existing sub clause 1(l) with the amendment proposed in section 7.

5. Assessment of Tax and recovery of tax not levied or short levied or erroneously refunded **SECTION 11**

The proposed amendment in this section enhances the powers of the tax department in relation to issuing show cause notice and passing respective order against person committing any violation of Sales Tax Withholding Rules, 2007.

6. Exemption **SECTION 13**

The proposed amendment seeks to enhance the existing powers the Federal Government enabling it to issue sales tax exemption notification in matters relating to international financial institutions and foreign government owned financial institutions, pursuant to the approval of the Economic Coordination Committee of Cabinet.

7. Return **SECTION 26**

It has been proposed to abolish the obsolete provision of filing of separate returns for change in tax rate during a tax period, as the online return filing system does not permit filing of two or more returns for a single tax period.

8. Directorate General of Input Output Co-Efficient Organization **SECTION 30DDD**

This newly inserted section provides structure of the office of Directorate General of Input Output Co-Efficient Organization, which shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as appointed by board.

9. Offences and penalties **SECTION 33**

The proposed amendment seeks to impose penalty of Rs 5,000/- or 3% of the tax involved, whichever is higher on violation of any such provision of rules made under Sales Tax Act, 1990, for which no specific penalty has been provided in this section.

10. Sale of taxable activity or transfer of ownership **SECTION 49**

The proposed insertion provides procedure for sale / transfer of an ongoing taxable business from one registered person to another registered person. In such cases, the registered seller will be required to issue zero-rated invoice to the buyer in respect of taxable goods sold / transferred.

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

It has been proposed that any information received or supplied in pursuance of bilateral or multilateral agreements with foreign governments shall be treated as confidential regardless of any provision of section 216 of Income Tax Ordinance, 2001 and / or Freedom of Information Ordinance, 2002.

12. Third Schedule **TAX AT RETAIL PRICE**

It has been proposed to charge sales tax at retail price of Mineral Water. Consequently, manufacturers of mineral water will be required to charge sales tax at respective retail price of their product and such retail price along with amount of sales tax will required to be printed or embossed on each bottle / container of mineral water.

13. Fifth Schedule **ZERO RATING**

It has been proposed to withdraw zero rating on following dairy products and stationery items. These items are now exempt from sales tax under sixth schedule: -

Milk	Fat filled milk	Colors in sets
Erasers	Exercise books	Pencil sharpeners
Geometry boxes	Pens, ball pens, markers	Pencils
Porous tipped pens	Writing, drawing and marking inks	

14. Sixth Schedule **EXEMPTIONS**

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

- Premixes for growth stunting.
- Laptop computers, notebooks whether or not incorporating multimedia kit.
- Personal computers.
- Specified pesticides and their active ingredients stabilizers, emulsifiers and solvents. These items were subject to reduce rate of 7% under eight schedule. A corresponding amendment has been proposed in eighth schedule to withdraw 7% sales tax on these items.
- Supplies made within Gawadar Free Zone by the businesses to be established in Gawadar Free Zone for a period of twenty-three years. However, this exemption will not be available if supplies are made outside Gawadar Free Zone and into the territory of Pakistan.
- Material and equipment supplied to China Overseas Ports Holding Company and its operating companies including their contractors and sub-contractors for construction of Gawadar Port and development of Free Zone for Gawadar Port subject to following conditions: -

a) In case of imported items, ministry of Ports and Shipping shall certify in the prescribed manner that the imported materials and equipments are bonafide requirement for construction and operation of Gawadar Port and development of Free Zone for Gawadar Port.

b) The goods so imported shall not be sold or disposed of without prior approval of the FBR and on payment of sales tax leviable at the time of import, provided that this condition shall not apply to ship bunker oils.

c) In case of local purchases, for claiming exemption on goods which are otherwise taxable in Pakistan, the operating companies will purchase such materials and equipments from the sales tax registered persons only.

d) The invoice of the exempt supply shall be issued by the registered person to the operating company mentioning thereon that the said invoice is being issued under this notification.

e) The registered person making the exempt supplies shall prepare monthly statement summarizing all the particulars of the supplies made in the month against invoices issued to the operating companies and this summary shall be verified by the registered person and operating company.

f) A verified copy of the monthly summary shall be filed by the registered person to the concerned Collector of Sales Tax, by twentieth day of the month following the month in which exempt supplies were made.

It has further been proposed that Dump Trucks imported for Thar Coal Field will be exempt from levy of sales tax at import stage.

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

- It has been proposed to enhance the reduced rate of sales tax on specified ingredients of poultry fee and cattle feed from 5% to 10%.

- It has also been proposed to charge reduce rate of sales tax on following items: -

Description	Rate of sales tax
White Crystalline Sugar.	8%
Urea whether or not in aqueous solution.	5%
At import of silos for grain storage.	10%

- It has further been proposed to withdraw reduced rate of sales tax @ 7% on specified pesticides and their active ingredients stabilizers, emulsifiers and solvents. A corresponding amendment has been proposed in sixth schedule to provide exemption on import and local supply of these items.

16. 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. 500 to Rs. 1,000 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. 1,000 to Rs. 1,500 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, 2016

All amendments shall be effective from July 01, 2016

Following amendments have been proposed in charging section 3 (Scope of Tax): -

a) It has been proposed that the following provisions of Sales Tax Act, 1990 will apply on the services rendered under this ordinance: -

- As provided in section 3(2)(b) of Sales Tax Act, 1990, the Federal Government may specify the manner for collection and payment of tax on specified goods at such higher or lower rates and subject to such conditions and restrictions as the federal government may impose.

- As provided in section 3(6) of Sales Tax Act, 1990, the Federal Government or FBR may levy and collect such amount of tax as it may deem fit on any services and may specify the mode, manner and time of payment of such tax.

- As provided in section 3(7) of Sales Tax Act, 1990, the Federal Government may specify any person as withholding agent for deduction and deposit of sales tax withholding at specified rates in such a manner and subject to such conditions as the government may prescribe.

- As provided in serial 2 of fifth schedule to Sales Tax Act, 1990, sales tax shall be charged at the rate of zero percent on rendering of services to diplomats, diplomatic missions and privileged persons.

- As provided in sub sections (2), (3), (6) and (7) of section 13 of Sales Tax Act, 1990, Federal Government may issue notifications providing exemption of sales tax on services, 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 and matters relating to international financial institutions or foreign government owned financial institutions. Such exemptions may be allowed from any previous date. Federal Government shall place, all the sales tax exemption notifications issued during a financial year, before the National Assembly. Every exemption notification shall rescind on the expiry of respective financial year in which such notification was issued.

- As provided in serial # 48, Table 1 of sixth schedule to Sales Tax Act, 1990, local and imported services are exempt from levy of sales tax if supplied under grant-in-aid agreement and specific consent of FBR has been obtained in this regard.

b) It has further been proposed that regulatory and licensing services, shall be exempt from levy of sales tax, if such services are rendered by an organization established by or under a federal statute.

FEDERAL EXCISE ACT, 2005

AMENDMENTS PROPOSED BY THE FINANCE BILL, 2016

All amendments shall be effective from July 01, 2016

The detail of amendments proposed in various sections and notifications of Federal Excise Act, 2005 are as under: -

1. Definitions **SECTION 2**

The following amendments to section 2 of the Federal Excise Act, 2005 have been proposed through the Finance Bill, 2016.

Due Date **Clause 8a**

It has been proposed to specify different dates for filing of different parts and annexures of monthly federal excise return. Currently there is one date (i.e. 15th day of the following month) for filing of monthly federal excise return.

2. Filing of return and payment of duty etc. **SECTION 4**

The proposed amendment seeks to harmonize the current statue with proposed amendment in definition of Due Date.

It has been proposed to abolish the obsolete provision of filing of separate returns for change in tax rate during a tax period, as the online return filing system does not permit filing of two or more returns for a single tax period.

3. Adjustment of duties of excise — SECTION 6

It has been proposed that duties paid on purchases will not be admissible for adjustment, if the respective supplier has not declared the same in his return (as sales) or has not paid the tax due as indicated in the return for that respective tax period.

4. Exemptions — SECTION 16

The proposed amendment seeks to enhance the existing powers the Federal Government enabling it to issue federal excise exemption notification, in matters relating to international financial institutions and foreign government owned financial institutions, pursuant to the approval of the Economic Coordination Committee of Cabinet.

5. Offences, penalties, fines and allied matters. — SECTION 19

The proposed amendment seeks to impose penalty of Rs 5,000/- or 3% of the tax involved, whichever is higher on violation of any such provision of Federal Excise Act, 2005 or rules made thereunder, for which no specific penalty has been provided in this section.

6. Disclosure of information by a public servant — SECTION 47B

It has been proposed that any information received or supplied in pursuance of bilateral or multilateral agreements with foreign governments shall be treated as confidential regardless of any provision of section 216 of Income Tax Ordinance, 2001 and / or Freedom of Information Ordinance, 2002.

7. FIRST SCHEDULE

Following amendments have been proposed in First Schedule: -

INCREASE IN RATE OF FEDERAL EXCISE DUTY

Rate of federal excise duty has been increased on following goods: -

- Aerated waters (rate of duty is increased from 10.5% of retail price to 11.5% of retail price).

- Aerated waters, containing added sugar or other sweeting matter or flavored (rate of duty has been increased from 10.5% of retail price to 11.5% of retail price).

- Aerated waters if manufactured wholly from juices or pulp of indigenous vegetables, food grains or fruits and which do not contain any other ingredient, indigenous or imported, other than sugar, coloring materials, preservatives or additives in quantities prescribed under the Food Rules, 1965 (rate of duty has been increased from 10.5% of retail price to 11.5% of retail price).

- Rate of duty on locally produced cigarettes has proposed to be changed. The revised rate of federal excise duty on locally produced cigarettes is as under: -

  a) Duty @ of Rs. 3,436/- per thousand cigarettes shall be charged during the period from 01/07/2016 to 30/11/2016, subject to the condition that the pack printed retail price exceeds Rs. 4,000/- per thousand cigarettes.

  b) Duty @ of Rs. 3,705/- per thousand cigarettes shall be charged during the period from 01/12/2016 onwards, subject to the condition that the pack printed retail price exceeds Rs. 4,400/- per thousand cigarettes.

  c) Duty @ of Rs. 1,534/- per thousand cigarettes shall be charged during the period from 01/07/2016 to 30/11/2016, subject to the condition that the pack printed retail price does not exceed Rs. 4,000/- per thousand cigarettes.

d) Duty @ of Rs. 1,649/- per thousand cigarettes shall be charged during the period from 01/12/2016 onwards, subject to the condition that the pack printed retail price does not exceed Rs. 4,400/- per thousand cigarettes.

- Rate of duty on Cement has been changed from 5% of retail price to Rs. 1 per kg.

EXEMPTION FROM FEDERAL EXCISE DUTY

- It has been proposed to withdraw 8% excise duty on White Crystalline Sugar. A corresponding amendment has been proposed in Sales Tax Act, 1990 to impose sales tax @ 8% on Sugar.

- It has further been proposed to withdraw 16% excise duty on following services subject to the condition that these services are provided in a province where provincial sales tax has been levied on these services: -

a) Advertisement on closed circuit T.V.

b) Advertisement on cable T.V. network.

c) Advertisement in newspapers, periodicals, hoarding boards, poles signs and sign boards.

d) Shipping agents

e) Services provided by banking companies, cooperative financing societies, modarbas, musharikas, leasing companies, foreign exchange dealers, non-banking financial institutions, Assets Management Companies and other persons dealing in such services.

f) Franchise services.

g) Services provided by stock brokers.

8. SECOND SCHEDULE

The corresponding proposed amendment seeks to omit White Crystalline Sugar from this schedule as excise duty has been withdrawn on White Crystalline Sugar vide proposed amendment in first schedule.

9. THIRD SCHEDULE

- It has been proposed to withdraw exemption on White Cement. Consequent to this amendment, excise duty @ of Rs. 1 per kg is imposed on White Cement.

- It has also been proposed to provide exemption of federal excise duty on supplies made within Gawadar Free Zone by the businesses to be established in Gawadar Free Zone for a period of twenty-three years. However, this exemption will not be available if supplies are made outside Gawadar Free Zone and into the territory of Pakistan.

- It has further been proposed to provide exemption of federal excise duty on material and equipment supplied to China Overseas Ports Holding Company and its operating companies including their contractors and sub-contractors for construction of Gawadar Port and development of Free Zone for Gawadar Port subject to following conditions: -

  a) In case of imported items, ministry of Ports and Shipping shall certify in the prescribed manner that the imported materials and equipments are bonafide requirement for construction and operation of Gawadar Port and development of Free Zone for Gawadar Port.

  b) The goods so imported shall not be sold or disposed of without prior approval of the FBR and on payment of excise duty leviable at the time of import, provided that this condition shall not apply to ship bunker oils.

c) In case of local purchases, for claiming exemption of duty on goods which are otherwise subject to excise duty in Pakistan, the operating companies will purchase the materials and equipments from the registered persons only.

d) The invoice of the exempt supply shall be issued by the registered person to the operating company mentioning thereon that the said invoice is being issued under this notification.

e) The registered person making the exempt supplies shall prepare monthly statement summarizing all the particulars of the supplies made in the month against invoices issued to the operating companies and this summary shall be verified by the registered person and operating company.

f) A verified copy of the monthly summary shall be filed by the registered person to the concerned Collector, by twentieth day of the month following the month in which exempt supplies were made.

PROPOSED TAX CARD
Tax Year 2016-17

For Client and Staff Use

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.	750,001	to	Rs.	1,500,000	Rs. 32,000 + 15% of amount
Rs.	1,500,001	to	Rs.	2,500,000	Rs. 144,500 + 20% of amount
Rs.	2,500,001	to	Rs.	4,000,000	Rs. 344,500/- + 25% of amount
Rs.	4,000,001	to	Rs.	6,000,000	Rs. 719,500/- + 30% of amount
Rs.	6,000,001	to	Rs.	above	1,319,500+ 35% of the amount

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%)

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 filers	12.5%
3.	Other cases non-filers	20%

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
3% of gross amount in case of distributors if supplier is company
3.5% of gross amount in case of distributors if supplier is other than company

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

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 amount payable in case of "filer" other cases
10% of gross amount payable in case of "non-filer" other cases
12% of gross amount payable in case of "sports persons"

TAX RATES FOR COMPANIES UNDER SECTION 155
The rate of tax in the case of company shall be 14% of gross amount of rent

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

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 five years	10.0%
2.	More than five years	0.0%

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

	Period	TY 2015	TY 2016	TY 2017 Filer	TY 2017 Non-Filer
1.	Where holding period of a security is less than twelve months.	12.5%	15%	15%	18%
2.	Where holding period of a security is more than twelve months but less than twenty four months.	10%	12.5%	12.5%	16%
3.	Where holding period of a security is twenty four months or more but the security was acquired on or after July 1st, 2012	0%	7.5%	7.5%	11%
4.	Where the security was acquired before July 1st, 2012	0%	0%	0%	0%
5.	Future commodity contracts entered in to by members of Pakistan Mercantile Exchange	0%	0%	5%	5%

RATES OF ADVANCE TAX ON SALE OF IMMOVABLE PROPERTY
Rate of tax under section 236C shall be as follows;

In case of filers	1%
In case of non- filers	2%

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	2%
	In case of non- filer	4%

TAX RATES FOR IND & AOP UNDER SECTION 155

-	Up to Rs. 200,000/-	NIL
-	Rs. 200,000 to Rs. 600,000/-	5% of gross amount exceeding 200,000/-
-	Rs. 600,000 to Rs. 1,000,000/-	Rs. 20,000/- plus 10% of amount exceeding Rs.
-	Rs. 1,000,000 to Rs. 2,000,000/-	Rs. 60,000/- plus 15% of exceeding amount
-	Upto Rs. 2,000,000/-	Rs. 210,000/- plus 20% of exceeding amount

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

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

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	Filler	Non-Filler
- Advertising Agents	10%	15%
- Life insurance agents where commission received is less than Rs.0.5 million per annum	8%	16%
- Other Cases	12%	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 as a 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	20%
- 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%

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

RATE OF TAX FOR COMPANIES

	TAX YEAR 2016	TAX YEAR 2017
Rate of tax for small company	25%	25%
Rate of tax for all kinds of companies	32%	31%
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/-