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KHILJI & CO.

Chartered
Accountants

TAX MEMORANDUM 2019

AN UNBIASED
COMMENTARY
ON
FINANCE BILL 2019



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TAX MEMORANDUM FINANCE BILL 2019

Khilji & Co (Chartered Accountants) is pleased to present this tax memorandum, which is primarily aimed to help in understanding the impact of the Budget changes that are brought by the Finance Bill 2019 relating to Income Tax, Sales Tax Laws, Federal Excise Duty and Customs Duty. This memorandum gives a brief overview of Pakistan economy and significant amendments proposed by the Finance Bill 2019. It is suggested that in order to understand the precise effect of a particular amendment, reference should preferably be made to the relevant wordings of the Acts when passed respectively assemblies.

Amendments and reshufflings are possible before its approval from respectively National Assembly. It is suggested that changes should not generally be acted upon without first obtaining appropriate professional advice.

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

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DISCLAIMER & ACKNOWLEDGMENT

This document has been prepared according to the guide lines of the Finance Bill as announced in June 2019 by Federal Government, Although the highest standard of Professional Competence and Care has been followed regarding the showing of facts & figures in this Budget Commentary. However, Khilji & Co, (Chartered Accountants) does not assume any responsibility as to the correctness, alteration or change of these fact & figures. Moreover, Khilji & Co, Chartered Accountants shall not be held responsible for any action taken / not taken on the basis of information contained in this document. The information provided in this document should only be used in conjunction with professional opinion from tax/ legal advisor and checked for updated position of law. This document as a whole or its any part should not be reproduced in any form without prior written approval from Khilji & Co. This document is distributed free of cost to our clients only. We humbly request our readers to please provide us their valuable comments to make this more informative and useful in future. It has always been a pleasure to be of service to our clients.

1. OVERVIEW OF ECONOMY

The provisional GDP growth rate for FY2019 is estimated at 3.29 percent on the basis of 0.85, 1.40 and 4.71 percent growth in agricultural, industrial and services sectors respectively.

The economy has experienced frequent boom and bust cycles. Typically, each cycle comprised of 3-4 years of relatively higher growth followed by a macroeconomic crisis which necessitated the stabilization programs. The inability to achieve sustained and rapid economic growth is due to structural issues which require effective monetary and fiscal measures to achieve macroeconomic stability.

The impact of macroeconomic adjustment policies, such as monetary tightening, exchange rate adjustment, expenditure control and enhancement of regulatory duties on non-essential imports, started to become visible this year. These steps have served to bring some degree of stability and have also helped in reducing economic uncertainty. However, the situation calls for sustained efforts. The outgoing fiscal year 2018-19 witnessed a muted growth of 3.29 percent against the ambitious target of 6.2 percent. The target was based upon sectoral growth projections for agriculture, industry, and services at 3.8 percent, 7.6 percent and 6.5 percent respectively. The actual sectoral growth turned out to be 0.85 percent for agriculture, 1.4 percent for industry and 4.7 percent for services.

2. FEDERAL BUDGET HIGHLIGHTS

		(Rs. in Billion)	
RECEIPTS		EXPENDITURE	
TAX REVENUE	5,822.2	A. CURRENT	6,192.9
- FBR Taxes	5,555.0	Interest Payments	2,891.4
- Other Taxes	267.2	Pension	421.0
- NON-TAX REVENUE	894.5	Defence Affairs & Services	1,152.5
a) Gross Revenue Receipts	6,716.6	Grants and Transfers	831.2
b) Less Provincial Share	3,254.5	Subsidies	271.5
I. Net Revenue Receipts (a-b)	3,462.1	Running of Civil Govt.	431.2
II. Capital Receipts (Non-Bank)	833.4	Provision for Pay & Pension	79.0
		Provision for Contingencies	115.0
III. External Receipts (net)	1,828.8	B. DEVELOPMENT	843.4
IV. Estimated Provincial Surplus	423.0	Federal PSDP	701.0
V. Bank Borrowing	339.0	Net Lending	56.6
VI. Privatization Proceeds	150.0	Other Dev. Expenditure	85.8
TOTAL RESOURCES (I to VI)	7,036.3	TOTAL EXPENDITURE(A+B)	7,036.3

3. KEY CHANGES

INCOME TAX ORDINANCE, 2001 (ITO 2001)

- A person is salaried person whose salary income is more than 75% of his taxable income
- Tax rates of salaried & non-salaried persons have been substantially increased
- Corporate rate of tax fixed at 29% instead of reduction of 1% every year
- Capital gains on immovable property made taxable under normal tax regime
- Holding period increased from 3 to 10 years for open plots capital gain exemption
- Holding period increased from 3 to 5 years for constructed property capital gain exemption
- Concept of filer & non-filer replaced with active taxpayers' list (ATL)
- 100% extra withholding tax applicable on persons not appearing on ATL
- Refunds payment through bonds introduced
- Audit once in three years' clause omitted
- Initial depreciation on building omitted
- Dealership commission taxation regime to be tightened through various changes
- Maximum life of intangible increased from 10 to 25 years for the purpose of amortization
- Gift brought under taxation except in case of immediate family
- Tax credit provided for employment of fresh graduates
- Payment for Purchase of certain property & assets to be mandatorily made through bank
- Final tax regime replaced with minimum tax regime for various sector including commercial importers, traders, construction companies
- Withholding tax on royalty to residents introduced
- Penalties enhanced and prosecution provisions introduced
- Non-filers allowed to purchase property and vehicles

SALES TAX ACT 1990 (STA 1990)

- Cottage industry definition modified to exclude all persons having turnover of more than two million
- Tier 1 retailers to include all shops with area more than 1000 square feet

- Option of 2% turnover tax abolished for tier-1 retailers
- Cash back of 5% of tax to be allowed on purchases from registered tier 1 retailers
- Zero rating in respect of purchases by five sectors under SRO 1125 is proposed to be abolished
- Input tax proposed to be claimed up to 95% of output tax instead of current 90% of output tax
- In case of supplies to unregistered person, CNIC made mandatory for claim of related input tax.
- Special procedure for steel sector proposed to be abolished
- Special procedure for specified household goods proposed to be abolished

FEDERAL EXCISES ACT 2005

- Duty on supply of steel products is proposed to be charged at 17% ad valorem in sales tax mode which shall not be less than the duty on production of steel products on an annual basis.
- Rules to initiate criminal proceedings against the Officials of Federal Excise or taxpayers or both may be prescribed by FBR
- The rate of duty on various items like edible and vegetable ghee and cooking oil, aerated water , locally produced cigarettes etc. is proposed to be increased.

CUSTOMS ACT 1969

- Duties on more than 1,600 tariff lines are proposed to be exempted or reduced which includes raw material and intermediary goods for textile and paper sector, wooden furniture, home appliances industry, solar panel assemblers, chemical industry, pharma industry etc.
- Duties on essential and luxury items is proposed to be enhanced.
- Duties on mobile phones and tyres is proposed to be reduced.
- A number of procedural changes with respect to audit, valuation, transfers etc. are proposed.
- Provisions for enhancing penalties and enabling criminal proceedings are proposed.

4. AMENDMENTS IN INCOME TAX

SALARIED INDIVIDUALS

Currently a person whose salary income exceeds 50% of his taxable income, such person is treated as salaried individual however now it is proposed that a person whose salary income exceeds 75% of his taxable income, such person shall be treated as salaried individual

- The rate of tax proposed for salaried individuals are as follows:

S. No.	Taxable Income	Rate of Tax
(1)	(2)	(3)
1.	Up to Rs. 600,000	0%
2.	From Rs. 600,001 to Rs. 1,200,000	5% of the amount exceeding Rs. 600,000
3.	From Rs. 1,200,000 to Rs. 1,800,000	Rs. 30,000 plus 10% of the amount exceeding Rs. 1,200,000
4.	From Rs. 1,800,001 to Rs. 2,500,000	Rs. 90,000 plus 15% of the amount exceeding Rs. 1,800,000
5.	From Rs. 2,500,001 to Rs. 3,500,000	Rs. 195,000 plus 17.5% of the amount exceeding Rs. 2,500,000
6.	From Rs. 3,500,001 to Rs. 5,000,000	Rs. 370,000 plus 20% of the amount exceeding Rs. 3,500,000
7.	From Rs. 5,000,001 to Rs. 8,000,000	Rs. 670,000 plus 22.5% of the amount exceeding Rs. 5,000,000
8.	From Rs. 8,000,001 to Rs. 12,000,000	Rs. 1,345,000 plus 25% of the amount exceeding Rs. 8,000,000
9.	From Rs. 12,000,001 to Rs. 30,000,000	Rs. 2,345,000 plus 27.5% of the amount exceeding Rs. 12,000,000
10.	From Rs. 30,000,001 to Rs. 50,000,000	Rs. 7,295,000 plus 30% of the amount exceeding Rs. 30,000,000
11.	From Rs. 50,000,001 to Rs. 75,000,000	Rs. 13,295,000 plus 32.5% of the amount exceeding Rs. 50,000,000
12.	From Rs. 75,000,001 onwards	Rs. 21,420,000 plus 35% of the amount exceeding Rs. 75,000,000

- The reduction in tax rate available to teachers & researchers is proposed to be withdrawn for training institutions and teachers of medical profession who derive income form private medical practice or who receive share of consideration from patients.
- For other teachers & researchers, reduction in tax rate is proposed to be reduced from 40% to 25%.

FILER, NON-FILER & ACTIVE TAXPAYERS LIST (ATL)

Several changes have been proposed in the Income Tax Ordinance, 2001 relating to the concepts of filer, non-filer and active taxpayers list. The relevant changes are summarized hereunder:

Section 2(1A) The Bill seeks to insert new clause defining the “active taxpayers’ list (ATL)” to include the ATL issued by the Board, by AJK Council Board of Revenue and Gilgit-Baltistan Council Board of Revenues.

Section 2(23A) & 2(35C) The Bill seeks to omit the clause 23A & 35C which defined “filer” and “non-filer” respectively. Instead of the concept of “filer” & “non-filer” the Board will now maintain an active taxpayer list defined in section 2(1A) above while separate rules have been provided under tenth for the persons not appearing on the list of active taxpayers as discussed in ensuing paragraphs.

Section 147A(8) Advance tax for provincial sales tax registered persons: Currently section 147A requires non-filers to pay advance tax @ 3% of turnover declared before the Provincial revenue authorities. The same requirement is proposed to continue however now instead of non-filer “person whose name is not appearing in ATL” is required to pay the subject advance tax.

Section 100BA & Tenth Schedule: Section 100BA is proposed to be inserted which provides that tenth schedule is to be inserted providing rules for persons not appearing in ATL. The summary of rules is as under:

- Where tax is required to be deducted or collected from persons not appearing in ATL, the rate of tax required to be deducted or collected shall be increased by 100% of the rate specified in the First Schedule to ITO 2001.
- Withholding agent to obtain exemption certificate if he is satisfied that the person not appearing ATL was not required to file return while Commissioner is required to pass order within 30 days of application for exemption. If the Commissioner does not issue order within 30 days then the contention of withholding agent will be deemed accepted.
- The Commissioner is authorized to issue provisional assessment order within 60 days of due date of filing return for a tax year where tax has been deducted during the said tax year from the person in terms of tenth schedule but his name is not appearing in ATL.
- For the purpose of provisional assessment, the Commissioner shall impute taxable income on the amount of tax deducted or collected under Tenth Schedule by treating the imputed income as concealed income for the purposes of section 111(1)(d) of ITO 2001.
- The imputed income is defined to mean the income which would have resulted in the amount of tax given in First Schedule (normal tax rates) equal to the tax collected or deducted under tenth schedule.
- The provisional assessment will be deemed final after expiry of 45 days from the date of service of order however the provisional assessment shall stand abated if the return is filed within 45 days of the date of service of order while all the tax deducted or collected under tenth schedule will be adjustable against the tax payable in the return filed for the relevant tax year.

- Once the Provisional assessment becomes final, the Commissioner may within 30 days of final assessment initiate proceedings for imposition of penalties under section 182.
- If the Withholding agent does not provide complete or accurate particulars in the withholding statements of persons not appearing in ATL then Commissioner can initiate penal (section 182) & prosecution proceedings (191) against the withholding agent within 30 days of filing of withholding statement.
- The Provisional assessment order can be amended by Commissioner on the basis of definite information or if the Commissioner deems Provisional assessment order to be erroneous in so far it is prejudicial to the interest of revenue.
- All other provisions of ITO 2001 apply mutatis mutandis in the case of proceedings under persons not appearing on ATL.
- Table 1 below shows list of provisions/ payments where tenth schedule applies hence tax required to be collected or deducted on these payments is to be increased by 100% where payment is made to a person not appearing in the ATL.

Table 1

Section	Nature of Provision
148	Imports
150	Dividend
150A	Return on Sukuks
s151	Profit on debt
152(1)	Royalty & FTS to non-resident (NR)
152(1AA)	Insurance or reinsurance premium (NR)
152(2)	Payments not otherwise specified (NR)
152(2A)(b)	Services (PE)
152(2A)(c)	Contracts (PE)
152A	Foreign produced commercials (NR)
153	Supplies, services & contracts
153B	Royalty to resident persons
156	Prizes & winnings
156A	Petroleum Products
231B	Private Motor vehicles purchase, transfer & registration
233	Commission
233A	Tax collection by stock exchange (this section is not applicable from first day of March 2019)
234	Tax on Motor Vehicles
234A	CNG Stations
236	Telephone & internet users
236A	Sale by auction
236C	Sale of immovable property
236G	Sale to distributors, dealers and wholesalers
236H	Sales to retailers
236HA	Sale of certain petroleum products
236K	Purchase of immovable property
236S	Dividend in specie

236T	Collection by PMEX
236Y	Remittance abroad through debit or credit card

- Table 2 below shows list of provisions/ payments where tenth schedule does not applies hence 100% extra tax would not be applicable:

Table 2	
Section	Nature of Provision
149	Salary
152(1A)(a)(b)	Construction & related contracts (NR)
152(1A)(b) & (1AAA)	Advertisement services payment (NR)
152(1C)	Off shore digital services (NR)
152(2A)(a)	Sale of goods by Permanent Establishment (PE)
154	Exports & indenting commission
155	Income from property
156B	Withdrawal from pension fund
231A	Cash withdrawal from bank
231AA	Bank transactions
233AA	Tax collection by NCCPL
235	Electricity consumption
235A	Domestic electricity consumption
235B	Steel melters & composite units
236B	Domestic air ticket
236C	Sale of immovable property
236D	Functions & gatherings
236F	Cable operators & other electronic media
236I	Educational institution
236J	Dealers, commission agents & arhatis
236L	International air ticket
236P	Banking transactions otherwise than through cash
236Q	Payments to residents for use of machinery
236R	Education expenses remitted abroad
236U	Insurance premium
236V	Extraction of minerals
236X	Advance tax on tobacco
Note: (Tax under section 236U is only required to be collected from person not appearing on ATL but the applicable rate is provided in First Schedule and 100% above that rate is not required to be collected).	

- There appear some anomalies which need to be addressed in respect of payments subjected to 100% extra withholding tax under tenth schedule discussed hereunder.
- Payments to non-resident persons on account of Royalty, fee technical services, insurance & reinsurance premium, foreign produced films are proposed to be subjected to 10th schedule hence subject to 100% extra withholding tax if the non-resident person receiving such

payment is not on ATL. Whereas payments to non-resident persons on account of construction services & related services, advertisement services rendered by T.V. satellite channels, advertisements by non-resident media person relaying from outside Pakistan and fee for offshore digital services are proposed be kept out of the purview of 10th schedule i.e. no extra tax would be charged if such non-resident persons receiving such payments are not on ATL. Interestingly the position of law under the current concept of filer & non-filer was not the same whereby rates for non-filer non-resident persons were only provided in respect of construction & related services.

- For PE of non-resident persons, tenth schedule has not been made applicable in case of supplies however same is applicable for PE rendering services & contracts while also applicable for residents rendering supplies, services & contracts.
- Electricity, air tickets and a number of other usual payments are very right excluded from the purview of 10th schedule however telephone & internet users are within the purview of 10th schedule which is inexplicable.

Section 227C Restriction on purchase of certain assets: The Bill seeks to withdraw restriction on purchase of property & vehicles by non-filers.

OFF SHORE ASSETS

In order to curb tax avoidance and evasion through off shore assets and meet the requirements of FATF, a number of changes have been proposed which are summarized as under:

Section 2 (5C) Asset Move: The Bill seeks to define the term “Asset Move” with reference to offshore assets and with the intention of tax evasion. The newly inserted definition is as follows:

“(5C) “asset move” means the transfer of an offshore asset to an unspecified jurisdiction by or on behalf of a person who owns, possesses, controls, or is the beneficial owner of such offshore asset for the purpose of tax evasion;”

Section 2 (38AB) Offshore Assets: The Bill seeks to define the terms “offshore assets” in relation to a person, to include any movable or immovable asset held, any gain, profit, or income derived, or any expenditure incurred outside Pakistan.

Section 2 (38AC) Offshore enabler: The Bill seeks to define the terms “offshore enabler” meaning a person who owns, possesses, controls, or is the beneficial owner of an offshore asset and does not declare, or under declares or provides inaccurate particulars of such asset to the Commissioners.

Section 2 (38AD) Offshore evader: The Bill seeks to define the terms, “offshore evader” including any person who, enables, assists, or advises any person to plan, design, arrange or manage a transaction or declaration relating to an offshore asset, which has resulted or may result in tax evasion i-e a facilitator to “offshore enabler”.

Section 2(60A) & (73A) Specified jurisdiction: The Bill seeks to define the terms, “specified jurisdiction” i-e a jurisdiction committed to automatically exchange information under Common Reporting Standard with Pakistan. Likewise, clause 73A has been inserted to define the term “unspecified jurisdiction” which is not “specified jurisdiction” defined in clause 60A.

REFUNDS

Claiming of refunds from FBR has always remained a teething problem while cash flow shortage with the Government means there is no immediate solution to this. Changes have been proposed in the current mechanism with the objective to defer the outstanding refund payments while providing a return to refund claimants and bringing transparency in the process as well. Relevant changes are summarized hereunder:

Section 2(22C) FBR Refund Settlement Company Limited: The Bill seeks to define the term “FBR Refund Settlement Company Limited” very similar to the definition introduced in Sales Tax for refunds i.e. *“A company incorporated under the Companies Act, 2017 for the purposes fo settlement of income tax refund claims including payment by way of issuing refund bonds u/s 171A”*.

Section 171A Payment of refund through income tax refund bonds: The Bill seeks to provide for payment of refund through income tax refund bonds similar to the provisions introduced in Sales Tax Act, 1990.

- For the purpose of payment of Income tax refund through income tax refund bonds, a limited company with the name “FBR Refund Settlement Company Limited” to be incorporated.
- The bonds to be issued in book entry form through an establishment licensed by SECP as a central depository under the Securities Act, 2015, in lieu of issuance of cheques or bank debit notes.
- The Board shall issue a promissory note to the above mentioned company of refund determined and particulars of taxpayer/person.
- The bonds shall be issued in values in multiples of one hundred thousand rupees.
- The bonds so issued shall have a maturity period of three years and shall bear annual simple profit at ten per cent.
- The bonds shall be traded freely in the country’s secondary markets.
- The bonds shall be approved security for calculating the statutory liquidity reserve.
- The bonds shall be accepted by the banks as collateral.
- There shall be no compulsory deduction of Zakat against the bonds and sahib-e-nisab may pay Zakat voluntarily according to Shariah.
- After period of maturity, the company shall return the promissory note to the Board and the Board shall make the payment of amount due under the bonds, along with profit due, to the bond holders.

- The bonds shall be redeemable in the manner as in the preceding sub-section before maturity only at the option of the Board along with simple profit payable at the time of redemption in the light of general or specific policy to be formulated by the Board.
- The refund under sub-section (1) shall be paid in the aforesaid manner to the claimants who opt for payment in such manner.
- The Federal Government may notify procedure to regulate the issuance, redemption and other matters relating to the bonds, as may be required

PROFIT ON DEBT

Section 7B, section 151, First Schedule, Tenth Schedule: The taxation of profit on debt is proposed to be modified through changes in various related provisions summarized as under:

- Section 7B provides for imposition of tax in respect of profit on debt earned by a person other than company whereas section 151 provides for deduction of tax at the time of payment of profit on debt.
- Currently, under section 151, 10% tax is required to be deducted from filers while 17.5% tax is to be deducted from non-filers however as already explained above, the concept of filer & non-filer is proposed to be replaced with that of active taxpayer list under tenth schedule and profit on debt under section 151 is also proposed to be subjected to deduction of tax in accordance with tenth schedule.
- For persons appearing on ATL, the rate of tax deduction under section 151 is proposed to be increased from 10% to 15% however in cases where profit on debt is less than Rs. 500,000, the rate of tax is proposed to be maintained at the current rate i.e. 10% of gross amount of profit on debt.
- In case of persons not appearing on ATL, the rate of tax deduction will be 100% higher i.e. 30% for persons earning profit on debt in excess of Rs.500,000 and 20% in case of persons earning profit on debt up to Rs. 500,000.
- The tax so deducted under section 151 is currently under final tax regime except for companies and profit on debt taxable under section 7B.
- The tax so deducted is now proposed to be treated as minimum tax except for companies and profit on debt taxable under section 7B.
- The income tax imposed under section 7B on persons other than company is proposed to be increased as per following table:

Amount of profit on debt (Rs.)	Current	Proposed
Up to Rs. 5,000,000	10%	15%
Rs.5,000,001 to Rs.25,000,000	12.5%	17.5%
Rs.25,000,001 to Rs.36,000,000	15%	20%
Above Rs.36,000,000	15%	Excluded from section 7B and to be added to normal tax regime income

- The tax imposed under section 7B is under final tax regime in view of section 8 of ITO 2001.
- In a nut shell, the tax deducted under section 151 is under normal tax regime for companies and under minimum tax regime for profit on debt exceeding Rs. 36,000,000 while in case of profit on debt under section 7B i.e. up to Rs. 36,000,000, the tax deducted and imposed is under final tax regime.

DEALERSHIP COMMISSIONS, ARHATIS

The Finance bill proposes changes in taxation of dealers & arhatis to realize true potential of tax from such business persons. The relevant proposed changes are summarized hereunder:

Section 21(ca) Deductions not allowed: The Bill seeks to disallow commission paid in respect of products listed in Third Schedule Sales Tax Act 1990 where it exceeds 0.2 % of gross amount of supplies excluding those made to registered persons who are appearing in the active taxpayers' list.

Section 108AB Transactions under dealership arrangements: The proposed section provides that 75% of dealer's margin shall be added to the income of the person making supplies under a dealership arrangement where the dealers are not registered under STA 1990 and are not appearing in the ATL of ITO 2001. The proposes section further provides that 10% of sales price of the manufacturer will be treated as dealer's margin.

The Bill seeks to curtail manufacturers from shifting profits to commission agents/dealers who are not registered under Sales Tax Act, 1990 and are not appearing in ATL. The 10% of the sale price to be treated as dealers margin and 75% of this to be added to the income of person/manufacturer making supplies.

REAL ESTATE SECTOR/ IMMOVALBE PROPERTY

A number of changes are proposed by Finance bill which are likely to have a direct impact on real estate sector. The proposed changes are summarized hereunder:

Section 37(1A) & (3A), First Schedule, Part-I, Div VIII - Capital Gains The Bill seeks to omit separate tax rates for income from capital gains from sale of immovable property. The current rates of tax on gain from sale of immovable property are 10%, 7.5% and 5% for immovable property held up to one year, one to two year and two to three years while gain earned on immovable property sold after three years is exempt from tax.

The proposed amendments provide for taxation of gain on sale of "open plot" and "constructed property" at the tax rates provided in First Schedule applicable under normal tax regime as follows:

S#	Holding period for open plot	Holding period for constructed property	Gain represented by "A"
1	Less than a year	Less than a year	A
2	More than one year but less than 10 years	More than one year but less than 5 years	A*3/4
3	More than 10 years	More than 5 years	0

The impact of above change is that the gain on sale of immovable property is fully taxable if holding period is up to one year however if holding period is more than one year but up to 10 years or 05 years for open plot and constructed property respectively then 25% of such gain is exempt while in case holding period exceeds 10 years and 05 years for open plot and constructed property respectively then 100% of such gain is exempt from tax.

The taxable gain from sale of immovable property is to be added to taxable income under normal tax regime and tax rates provided for normal tax regime income under first schedule will be applicable.

Section 75A: The bill proposes to insert section 75A whereby the purchaser of immovable property (Fair market value exceeding Rs. 5,000,000) or other asset (FMV exceeding Rs. 1,000,000) is required to make payment of such property through normal banking channel otherwise the cost or depreciation/ amortization of such assets will not be allowed for the purposes of income tax. The FMV means higher of the value notified by FBR under section 68(4) or value fixed by Provincial authority for the purposes of stamp duty.

Section 236W read with Section 111(4)(c) Acquisition of immovable property: Currently section 236W requires payment of 3% tax on the difference of value of property as per section 68(4) and valued recorded by the authority registering or attesting the transfer and upon payment of such tax, the person is allowed under section 111(4)(c) to incorporate the differential value of property in the books of accounts. The bill seeks omit section 236W and section 111(4)(c) of ITO 2001.

Section 230F: The Bill seeks to omit clause (23) of the afore mentioned section. The clause provided for rate of 1% and stops application of provision of section 111(4), 236C, 236W Division X of Part IV of the First Schedule from the application date of section 230F i-e Directorate General of Immovable Property.

Section 236C Advance Tax on sale or transfer of immovable property, Clause 114B, Part I, Second Schedule: As per section 227C, person responsible for registering, recording or attesting transfer of immovable property is required to collect tax from seller of such property at applicable rates. However, such advance tax is not collected where the property is held for a period of 3 years. The Bill proposes to extend the time limit from 3 years to 5 years.

The Bill also proposes to insert a new clause namely 114B to provide exemption from tax under section 236C to any profit and gains accruing to persons i.e. dependent of a Shaheed belonging to Pakistan Armed Forces or a person who dies while in the service of the Pakistan Armed Forces or the service of Federal or Provincial Government in respect of first sale of immovable property acquired from or allotted by the Federal Government or Provincial Government or any authority duly certified by the official allotment authority and the property acquired or allotted is in recognition of services rendered by the Shaheed or the person who dies in service.

Section 236W Tax on purchase or transfer of immovable property: In view of the proposed amendment in section 111(4)(c), tax to be collected from the purchaser of property on difference of FBR value of property and DC value under section 236W is also proposed to be withdrawn.

Clause 99A Part I Second Schedule: Profits and gains on sale of immovable property to a rental REIT scheme are proposed to be exempt up to June 30, 2021.

Clause 114B Part I Second Schedule: Gain on first sale of immovable property by dependents of Shaheed or a person who dies in Government service are proposed to be exempt.

Clause 9A Part III Second Schedule: Tax payable on account of capital gain is proposed to be reduced by 50% of first sale of immovable property by Government Civil & Armed forces employees.

NON-PROFIT ORGANIZATIONS

Section 100C Tax credit for certain persons: Section 100C(1) provides tax credit for mainly two types of organizations; 1) non-profit organizations as defined in section 2(36) whereby approval of Commissioner is mandatory; and 2) trusts and welfare institutions which do not require approval of Commissioner under any provision of ITO 2001 but still enjoy 100% tax credit under the provisions of section 100C.

The Bill seeks to amend this situation and proposes that now every organization seeking 100% tax credit under section 100C shall obtain approval from Commissioner under section 2(36) of ITO 2001. This requirement is proposed to be effective from July 01, 2020.

The Bill further proposes restriction on transfer of benefit/assets to donors/families. In case of non-compliance the same shall be added in person's taxable income of the "donor".

Sub-section 2(c) provides that persons eligible for tax credit under section 100C includes trusts, welfare institutions or non-profit organizations approved by Chief Commissioner. However, this clause is proposed to be omitted.

The proposed changes in this section mean that every charitable organization is now required to obtain approval from Commissioner otherwise the income of such organization will not be eligible for 100% tax credit.

BANKING SECTOR

Section 4B(2)(iv) Super tax The Bill seeks to disallow adjustment of brought forward depreciation and brought forward business losses against income of banking companies for the purpose of computation of super tax.

Seventh Schedule: Changes proposed in Seventh Schedule are summarized as under:

- Explanation proposed to be added for reversal of provision for advances and off balance sheet items
- Explanation proposed to be added that reversal of bad debts classified as doubtful or loss are taxable
- Explanation added that with effect from tax year 2020 and onward, reversal of bad debts classified as loss are taxable
- Doubtful debts under Prudential regulations now proposed not to be allowed as expense

- Clarification proposed to be inserted regarding audit powers of Commissioner
- Rule 6C proposed to be inserted for enhanced rate of tax on taxable income from Federal Government Securities

TAX CREDITS & EXEMPTIONS

Section 62A (1) Tax credit for investment in shares and insurance: The Bill seeks to omit the expression “being a filer” from section 62A being irrelevant as per new definition of ATL being introduced.

Section 64C Tax credit for persons employing fresh graduates: The Bill seeks to provide tax credit to persons employing fresh graduates (upto 15% of total employees) equal to lower of annual salary paid or 5% of the taxable income.

Section 65B (1): Tax credit for investment: The Bill seeks to reduce the rate of tax credit from 10 % to 5% of the amount invested in plant and machinery for tax year 2019. Here fresh graduates refer to the person graduated after the July 01, 2017 from HEC recognized university or institution.

Section 65B(2): The Bill seeks to restrict tax credits for such investments up to tax 2019, previously it was available up to 2021. The rate of tax credit for tax year 2019 has also been reduced to five percent instead of ten percent as provided earlier and still available.

Clause 146 Part I Second Schedule and Clause 110 Part IV Second Schedule: Exemption to residents of FATA/ PATA areas is provided.

Clause 43E Part IV Second Schedule: Oil tankers are exempted from operation of section 153(1)(a) as payers subject to payment of tax @ 2.5% of turnover i.e. at a rate higher than usual applicable on transport services (2%). The Finance bill proposes to increase the rate to 3% now however it creates an anomaly as the rate of deduction of tax is proposed to be increased to 4% which is treated as minimum tax.

ANTI AVOIDANCE

Section 108A Report from independent chartered accountant or cost and management accountant: The newly inserted section in the Bill seeks to:

- authorize the Commissioner to seek report from a Chartered Accountant or Cost Accountant to determine fair market value of any asset, product, expenditure or service at the time of transaction where having view that the transaction is not an arm's length i-e on FMV.
- The scope, terms and conditions shall be as may be prescribed.
- If the Commissioner is satisfied with the report, the same shall be treated “definite information” in terms of section 122(8)
- If the Commissioner is not satisfied with the report, the Commissioner may proceed again for the report with another Chartered Accountant or Cost and management accountant after recording reasons
- Such report shall be sought by the Commissioner with prior approval of the Board

Section 111(4)(a) Unexplained income or assets: The Bill seeks to reduce the threshold of foreign remittance used as a source of investment from being probed, from Rs 10 million to Rs 5 million in a tax year.

RETURN FILING

Section 114(1)(b)(iii) Return of income: The Bill seeks to enhance the requirement criteria to file return for owners of immovable property from 250 square yards to 500 square yards.

Section 118(3)(a) Method of furnishing returns and other documents: The Bill seeks to change the due date for filing of return for salaried individual from August 31 to September 30.

AUDIT, ASSESSMENT, APPEALS, ADRC & RECOVERY PROVISIONS

Section 120B Restriction of proceedings: The Bill seeks to bar income tax proceedings in respect of any declaration in accordance with Asset Declaration Act, 2019. The particulars of person and information provided shall be confidential.

Section 134A(2)(ii) Alternate Dispute Resolution: The Bill seeks to include cost & management accountants in Alternate Dispute Resolution Committee. The requirement of experience for all (chartered accountant, cost and management accountant and Advocate) is proposed to be minimum ten years.

Section 139(5, 6 & 7) Collection of tax in case of private companies and AOPs: The Bill seeks to provide for recovery of association of persons' tax for a particular tax year, if cannot be recovered from AOP, from its member (who was a member any time during that particular tax year). The section provides the member right to recover from AOP or other members their share.

Section 145(5) Assessment of persons about to leave: The Bill seeks to authorize the Commissioner to freeze domestic asset of a person including beneficially owned asset for earlier of 120 days or finalization of proceedings including recovery, who is likely to leave Pakistan and the Commissioner has reason to believe based on information received from offshore that the person is involved in offshore tax evasion.

Section 175(6A) Power to enter and search premises: The Bill seeks to introduce this new subsection increasing power of Commissioner to raid any premises on reliable information of undeclared gold, bearer security or foreign currency and can confiscate the same.

In a country where taxation authorities leave no option to harass the taxpayer, its to arm with additional arsenal to threat and harass more.

Section 177(6) Audit: The Bill seeks to replace the afore-mentioned subsection to separate the functions of Audit and Assessment in view of recommendations made in a recent judgement of Lahore High Court. The amended subsection (6) provides for completion of audit, issuance of audit report and putting audit findings. While sub section (6A) provides for amendment of assessment in terms of section 122(4) after providing opportunity of being heard u/s 122(9).

Section 181D Business license scheme: The Bill seeks to provide for a business license scheme prescribed by Board for a business, profession or vocation.

Section 227D Automated impersonal tax regime: The proposed amendment seeks to insert new section which empowers the Board to design Automated Impersonal Tax Regime applicable only for low risk and compliant taxpayers to minimize personal interaction between taxpayers and officers

Clause 105 Part IV Second Schedule: This clause provides that a taxpayer can be selected for audit once in three years however this clause is now proposed to be omitted allowing FBR to audit taxpayers every year.

WITHHOLDING TAX

The bill proposes to abolish final tax regime for various classes of taxpayers as explained hereunder:

Section 148(7): Currently the tax collected under section 148 is treated as final tax except for the exclusions provided under section 148(7) however the bill now proposes tax so collected to be minimum tax. However, the importers excluded from final tax are also excluded from minimum tax.

Section 148(8A): The Bill seeks to change final tax regime to minimum tax regime for ships imported by ship breakers.

Section 151: The Bill seeks to change final tax regime to minimum tax regime in respect of tax deducted income from profit on debt for persons other than company and profit on debt taxable under section 7B. Please also see our detailed comments on section 7B.

Section 152: Division II Part III 1st Schedule - Payment to non-residents: Currently following payments to non-resident persons are under final tax regime in terms of section 152:

- Construction & related services (152(1A) & 1B) – at the option of non-resident person
- Advertisement services rendered by TV Satellite channels – at the option of non-resident person
- Insurance premium and reinsurance premium (152(1AA) & 1BB)

The Finance bill proposes that tax deducted from non-resident persons engaged in construction & related contracts and advertisement services mentioned above shall be treated as minimum tax and the option to opt for final tax is proposed to be withdrawn.

The Finance bill also proposes that tax deducted on account of insurance & reinsurance premium shall be treated as minimum tax instead of final tax.

The Finance bill also proposes to introduce subsection (4B) authorizing Commissioner to allow in writing an order, payment in case of a cohesive arrangement after tax deduction of thirty percent of the tax payable after making inquiries as deem fit. The permanent establishment (PE) of the non-resident can claim tax credit of tax so deducted.

Please also see discussion in respect of filer, non-filer and active taxpayers' list.

Section 153(3) & (4A) Div III Part III 1st Schedule - Payment for Goods and Services: The Bill seeks to change the withholding tax deducted from final to minimum wherever occurring in this subsection. Accordingly, the term “adjustable” is proposed to be replaced by “not be minimum” for the purpose of issuance of exemption certificate.

The major sectors which are being shifted from final tax regime to minimum tax regime through this change are traders, manufacturers (individuals & AOPs) and construction companies. The manufacturer companies and public listed companies were previously out of the purview of final tax regime and they are also out of the purview of minimum tax regime under section 153.

The tax deducted for service sector is already under minimum tax regime however certain sectors were subject to lower rate of tax @ 2% of gross turnover through clause 94 of Part IV of Second Schedule. The bill maintains the minimum tax regime for the services sector however the rate of tax for clause 94 sectors is proposed to be increased from 2% to 4%. Please note that applicability of 2% tax rate was subject to certain conditions like surrendering for tax audit, advance tax payment etc. however withholding tax rate of 4% is not subject to any conditions.

Section 153B, Division IIIB, Part-III of First Schedule Payment of royalty to resident persons: The Bill seeks to introduce withholding tax on royalty payments to residents at rates specified in Division IIIB, Part-III of First Schedule. Such deducted tax shall be adjustable.

Through insertion of new Division, rate of tax to be deducted from royalty paid to resident persons is proposed at 15% of the gross amount payable.

Sr. No	Description	Existing	Proposed
1	Royalty paid to resident persons	Nil	Royalty paid to resident persons The rate of tax to be deducted under section 153B shall be 15% of the gross amount payable”

Section 161(3) Failure to pay tax collected or deducted: The Bill seeks to provide for the amendment of an order of recovery from withholding agent under section 161 in case such order is prejudicial to interest of revenue as per inquiries made. Such order is amended after providing opportunity of being heard.

Section 165 Statements: The Bill seeks to include the reference to newly inserted Tenth Schedule for taxation of person not appearing in ATL in the section among the reference of Chapters stated herein.

Section 165A Furnishing of information by banks: The Bill seeks to omit the terms of “filer” & “non-filer” from the section and setting threshold of Rs 500,000 on account of profit on debt for reporting to FBR for all (ATL and not ATL).

Section 168 Credit for tax collected or deducted: The Bill seeks to omit for the provisions on final tax with regard to inadmissibility of tax credit of final tax liability since the same becomes irrelevant

where final tax has been replaced with minimum tax, hence the said subsection has become irrelevant.

Section 169(4) Tax collected or deducted as final tax: The Bill seeks to replace the aforementioned subsection keeping the same sense however incorporating the new references. Still if tax deducted to be final and the higher rate charged under Tenth Schedule for persons not appearing in ATL (earlier for non-filer) is adjustable if return is filed before finalization of assessment in accordance with Rule 4 of the Tenth Schedule.

Section 231B Advance tax on private motor vehicles: The proposed amendment seeks to substitute the term “non filer” with the expression “persons whose name is not appearing in the active taxpayer’s list” in section 231B

Section 233 Brokerage and Commission: The proposed amendment seeks to change tax on brokerage and commission from final tax liability to minimum tax liability.

Section 234A CNG Stations: The proposed amendment seeks to change tax on CNG stations from final tax liability to minimum tax liability.

PENALTIES & PROSECUTION

Section 182 Offences & Penalties: The Bill seeks to enhance the penalty for

- not filing of return under section 114 within due date from Rs 20,000 to Rs. 40,000 however for a salaried individual having 75% income from salary which is less than Rs 5 million, the minimum amount of penalty is Rs. 5000.
- failure to furnish wealth statement and wealth reconciliation from Rs 20,000 to Rs. 100,000
- failure to apply for registration from Rs 5,000 to Rs. 10,000
- erroneous calculation in the return for more than one year and whereby tax is less than tax payable, from Rs 5,000 to Rs. 30,000
- obstructing the Commissioner from accessing premises, places, accounts, documents computers or stocks, from Rs 25,000 to Rs. 50,000
- concealing income or furnishing inaccurate particulars of such income, from Rs 25,000 to Rs. 100,000
- failure to collect or deduct or pay the collected or deducted tax, from Rs 25,000 to Rs. 40,000

The Bill also seeks to introduce new penalties with respect to offshore tax evasion and failure furnish information required under Common Reporting Standards and Chapter XIII A of Income Tax Rules.

21	Any person who purchases immovable property having fair market value greater than rupees five million through cash or bearer cheque	Such person shall pay a penalty of five percent of the value of property determined by the Board under sub section (4) of section 68 or by the provincial authority for the purposes of stamp duty, whichever is higher	75A
22	Where an offshore tax evader is involved in offshore tax evasion in the course of any proceedings under this Ordinance before any Income Tax authority or the appellate tribunal	Such person shall pay a penalty of one hundred thousand rupees or an amount equal to two hundred per cent of the tax which the person sought to evade, whichever is higher	General
23	Where in the course of any transaction or declaration made by a person an enabler has enabled, guided, advised or managed any person to design, arrange or manage that transaction or declaration in such a manner which has resulted or may result in offshore tax evasion in the course of any proceedings under this Ordinance.	Such person shall pay a penalty of three hundred thousand rupees or an amount equal to two hundred per cent of the tax which was sought to be evaded, whichever is higher.	General
24	Any person who is involved in asset move as defined in clause (5C) of section 2 of the Ordinance from a specified territory to an un-specified territory	Such person shall pay a penalty of one hundred thousand rupees or an amount equal to one hundred per cent of the tax whichever is higher.	General
25	Where a Reporting Financial Institution fails to comply with any provisions of section 165B of the Ordinance or Common Reporting Standard Rules in Chapter XIIA of Income Tax Rules, 2002	Such Reporting Financial Institution shall pay a penalty of Rs.10, 000 for each default and an additional Rs. 10,000 each month until the default is redressed.	
26	Where a Reporting Financial Institution files an incomplete or inaccurate report under provisions of section 165B of the Ordinance and Common Reporting Standard Rules in Chapter XIIA of Income Tax Rules, 2002	Such Reporting Financial Institution shall pay a penalty of Rs.10, 000 for each default and an additional Rs. 10,000 each month until the default is redressed	
27	Where a Reporting Financial Institution fails to obtain valid self-certification for new accounts or furnishes false self-certification made by the Reportable Jurisdiction Person under Common Reporting Standard Rules Chapter XIIA of I. Tax Rules, 2002	Such Reporting Financial Institution shall pay a penalty of Rs.10,000 for each default and an additional Rs. 10,000 each month until the default is redressed.	
28	Where a Reportable Jurisdiction Person fails to furnish valid self-certification or furnishes false self-certification under Common Reporting Standard Rules in Chapter XIIA of Income Tax Rules, 2002	Such Reportable Jurisdiction Person shall pay a penalty of Rs. 5,000 for each default and an additional Rs. 5,000 each month until the default is redressed.”	

Section 182A (a): Return not filed within due date: The Bill seeks to allow name of late filers to appear on active taxpayer list subject to payment of surcharge of Rs 25,000, Rs, 10,000, Rs, 1000 in case of Company, AOP & Individual respectively.

Section 182A(c & d): The Bill seeks to provide for non-issuance of refund for the duration in which the person does not appear on active taxpayers' list and the same duration shall not be counted for additional payment for delayed refund, if any.

Section 191(1) Prosecution for non-compliance with certain statutory obligations: The Bill seeks to make non furnishing of withholding statement a prosecutable offence.

Section 192B Prosecution for concealment of an offshore asset: The Bill seeks to make concealment/furnishing inaccurate particulars to the Commissioner of offshore asset causing loss to revenue of Rs 100,000 as a prosecutable offence by inserting a new clause.

The person shall be punishable upon conviction with seven years of imprisonment or fine upto 200% of amount of tax evaded or both.

Section 195A Prosecution for non-compliance with notice under section 116A: The Bill seeks to make non-compliance of notice under section 116A as prosecutable offence punishable with imprisonment up to two years or with a fine up to 2% of the offshore asset not declared or both.

Section 195B Prosecution for enabling offshore tax evasion: The Bill seeks to enable offshore evasion as prosecutable offence punishable with imprisonment up to seven years or with a fine up to Rs five million or both.

OTHER CHANGES

Other small but significant changes are summarized hereunder.

Section 24(4) Intangibles: The Bill seeks to amortize expenditure of intangibles over actual useful life and where actual useful life is not ascertainable, over a period of 25 years earlier it was ten years.

Section 24(11) The Bill seeks to exclude self-generated goodwill or any adjustment of like manner from the definition of intangibles.

Section 39 (1) Income from other sources: The Bill seeks to introduce taxation of gifts as “income from other source” where gift is received from a person other than grandparents, parents, spouse, real brother, real sister, son or a daughter.

Section 53 (2) Exemptions and tax concessions in the second schedule: The Bill seeks to restrict the power of Federal Government to grant exemptions excluding “removal of anomalies in taxes, development of backward areas” from the scope of section.

Section 82 Resident individual: The Bill seeks to amend and enhance the scope of definition of the “resident individual” whereby an individual present in Pakistan for a period or periods of 90 days or more in a tax year and 365 days or more in preceding four years is to treated as resident person.

Section 99C Special procedure for certain persons: The Bill seeks to empower the Federal Government to prescribe special procedures for scope and payment of tax, record keeping, filing of return and assessment in respect of small businesses, construction businesses, medical practitioners, hospitals, educational institutions and any other sector specified by the Federal Govt in specified cities or territories.

Section 107 Agreement for avoidance of double taxation: The Bill seeks to provide for disclosure of information pertaining to tax treaties in terms of section 216(3)(a) to be treated as confidential in line with the Freedom of Information Ordinance, 2002.

Section 215 Furnishing of returns, documents etc.: The Bill seeks to omit the term “filer” and use the term “person” wherever needed to be referred.

Section 216 Disclosure of information by a public servant: The Bill seeks to allow for disclosure of names of offshore evaders who have evaded offshore tax equal to or exceeding Rs two and half million and offshore enablers in the print and electronic media.

Section 216A Proceedings against persons: The Bill seeks to allow for initiation of proceedings including criminal against officers and taxpayers who indulge in financial malpractices for personal gains subject to section 227. The Board shall intimate the relevant Govt agency to initiate criminal proceedings against the taxpayer.

Section 230G Directorate General of Special Initiative
Section 230H Directorate General of Valuation

The amendment seeks to insert new section to provide for establishment of Directorates General of Special Initiative and Valuation. The Board shall specify the functions, jurisdictions and powers of the Directorate Generals and its Officers and confers the powers of authorities specified in section 207.

Third Schedule: Initial allowance on building @ 15% is proposed to be deleted.

THE FIRST SCHEDULE

Part I Division I

Rate of tax for Individuals and AOPs

The rates of tax imposed on income of every individual and association of persons except a salaried individual are proposed to be following:

S. No.	Taxable Income	Rate of Tax
(1)	(2)	(3)
1.	Up to Rs. 400,000	0%
2.	From Rs. 400,001 to Rs. 600,000	5% of the amount exceeding Rs. 400,000
3.	From Rs. 600,001 to Rs. 1,200,000	Rs. 10,000 plus 10% of the amount exceeding Rs. 600,000
4.	From Rs. 1,200,001 to Rs. 2,400,000	Rs. 70,000 plus 15% of the amount exceeding Rs. 1,200,000
5.	From Rs. 2,400,001 to Rs. 3,000,000	Rs. 250,000 plus 20% of the amount exceeding Rs. 2,400,000
6.	From Rs. 3,000,001 to Rs. 4,000,000	Rs. 370,000 plus 25% of the amount exceeding Rs. 3,000,000
7.	From Rs. 4,000,001 to Rs. 6,000,000	Rs. 620,000 plus 30% of the amount exceeding Rs. 4,000,000
8.	From Rs. 6,000,001 onwards	Rs. 1,220,000 plus 35% of the amount exceeding Rs. 6,000,000

Part I Division II Corporate Tax Rate

Corporate tax rate is proposed to be fixed at 29% for tax year 2019 and onwards.

Tax year	Existing	Proposed
2019	29%	29%
2020	28%	
2021	27%	
2022	26%	
2023 onwards	25%	

Part I Division III Rate of Dividend Tax

Rate of tax on income from dividend are proposed to be enhanced:

No.	Description	Existing	Proposed
(a)	in the case of dividends declared or distributed by purchaser of a power project privatized by	7.5%	15%

	WAPDA or on shares of a company set up for power generation or on shares of a company, supplying coal exclusively to power generation projects		
(b)	In cases other than mentioned in clauses (a) and (c)	15%	15%, in cases other than mentioned in clauses (a) and (d)
(c)	In case of dividend received by a person from a mutual fund 5 [if the amount of dividend is above 2.5 million and 10% if the amount of dividend is less than or equal to 2.5 million.	12.5%	Omitted
(d)	in the case of a person receiving dividend from a company where no tax is payable by such company due to exemption of income or carry forward of business losses under Part VIII of Chapter III or claim of tax credits under Part X of Chapter III	Above rates	25%

Part I Division IIIA Rate for Profit on Debt

Rate of tax on income from profit on debt are proposed to be enhanced:

S.No.	Description	Existing	Proposed
1	Where profit on debt does not exceed Rs.5,000,000	10%	15%
2	Where profit on debt exceeds Rs.5,000,000 but does not exceed Rs.25,000,000	12.5%	17.5%

3	Where profit on debt exceeds Rs.25,000,000	15%	20%
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Income from Property
Division VIA Part I (Section 15)
Division V Part III (Section 155)

Higher slabs and tax rates are proposed for income from property.

S.No.	Description	Existing	Proposed	
1	Where the gross amount of rent does not exceed Rs.200,000.	Nil	Nil	
2	Where the gross amount of rent exceeds Rs.200,000 but does not exceed Rs.600,000	5 per cent of the gross amount exceeding Rs.200,000.	No Change	
3	Where the gross amount of rent exceeds Rs.600,000 but does not exceed Rs.1,000,000	Rs.20,000 plus 10 per cent of the gross amount exceeding Rs.600,000.		
4	Where the gross amount of rent exceeds Rs.1,000,000 but does not exceed Rs.2,000,000.	Rs.60,000 plus 15 per cent of the gross amount exceeding Rs.1,000,000		
5	Where the gross amount of rent exceeds Rs.2,000,000 but does not exceed Rs.4,000,000	Rs.210,000 plus 20 per cent of the gross amount exceeding Rs.2,000,000		
6	Where the gross amount of rent exceeds Rs.4,000,000 but does not exceed Rs.6,000,000.	Nil		Rs.610,000 plus 25 percent of the gross amount exceeding Rs.4,000,000
7	Where the gross amount of rent exceeds Rs.6,000,000 but does not exceed Rs.8,000,000	Nil		Rs.1,110,000 plus 30 per cent of the gross amount exceeding Rs.6,000,000
8	Where the gross amount of rent exceeds Rs.8,000,000	Nil		Rs.1,710,000 plus 35 percent of the gross amount exceeding

			Rs.8,000,000
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Part I Division VII Capital Gains on Disposal of Securities

The Bill seeks to remove rates for non-filer on capital gains on disposals of securities as same are provided in Tenth Schedule. Rates of tax to be paid under section 37A for tax year 2020 are proposed. The substituted table is provided below:

S.no	Period	Tax Year 2015	Tax Year 2016	Tax Year 2017	Tax 2018, 2019 & 2020	
					Securities acquired before 01.07.2016	Securities acquired after 01.07.2016
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Where holding period of a security is less than twelve months	12.5%	15%	15%	15%	15 %
2.	Where holding period of a security is twelve months or more but less than twenty-four months	10%	12.5%	12.5%	12.5%	
3.	Where holding period of a security is twenty - four months or more but the security was acquired on or after 1st July, 2013.	0%	7.5%	7.5%	7.5%	
4	Where the security was acquired before 1st July, 2013	0%	0%	0%	0%	0%
5.	Future commodity contracts entered into by members of Pakistan Mercantile Exchange	0%	0%	5%	5%	5%

Part I Division VIII Capital Gains on disposal of Immovable Property

Division VIII is proposed to be omitted resultantly taxation of capital gains is proposed to be changed from separate taxation to normal tax regime.

Part I Division IX Minimum tax under section 113

Tax rates for minimum tax on turnover are proposed to be enhanced.

S.No.	Description	Existing	Proposed
		Minimum Tax as percentage of the person's turnover for the year	
(1)	(2)	(3)	
1	(a) Oil marketing companies, Oil refineries, Sui Southern Gas Company Limited and Sui Northern Gas Pipelines Limited (for the cases where annual turnover exceeds rupees one billion.) (b) Pakistani Airlines; (c) Poultry industry including poultry breeding, broiler production, egg production and poultry feed production. (d) Dealers or distributors of fertilizer and (e) person running an online marketplace as defined in clause (38B) of section 2.	0.5%	0.75%
2	(a) Distributors of pharmaceutical products, 1 fast moving consumer goods 2 and cigarettes; (b) Petroleum agents and distributors who are registered under the Sales Tax Act, 1990; (c) Rice mills and dealers; and (d) Flour mills.	0.2%	0.25%
3	Motorcycle dealers registered under the Sales Tax Act, 1990.	0.25%	0.3%
4	In all other cases.	1.25%	1.5%

Part II Division II Section 148 Rates of advance tax

Tax rates on import for Non-filers are proposed to be omitted as these are separately provided in the proposed Tenth Schedule. Comparison of existing and proposed rates are provided below:

Sr. No.	Persons	Rate of Tax		
		Existing		Proposed
		Filer	Non-filer	
1	i) Industrial undertakings importing remeltable steel (PCT Heading 72.04) and directly reduced iron for its own use (ii) Persons importing potassic fertilizers in pursuance of Economic Coordination Committee of the cabinet's decision No. ECC-155/12/2004 dated 9th December, 2004; (iii) Persons importing urea; (iv) Manufacturers covered under Notification No. S.R.O 1125(I)/2011 dated the 31 st December, 2011; (v) Persons importing Gold; (vi) Persons importing Cotton; and (vii) Persons importing LNG	1% of the import value as increased by custom duty sales tax and federal excise duty	1.5% of the import value as increased by custom duty sales tax and federal excise duty	1% of the import value as increased by custom duty sales tax and federal excise duty
2	Persons Importing Pulses	2% of the Import value as increased by customs duty, sales tax and federal duty	3% of the Import value as increased by customs duty, sales tax and federal duty	2% of the Import value as increased by customs duty, sales tax and federal duty
3	Commercial importers covered Notification No. S.R.O. 1125(I)/2011 and importing items covered under S.R.O. 1125(I)/2011 dated the 31 st December 2011	3% of the import value as increased by customs duty, sales tax and federal excise duty	4.5% of the import value as increased by customs duty, sales tax and federal excise duty	3% of the import value as increased by customs duty, sales tax and federal excise duty

4	Persons Importing Coal	4%	6%	4%
5	Persons importing finished pharmaceutical products that are not manufactured otherwise in Pakistan, as certified by the Drug Regulatory Authority of Pakistan	-	-	4%
6	Ship Breakers on import of ships	4.5%	6.5%	4.5%
7	Industrials undertakings not covered under S. Nos. 1 to 6	5.5%	8%	5.5%
8	Companies not covered under S. Nos. 1 to 7	5.5%	8%	5.5%
9	Persons not covered under S. Nos.1 to 8	6%	9%	6%

Part III Division I Section 150 & 236S Advance tax on Dividend

Rates of advance tax to be deducted on Dividend under section 150 and 236S are proposed to be enhanced.

Sr. No	Description	Existing	Proposed
1	in the case of dividends declared or distributed by purchaser of a power project privatized by WAPDA or on shares of a company set up for power generation or on shares of a company, supplying coal exclusively to power generation projects	7.5%	15%

Withholding tax rates for non-filers are proposed to be omitted as these are separately provided in the proposed tenth schedule.

Part III Division VI Prizes and Winnings

Withholding tax rates for non-filers are proposed to be omitted as these are separately provided in the proposed Tenth schedule.

Part III Division VIA Petroleum Products

Withholding tax rates for non-filers are proposed to be omitted as these are separately provided in the proposed Tenth schedule.

Part III Division VIB CNG STATIONS

Withholding tax rates for non-filers are proposed to be omitted as these are separately provided in the proposed Tenth schedule.

Part IV Division II Brokerage and Commission (section 233)

Withholding tax rates for non-filers are proposed to be omitted as these are separately provided in the proposed Tenth schedule.

Part IV Division III Tax on Motor Vehicles

S.No.	Description	Existing	Proposed
1	In case of goods transport vehicles	Two rupees and fifty paise per kilogram of the laden weight shall be charged for filer and four rupees per kilogram of the laden weight for non-filer	Two rupees and fifty paise per kilogram of the laden weight shall be charged.

Part IV Division III Section 234 Tax on Passenger Transport Motor Vehicles

S. No.	Capacity	Existing		Proposed
		Rs. per seat per annum		Rs. per seat per annum
		Filer	Non-Filer	
1.	Four or more persons but less than ten Persons.	50	100	50
2.	Ten or more persons but less than Twenty persons.	100	200	100
3.	Twenty persons or more.	300	500	300

Withholding tax rates for non-filers are proposed to be omitted as these are separately provided in the proposed Tenth schedule.

Part IV Division III - Section 234
In case of Other Private Motor Vehicles
Table

S. No.	Engine Capacity	Existing		Proposed
		Rs. per seat per annum		Rs. per seat per annum
		Filer	Non-Filer	
1.	upto 1000cc	800	1,200	Rs. 800
2.	1001cc to 1199cc	1,500	4,000	Rs. 1,500
3.	1200cc to 1299cc	1,750	5,000	Rs. 1,750
4.	1300cc to 1499cc	2,500	7,500	Rs. 2,500
5.	1500cc to 1599cc	3,750	12,000	Rs. 3,750
6.	1600cc to 1999cc	4,500	15,000	Rs. 4,500
7.	2000cc & above	10,000	30,000	Rs. 10,000

Withholding tax rates for non-filers are proposed to be omitted as these are separately provided in the proposed Tenth schedule.

Part IV Division III Section 234
In Case of Motor Vehicles Tax is Collected Lump Sum

"S. No.	Engine Capacity	Existing		Proposed
		Rs. per seat per annum		Rs. per seat per annum
		Filer	Non-Filer	
1.	upto 1000cc	Rs. 10,000	10,000	Rs. 10,000
2.	1001cc to 1199cc	Rs. 18,000	36,000	Rs. 18,000
3.	1200cc to 1299cc	Rs. 20,000	40,000	Rs. 20,000
4.	1300cc to 1499cc	Rs. 30,000	60,000	Rs. 30,000
5.	1500cc to 1599cc	Rs. 45,000	90,000	Rs. 45,000
6.	1600cc to 1999cc	Rs. 60,000	120,000	Rs. 60,000
7.	2000cc & above	Rs. 120,000	240,000	Rs. 120,000

Part IV Division VI Cash withdrawal from a bank
Part IV Division VIA Advance tax on transactions in Bank

Withholding tax rates for non-filers are proposed to be omitted as these are separately provided in the proposed Tenth schedule.

Part IV Division VII Section 231B
Advance Tax on Purchase of Car/Jeep

Withholding tax rates for non-filers are proposed to be omitted as these are separately provided in the proposed Tenth schedule.

Part IV Division VII Section 231B
Advance Tax on Transfer/Registration of Car/Jeep

Withholding tax rates for non-filers are proposed to be omitted as these are separately provided in the proposed Tenth schedule.

Part IV Division XIV Section 236G
Advance Tax on sale of distributors, dealers or wholesalers

Withholding tax rates for non-filers are proposed to be omitted as these are separately provided in the proposed Tenth schedule.

Part IV Division XV Section 236H
Advance Tax on sale to retailers

Withholding tax rates for non-filers are proposed to be omitted as these are separately provided in the proposed Tenth schedule.

Part IV Division XVA Section 236HA
Advance Tax on sale of certain petroleum products

Withholding tax rates for non-filers are proposed to be omitted as these are separately provided in the proposed Tenth schedule.

Part IV Division XVII Section 236J
Advance tax on dealers, commission agents and arhatis, etc.

Withholding tax rates for non-filers are proposed to be omitted as these are separately provided in the proposed Tenth schedule.

Part IV Division XVII Section 236J
Advance tax on Dealers, Commission agents and Arhatis, etc.

The Bill seeks to enhance advance tax deduction rate of dealers, commission agents and arhatis, etc. Comparison of existing and proposed rates are provided below:

Sr. No.	Group	Amount of tax (Per annum)	
		Existing (Rs.)	Proposed (Rs.)
Group or Class A	Rs. 100,000	10,000	100,000
Group or Class B	Rs. 75,000	7,500	75,000
Group or Class C	Rs. 50,000	5,000	50,000
Any other category	Rs. 50,000	5,000	50,000

Part IV Division XVIII Section 236K
Advance tax on purchase of immovable property

The rate of tax to be collected under section 236K is proposed to be 1% of the fair market value.

Part IV Division XXI Section 236K
Advance tax on banking transactions otherwise through cash

The Bill proposes to replace the term “non-filer” with phrase “the person whose name is not appearing in the active taxpayers’ list” for deduction of advance tax at 0.6% on banking transactions otherwise through cash.

Part IV Division XXV Section 236P
Advance tax on Insurance premium

The Bill proposes to replace the term “non-filer” with phrase “the person whose name is not appearing in the active taxpayers’ list” for deduction of advance tax by insurance company at different rates at time of collection of premium that relates to general insurance premium, life insurance premium or other insurance premium.

Part IV Division XXVI Section 236V
Advance tax on extraction of minerals

The Bill proposes advance tax deduction at 5% on payments made on account of value of minerals extracted, produced, dispatched and carried away from mines to persons who are not appearing in the active taxpayers’ list.

Part IV Division XXVII Section 236Y
Advance tax on amount remitted abroad through credit card, debit or prepaid cards

The Bill proposes rate of deduction of advance tax of 1% on amount remitted abroad through any transaction made by credit card, debit card or prepaid cards. Further Withholding tax rates for non-filers are proposed to be omitted as these are separately provided in the proposed Tenth schedule.

5. AMENDMENTS IN SALES TAX

Cottage Industry [Section 2(5AB)]

The definition of Cottage Industry is proposed to be amended and would now include,

- a) does not have an industrial gas or electricity connection;
- b) is located in a residential area;
- c) does not have a total labor-force of more than ten workers; and
- d) annual turnover from all supplies does not exceed two million rupees

This proposed amendment would accordingly exclude business from the previous definition, based on the criteria of turnover limit from Rs. 10 million in the last 12 months ending any tax periods or utility bills not exceeding Rs. 800,000 hence would restrict the misuse of existing available exemption by the manufacturing concerns.

FBR Refund Settlement Company (Private) Limited [Section 2(11A)]

Amendment is proposed to omit expression “(Private)” and substituting expression “Companies Ordinance, 1984 (XLVII of 1984)” for “Companies Act, 2017 (XIX of 2017).”

The impact thereof is that securities issued by such type of company may be traded.

Inclusion of Importer in Retail Price Regime [Section 2(27), (46) and 3(2)]

Amendments in clause (27), (46) of section “2” and clause (2) of section “3” and are proposed to include importers also, in case of imported goods.

This would result in sales tax to be charged by such importers on such imported goods listed in Third Schedule based on retail price fixed by them at the rate of 17%. Therefore, value of supply in such a case would no longer be based on determined under section 25 of the Customs Act.

However, if such imported goods are mentioned in Eight schedule, sales tax shall be charged at the rates given therein, whereas the value of supply would continue to be determined under section 25 of the Customs Act.

Assignment of Powers of Federal Government

Amendments in various sections are proposed, whereby power to perform certain functions would now vest with the Board, with the approval of Minister-in-charge.

Section [2(33)(d)] – Powers to specify any transaction which shall or shall not constitute ‘supply’;

Section [2(43)] – Powers to determine tax period lasting one month or period specified as such;

Section [3(3A)] – Powers to fix responsibility to pay tax on person receiving the supply for certain goods;

Section [7(3)] - Power to allow registered person to adjust input tax paid by such a person against output tax;

Section [8(6)] - Powers to bar a registered person from supply of any goods or supply of goods to unregistered person;

Section [37B(13)] - Powers to empower any office working under the board to perform the specified functions of sales tax officer for arrest of a person;

Section [67(A)] - Powers to notify procedure to regulate the issuance, redemption and other matters relating to the refund bonds; and

Section [71(1)] Powers to prescribe procedure to for scope and payment of tax, registration, bookkeeping and invoicing requirement and returns;

Tier – 1 Retailer [Section 2(43A), 3(9) & 3(9A)]

Definition of tier-1 supplier is proposed to include also a retailer, whose shop measures one thousand square feet in area or more.

It is also proposed to exclude Tier-I retailers from collection of sales tax through monthly electricity bills while option of 2% tax on turnover is also proposed to be withdrawn.

Moreover, the customers of such a retailer are proposed to be entitled to receive a cash back of up to five percent of the tax involved, from the date, whereas the said retailers will continue to be required to pay sales tax at the applicable rates for goods sold under relevant provisions of this Act.

Value of Supply [Section 2 (46)]

Amendment is proposed in clause (f), whereby value of supply in respect of manufacturing of goods, is proposed to be, the actual consideration received by the manufacturer for the value addition carried out in relation to goods belonging to another person

Amendment is also proposed to define value of supply of electricity by an Independent Power Producer (IPP) as the amount received on account of energy purchase price only, whereas, the amount received on account of capacity purchase price, energy purchase price premium, excess bonus, supplemental charges etc. shall not be included in the value of supply, through inclusion of new clause (g).

Further inclusion of clause (h) is proposed to define value of supply of electric power and gas by a distribution company as the total amount billed including price of electricity and natural gas, as the

case may be, charges, rents, commissions and all duties and taxes local, provincial and federal but excluding the amount of late payment surcharge and the amount of sales tax.

Sale Tax on Bricks on Fixed Basis [Section 3 (1B)]

Sales tax on fixed basis ranging from Rs. 7,500/- to Rs. 12,500/- per month is proposed to be charged on bricks based on the area/ region rather than the production capacity through inclusion on Tenth Schedule.

Withholding of Sales Tax [Section 3 (7)]

Amendment is proposed through the inclusion of Eleventh Schedule related to the withholding sales tax obligation of a withholding agent transforming the provisions of the Sales Tax Special Procedure (Withholding) Rules, 2007 as follows:

S. No.	Withholding agent	Supplier category	Rate or extent of deduction
1.	(a) Federal and provincial government departments; autonomous bodies; and public sector organizations (b) Companies as defined in the Income Tax Ordinance, 2001 (XLIX of 2001)	Registered persons	1/5th of Sales Tax as shown on invoice
2.	(a) Federal and provincial government departments; autonomous bodies; and public sector organizations (b) Companies as defined in the Income Tax Ordinance, 2001 (XLIX of 2001)	Person registered as a wholesaler, dealer or distributor	1/10th of Sales Tax as shown on invoice
3.	Federal and provincial government departments; autonomous bodies; and public sector organizations	Unregistered persons	Whole of the tax involved or as applicable to supplies on the basis of gross value of supplies
4.	Companies as defined in the Income Tax Ordinance, 2001 (XLIX of 2001)	Unregistered persons	5% of gross value of supplies
5.	Registered persons as recipient of advertisement services	Person providing advertisement services	Whole of sales tax applicable

Zero Rating & Exemption [Section 4 & 13]

Amendment is proposed in section (4) and (13), whereby Federal Government may specify goods through notification in official Gazette, as zero rated or exempt in circumstance and only for the purpose which would require to take immediate action for the purpose of national security, natural

disaster, national foods security in emergency situations and implementation of bilateral and multilateral agreements.

Moreover, the power of the Board to specify goods subject to zero rating through a general order is proposed to be withdrawn by omitting clause (d) of section (4).

Determination of Tax Liability [Section 7(2)]

Input adjustment in case of supply of electricity or gas is proposed to be allowed, if such bill is bearing the taxpayer registration number and the address where the connection is installed.

Determination of Tax Liability [Section 7(2)]

VAT Charged at 3% on commercial imports of goods (adjustable but not refundable) listed in third schedule. The regime is also proposed to be transferred from the (Chapter X) Sales Tax Special Procedures Rules, 2007, to the new Twelfth Schedule to the Act, with few exceptions (VAT not applicable on;

Import of goods by manufacturer for in-house consumption (only if customs duty paid at 16% or 20% ad valorem under First Schedule to Customs Act, 1969);

- LNG/RLNG; and
- Import of cellular mobile phones or satellite phones.

Tax credit & Tax Invoice for Input Adjustment [Section 8(m) &23(1)]

Amendment in section 8(m) is proposed to disallow input tax credit attributable to supplies made to unregistered persons, on pro-rata basis for which sales invoices do not bear the CNIC number of the buyer.

Moreover, tax invoice is also proposed to include particulars in English or Urdu, in case of supplies to unregistered person, NIC number and in case supplies are related to textile yarn and fabric, its count, denier and construction.

Adjustable input tax [Section 8B]

Amendment is proposed to empower Board to relax the claim of input tax credit up to ninety-five of output tax, as opposed to ninety percent currently allowed.

Access to Records, Documents, etc. [Section 25] -

Proviso related to the conducting audit under this section, only once in every three years is proposed to be omitted.

Return [section 26(3)], -

Amendment is proposed, whereby approval under this sub-section shall not be required for revisions, if revised return is filed within sixty days of filing of return and either the tax payable therein is more than the amount paid or the refund claimed therein is less than the amount as claimed, under the return sought to be revised.

Offences and Penalties [33], -

Penalty for furnishing return by due date is proposed to be increased from five thousand rupees to ten thousand rupees, whereas it is further proposed that, in case return is filed within ten days of the due date, penalty of one hundred rupees for each day of default to be increased from Rs. 100/- to Rs. 200/- for each day of default.

Proceedings against persons [Section 33A]

The Bill proposes to insert **new section** relating to initiating criminal proceedings against any authority mentioned in sections 30 to 30DDD including any person subordinate to the aforesaid authorities, who willfully and deliberately commits or omits an act which results in personal benefits and undue advantage to the authority or the person or taxpayer or both. The Bill also proposes to empower Board to prescribe rules for this purpose. Similar criminal proceedings can be initiated against taxpayer by the relevant government agency. Further, criminal proceedings are besides any liability which the authority, person or taxpayer may incur under any other law for the time being in force.

Liability for payment of tax in case of private companies or business enterprises [Section 58]

In section 37B, -

For the words “a Sales Tax Officer” and “the Sales Tax Officer”, wherever occurring the words “an officer of Inland Revenue” and for the words “Federal Government”, the expression “Board, with the approval of the Minister-in-charge,” is proposed to be substituted.

Liability for Payment of Tax in case of Private Companies or Business Enterprises [Section 58]

Amendment is proposed whereby shareholders owning not less than ten percent of the paid-up-capital in the company or business enterprise are also jointly and severally liable for any unpaid tax in case of winding up in addition to the owner, partner in, or director as per the existing provisions.

Amendment also proposes to include the person prescribed above to be legally entitle, to recover the tax paid by him from the company or business enterprise, or a share of the tax from other director or partner, or a share in the proportion of holding from another shareholder, as the case may be.

Addition of goods to Third Schedule of the Sales Tax Act 1990:

After withdrawal of the extra tax regime, the finished articles as mentioned below will be placed in the Third Schedule and corresponding entries relating thereto shall be added, namely;

Serial #	Description	Heading # of 1 st Sch. Of Customs Act, 1969
38.	Household electrical goods, including air conditioners, refrigerators, deep freezers, televisions, recorders and players, electric bulbs, tube-lights, electric fans, electric irons, washing machines and telephone sets.	Respective headings
39.	Household gas appliances, including cooking range, ovens, geysers and gas heaters.	Respective headings

40.	Foam or spring mattresses and other foam products for household use.	Respective headings
41.	Paints, distempers, enamels, pigments, colours, varnishes, gums, resins, dyes, glazes, thinners, blacks, cellulose lacquers and polishes sold in retail packing.	Respective headings
42.	Lubricating oils, brake fluids, transmission fluid, and other vehicular fluids sold in retail packing.	Respective headings
43.	Storage batteries excluding those sold to automotive manufacturers or assemblers.	Respective headings
44.	Tyres and tubes excluding those sold to automotive manufacturers or assemblers.	Respective headings
45.	Motorcycles	Respective headings
46.	Auto rickshaws	Respective headings

Review of Exemptions under Sixth Schedule

More items are being taken out of the Sixth Schedule and brought into the tax net if sold in retail packing and with a brand name like Frozen Sausages, meat if preserved, fat filled milk and cereals other than those of wheat and meslin;

Note:

Bold text in the following columns are the amendments and ~~Crossed~~ items are omitted from sixth schedule;

In Sixth Schedule, Table-1 (Imports or Supplies);

Serial #	Description	Heading # of 1st Sch. Of Customs Act, 1969
2.	Meat of bovine animals, sheep and goat, excluding poultry and offal, whether or not fresh, frozen or otherwise, preserved or packed.	02.01, 02.02 and 02.04.
3.	Fish and crustaceans excluding live fish whether or not fresh, frozen or otherwise preserved or packed.	03.02, 03.03, 03.04, 03.05 and 03.06
19.	Cereals and products of milling industry excluding the products of milling industry, other than wheat and meslin flour, as sold in retail packing bearing brand name or a trademark.	1001.1000, 1001.9000, 1002.0000, 1003.0000, 1004.0000, 1005.1000, 1005.9000, 1006.1090],

		1006.2000, 1006.3010, 1006.3090, 1006.4000, 1007.0000, 1008.1000, 1008.2000, 1008.3000, 1008.9000, 1101.0010, 1101.0020, 1102.1000 , 1102.2000, 1102.9000, 1103.1100, 1103.1300, 1103.1900, 1104.2200, 1104.2300, 1104.2900 and 1104.3000
36.	Silver, in unworked condition.	7106.1000, 7106.9110 and 7106.9190
37.	Gold, in un-worked condition.	7108.1100, 7108.1210 and 7108.1290
52A.	Goods excluding electricity and natural gas supplied to hospitals run by the Federal or Provincial Governments or charitable operating hospitals of fifty beds or more or the teaching hospitals of statutory universities of two hundred or more beds.	Respective headings
72.	Uncooked poultry Meat whether or not fresh, frozen or otherwise, preserved or packed	02.07
73A.	Milk and cream, concentrated or containing added sugar or other sweetening matter, excluding that sold in retail packing under a brand name.	04.01 and 04.02
82.	Frozen prepared or preserved sausages and similar products of poultry meat or meat offal excluding those sold in retail packing under a brand name or a trademark” shall be added.	1601.0000
83.	Meat and similar products of prepared frozen or preserved meat or meat offal of all types including poultry, meat and fish excluding those sold in retail packing under a brand name or a trademark” shall be added.	1602.3200, 1602.3900, 1602.5000, 1604.1100, 1604.1200, 1604.1300, 1604.1400, 1604.1500, 1604.1600, 1604.1900, 1604.2010. 1604.2020, 1604.2090,
85.	Fat filled milk excluding those sold in retail packing under a brand name or a trademark” shall be added.	1901.9090

Following new Serial No and corresponding entries relating thereto shall be added after serial no. 150;

151.	(a) Supplies; and (b) imports of plant, machinery, equipment for installation in tribal areas and of industrial inputs by the industries located in the tribal areas, as defined in the Constitution of Islamic Republic of Pakistan, – as made till 30th June, 2023, to which the provisions of the Act or the notifications issued thereunder, would have not applied had Article 247 of the Constitution not been omitted under the Constitution (Twenty fifth Amendment) Act, 2018 (XXXVII of 2018): Provided that, in case of imports, the same shall be allowed clearance by the Customs authorities on presentation of a post-dated cheque for the amount of sales tax payable under the Sales Tax Act, 1990, and the same shall be returned to the importer after presentation of a consumption or installation certificate, as the case may be, in respect of goods imported as issued by the Commissioner Inland Revenue having jurisdiction: Provided further that if plant, machinery and equipment, on which exemption is availed under this serial number, is transferred or supplied outside the tribal areas, the tax exempted shall be paid at applicable rate on residual value.	Respective headings
153.	Supplies of electricity, as made from the day of assent to the Constitution (Twenty-fifth Amendment) Act, 2018, till 30th June, 2023, to all residential and commercial consumers in tribal areas, and to such industries in the tribal areas which were set and started their industrial production before 31st May, 2018, but excluding steel and ghee or cooking oil industries.	2716.0000
154.	Steel billets, ingots, ship plates, bars and other long re-rolled profiles, on such imports and supplies by the manufacturer on which federal excise duty is payable in sales tax mode.	Respective headings

In Sixth Schedule, Table-2 (Local Supplies Only);

16.	Raw cotton and ginned cotton	Respective headings
25.	Cottonseed oil	1512.2100 and 1512.2900
26.	Wheat Bran	2302.3000

Insertion of Gold, Silver, Diamond and Jewellery in Eighth Schedule to the Sales Tax Act, 1990 at Reduced Rate:

It is proposed to introduce reduced rate/minimal tax rate of 1% on gold and silver. Similarly, presently, jewelry is taxed on the basis of making charges only. Based on regional models, it is proposed that gold in jewelry may be taxed at 1.5%, diamond at 0.5% and making charges at 3%, with input adjustment available only in respect of gold.

Eighth Schedule: Table-2

S. No.	Description	Heading # of 1st Sch. Of Customs Act, 1969	Rate of Sales Tax	Condition
14.	Milk and cream, concentrated and or containing added sugar or other sweetening matter.	0402.1000 and 0402.2000	10%	Sold in retail packing under a brand name
18.	Reclaimed lead	Respective headings	5%	If supplied to recognized manufacturers of lead and lead batteries.
21.	Rapeseed, sunflower seed and canola seed	1205.0000, 1206.0000	16%	On import by solvent extraction industries
22.	Soya bean seed	1201.1000	6%	On import by solvent extraction industries, subject to the condition that no refund of input tax shall be admissible”;
27.	Seeding or planting equipment: (ii) Cotton or maize planter with fertilizer attachment; (iii) Potato planter; and (v) Rice transplanter	In all three; 8432.3090 should be substituted by 8432.3900	5%	
32.	White crystalline sugar	1701.9910 and 1701.9920	8%	

56.	Potassium Chlorate (KCLO ₃)	Respective headings	17% alongwith rupees (65) 70 per kilogram	Import and supply thereof. Provided that rate of rupees (65) 70 per kilogram shall not apply on imports made by and supplies made to organizations under the control of Ministry of Defence Production.
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Following new Serial No and corresponding entries relating thereto shall be added after serial no. 58;

	Products of milling industry except wheat and meslin Flour	1101.0010, 1101.0020, 1102.2000, 1102.9000, 1103.1100, 1103.1300, 1103.1900, 1104.2200, 1104.2300, 1104.2900 And 1104.3000	10%	If sold in retail packing under a brand name or trademark
60.	Fat filled milk	1901.9090	10%	If sold in retail packing under a brand name or trademark
61.	Silver, in unworked Condition	7106.1000, 7106.9110 And 7106.9190	1% plus 2% value Addition	
62.	Gold, in unworked condition	7108.1100, 7108.1210 and 7108.1290	1% plus 2% value Addition	
63.	Articles of jewellery, or parts thereof, of precious metal or of metal clad with precious metal.	71.13	1.5% of value of gold, plus 0.5% of value of diamond, used therein, plus 3% of making charges	No input tax adjustment to be allowed except of the tax paid on Gold
64.	Prepared Food, foodstuff And sweetmeats supplied by	Respective heading	7.5%	Supplies only, subject to condition that no

	restaurants, bakeries, caterers and sweetmeat shops			input tax shall be Adjusted
65.	Ginned cotton	Respective headings	10%	
66.	Supplies of finished articles of textile, textile made-ups, leather and artificial leather, as made by retailers	Respective heading	15%	If they are integrated with FBR's online system and data is transmitted to the FBR's computerized system in real time in such mode and manner as may be prescribed by the Board
67.	LNG imported for servicing CNG sector and local supplies thereof	2711.1100; and 2711.2100	5%	

Slight Reduction in Sales Tax of Imported Mobile Phones in Ninth Schedule to the Sales Tax Act, 1990:

In the Ninth Schedule, new rates of sales tax will be applicable as follows;

Ninth Schedule:

S. No.	Description	Sales tax on import	Sales tax chargeable at the time of registration	Sales tax on supply
2.	Cellular mobile phones or satellite phones to be charged on the basis of import value per set, or equivalent value in rupees in case of supply by the manufacturer, at the rate as indicated against each category:--			
	A. Not exceeding US\$ 30	Rs. 135 (150)	Rs. 135 (150)	
	B. Exceeding US\$ 30 but not exceeding US\$ 100	Rs. 1,320 (1,470)	Rs. 1,320 (1,470)	

C. Exceeding US\$ 100 but not exceeding US\$ 200	Rs. 1,680 (1,870)	Rs. 1,680 (1,870)	
D. Exceeding US\$ 200 but not exceeding US\$ 350	Rs. 1,740 (1,930)	Rs. 1,740 (1,930)	
E. Exceeding US\$ 350 but not exceeding US\$ 500	Rs. 5,400 (6,000)	Rs. 5,400 (6,000)	
F. Exceeding US\$ 500	Rs. 9,270 (10,300)	Rs. 9,270 (10,300)	



6. AMENDMENTS IN FEDERAL EXCISE ACT 2005

Delegation of Powers

[Section 2(23a), 7(2) and 22(13)]

The Bill proposed to delegate powers of the Federal Government to the Board with the approval of the Minister-in-charge.

The proposed amendments will decrease the parliamentary burden of Federal Government hence focusing on functional powers of making law and to assign the Board with respect to the procedural powers.

Levy, Collection and Payment of duty on Steel Products

[Section 3 sub-section (5A) & Fourth Schedule]

The Bill suggests insertion of new sub-section and Fourth Schedule in relation to provide mechanism for levying duty in respect of steel products (i.e. Steel billets and ingots, Steel bars and re-rolled long profiles of steel, Ship plates).

Through proposed amendment FED on supply of steel products to be charged at 17% ad valorem which shall be based on minimum production as prescribed in newly inserted Fourth Schedule. The duty is imposed through introducing serial number 58 in the First Schedule-Table 1 (Excisable Goods).

This seems to be facilitation drive for steel sector to adjust its input tax and preclude from the fixed sales tax regime.

“FOURTH SCHEDULE” (Minimum Production)

[See sub-section (5A) of section 3]

1. Minimum production of steel products.—

The minimum production for steel products shall be determined as per criterion specified against each in the Table below

S.No	Product	Production Criteria
Col (1)	Col (2)	Col (3)
1	Steel billets and ingots	One metric ton per 700 kwh of electricity consumed
2	Steel bars and other re-rolled long profiles of steel	One metric ton per 110 kwh of electricity consumed
3	Ship plates	75% of the weight of the vessel imported for breaking

According to Fourth Schedule, the minimum production for steel products shall be determined as under:

Procedure and conditions:—

- (i) Both actual and minimum production, and the local supplies shall be declared in the monthly return. In case, the minimum production exceeds actual supplies for the month, the liability to pay duty shall be discharged on the basis of minimum production:

Provided that in case, in a subsequent month, the actual supplies exceed the minimum production, the registered person shall be entitled to get adjustment of excess duty on account of excess of minimum production over actual supplies:

Provided further that in a full year, as per financial year of the company or registered person, or period starting from July to June next year, in other cases, the duty actually paid shall not be less than the liability determined on the basis of minimum production for that year:

Provided also that in case of ship-breaking, the liability against minimum production, or actual supplies, whichever is higher, shall be deposited on monthly basis on proportionate basis depending upon the time required to break the vessel.

- (ii) The Board, may notify minimum values for steel products as mentioned in the Table above in exercise of powers under sub-section (5) of section 12.
- (iii) The payment of FED on ship plates in aforesaid manner does not absolve ship breakers of any tax liability in respect of items other than ship plates obtained by ship-breaking.
- (iv) The melters and re-rollers employing self-generated power shall install a tamperproof meter for measuring their consumption. Such meter shall be duly locked in room with keys in the custody of a nominee of the Commissioner Inland Revenue having jurisdiction. The officers Inland Revenue having jurisdiction shall have full access to such meter.
- (v) The minimum production of industrial units employing both distributed power and self-generated power shall be determined on the basis of total electricity consumption.

Exemptions

[Section 16 sub-section (2)]

The bill seeks to tapered/narrow the powers of the Federal Government to exempt any goods/services or class of goods/services from the whole or any part of the duty leviable under FED Act, 2005. The federal Government cannot provide exemptions in following circumstances:

- (i) protection of national economic interests in situations arising out of abnormal fluctuation in international commodity prices
- (ii) removal of anomalies in duties,
- (iii) development of backward areas and
- (iv) matters relating to international financial institutions or foreign government-owned financial institutions

Offences, penalties, fines and allied matters

[Section 19 sub-section (2) clause d]

The bill seeks to widen the scope of above section to cover the person who sells cigarettes in retail at a price lower than the retail price plus the amount of sales tax as printed thereon. Such person shall now also be liable to a fine which may extend to twenty thousand Rupees.

Proceedings against persons

[Section 19A]

The bill seeks to insert a new section after section 19 which empowers the Board to prescribe rules for initiating criminal proceedings against any authority mentioned in section 29 (i.e. Federal Excise Officers) including their subordinates, who wilfully and deliberately commits or omits an act which results in personal benefits and undue advantage to the authority or the person or taxpayer or both.

Further the Board can also initiate criminal proceedings against the taxpayer by intimating the relevant government agency.

The proceedings shall be without prejudice to any liability that the authority, person or taxpayer may incur under any other law for the time being in force.

After approval through this measure the Federal Government desires to prevent immoral doings and squeeze the professional misconduct and undertake timely remedial steps.

FIRST SCHEDULE

The bill proposes to bring changes in FED rates for the following items of the **Table I** (Excisable Goods) of subject schedule.

S.No	Description of Goods	Heading/sub-heading Number	Existing FED	Proposed FED
Col (1)	Col (2)	Col (3)		Col (4)
1	Edible oils excluding deoxidized soybean	15.07 to 15.18	16% ad val	17% ad val.
2	Vegetable ghee and cooking oil (a) in retail packing (b) not in retail packing	Respective heading	16% ad val 16% ad val	17% of retail price 17% ad val.
4	Aerated waters	2201.1020	11.5% of retail price	14% of retail price
5	Aerated waters, containing added sugar or other sweetening matter or flavored	2202.1010	11.5% of retail price	14% of retail price

6	Aerated waters if manufactured wholly from juices or pulp of vegetables, food grains or fruits and which do not contain any other ingredient, indigenous or imported, other than sugar, coloring materials, preservatives or additives in quantities prescribed under the West Pakistan Pure Food Rules, 1965	Respective heading	11.5% of retail price	14% of retail price
7	Un-manufactured tobacco Explanation: The duty payable under this serial number shall always be borne by the cigarette manufacturer and the burden thereof shall not be passed on to the tobacco grower in any manner	24.01	Three hundred rupee per kilogram	No change
9	Locally produced cigarettes if their on pack printed retail price exceeds 5,960 (Previously 4,500) rupees per thousand cigarettes	24.02	Rupees 4,500 per thousand cigarettes	Rs. 5,200 per thousand cigarettes
10	Locally produced cigarettes if their on pack printed retail price does not exceed 5,960 (Previously 4,500) rupees per thousand cigarettes.	24.02	Rupees 1,840 per thousand cigarettes	Rs. 1,650 per thousand cigarettes
10a	Locally produced cigarettes if their on-pack printed retail price does not exceed two thousand nine hundred and twenty-five rupees per thousand cigarettes	24.02	Rupees 1,250 per thousand cigarettes	Omitted. Now merge with serial number 10
13	Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinkers	25.23	Rs. 1.50 per kilogram	Rs. 2 per kilogram
31	Liquefied Natural Gas	2711.1100	Rs. 17.18 per hundred cubic meters	Rs. 10 per Million British Thermal Unit

				(MMBTu)
54	Oilseeds	Respective Headings	Rs. 0.4 per kg	Omitted
55B	Locally manufactured or assembled motor cars, SUVs and other motor vehicles, principally designed for the transport of persons (other than those of headings 87.02), including station wagons and racing cars: (a) of cylinder capacity up to 1000cc (b) of cylinder capacity from 1001cc to 2000cc (c) of cylinder capacity 2001cc and above	87.03		2.5% ad val 5% ad val 7.5% ad val
57	Fruit juices, syrups and squashes, waters containing added sugar or sweetening matter etc. excluding mineral and aerated waters	Respective heading		5% of retail price
58	Steel Billets, ingots, ship plates, bars and other long re-rolled products	Respective heading		17% of ad val

Restriction-1– Reduction. – For the purpose of levy, collection and payment of duty at the rates specified in column (4) against serial number 9 and 10, no cigarette manufacturer shall reduce retail price from the level adopted on the day of the announcement of the latest budget.

The bill seeks to propose the following changes in **Table II** (Excisable Services) of aforementioned schedule.

S.No	Description of Goods	Heading/sub-heading Number	Existing FED	Proposed FED
Col (1)	Col (2)	Col (3)	Col (4)	
3	Facilities for travel (a) Services provided or rendered in respect of travel by air of passengers within the territorial jurisdiction of Pakistan (i) Long routes	98.03 9803.1000	Rs. 2,000	Rs. 1,500.

	(ii) Short routes		Rs. 1,250	Rs. 900
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SECOND SCHEDULE

The bill seeks to add the following new serial number in subject schedule.

S.No	Description of Goods	Heading/sub-heading Number
Col (1)	Col (2)	Col (3)
4	Steel Billets, ingots, ship plates, bars and other long re-rolled products	Respective heading

THIRD SCHEDULE (Conditional Exemptions)-Table II

The bill seeks to withdraw exemption of FED on Internet services and Foreign Satellite bandwidth service. However in order to facilitate the local bandwidth service provider the exemption is still maintain for terrestrial bandwidth services.

S.No	Description of Goods	Heading/sub-heading Number
Col (1)	Col (2)	Col (3)
2	<p>Telecommunication services</p> <p>(i) Omitted</p> <p>(ii) Such charges payable on the international leased lines terrestrial bandwidth services used by—</p> <p>(a) software exporting firms registered with the Pakistan Software Exporting Board; and</p> <p>(b) data and internet service providers licensed by the Pakistan Telecommunication Authority</p>	Respective sub-heading of Heading 98.02

7. AMENDMENTS IN CUSTOMS ACT 1969

Customs Controls

[Section 2 Clause (ic)]

The bill proposes to add new clause after clause (ib) of aforesaid section to define **“Customs controls”** which mean measures applied by the officers of customs or through Customs Computerized System to manage risks and ensure compliance.

Risk Management System

[Section 2 Clause (qb)]

The bill proposes to add new clause after clause (qa) to define **“Risk Management System”** which means the systematic application of Customs Controls and Management Procedures on pre-arrival, Customs clearance processes and post clearance of goods and passengers, for identifying, analyzing, evaluating, monitoring, reviewing and treating the risk associated with them.”

Selectivity Criteria

[Section 2 Clause (rrr)]

A new clause has been inserted after clause (rr) in aforementioned section. To define **“Selectivity Criteria”** which means the risk parameters determined by the Risk Management Committee constituted under the rules for the application of Risk Management System.

Powers and Functioning of the Directorates, etc.

[Section 3A]

The Bill proposes to include ‘Directorates General’ as well in the ambit of this section.

Transfer of Powers of Federal Government to the Board under various sections

The bill proposes to transfer the powers of Federal Government to the Board with the approval of the Federal Minister-in-charge under various sections. The thumbnail’s sketch is here-under:

S.No	Description	Section	Powers
1	Levy of fee and service charges	18D	to impose, levy fee and service charges for examination, scanning, inspections, sealing and de-sealing, valuation check or in respect of any other service or control mechanism provided by any formation under the control of the Board, including ventures of public-private partnership, at such rates as may be specified in the notification
2	Date of determination rate of import duty	30	To specify any other date for the determination of rate of duty for any goods or class of goods.

3	Date of determination of rate of duty for clearance through the Customs Computerized System	30A	To specify any other date for the determination of rate of duty for any goods or class of goods.
4	Date of determination rate of duty on goods exported	31	To specify any other date for the determination of rate of duty for any goods or class of goods

General power to exempt from customs-duties

[Section 19]

The Bill proposes to withdraw the powers of Federal Government in respect of following;

- (i) removal of anomalies in duties
- (ii) development of backward areas

Power to determine the customs value

[Section 25A (1), (3) & (4)]

The Bill proposes to withdraw the powers of the Collector of Customs to determine value of any goods or category of goods imported into or exported out of Pakistan on his own motion. However, the Collector of Customs may determine value of the imported or exported goods on a reference made to him by any person or an officer of Customs.

The bill also proposes to omit sub-section 3 of section 25A to withdraw the powers of Director General of Customs Valuation in case of any conflict in the customs value.

False statement, error, etc.

[Section 32 sub-section 3A]

The Bill proposes to enhance the scope of section to bring the exporter as well into the ambit to serve with show cause notice where any duty, taxes or charge has not been levied or has been short-levied or has been erroneously refunded which is discovered as a result of an audit or examination of an importer's/exporter's accounts.

Compounding of offence

[Section 32B]

The Bill proposes to empower Director Customs as well to compound any offence on payment of duty or tax due along with payment of penalty.

Mis-declaration of value for illegal transfer of funds abroad

[Section 32C]

The bill seeks to insert a new section after section 32B to authorized an officer of Customs to charge a person if any person overstates the value of imported goods or understates the value of exported goods or vice versa, through a notice within a period of two months from the seizure of goods to show cause as to why such goods may not be confiscated.

Refund to be claimed within one year:

[Section 33 (3A) & (5)]

The Bill proposes to link the sanctioning of refund with pre-audit in sub-section 3A of aforesaid section.

The bill seeks to insert a new sub-section 5 which empowers the Board to specify the jurisdiction and powers of the officers of Customs to sanction refund in terms of amount of Customs duty and other taxes involved by notification in the official Gazette.

Declaration and assessment for home consumption or warehousing or transshipment

[Section 79 sub-section 1]

The Bill proposes to reduce the time for filing of Goods Declaration from fifteen to ten days from the date of arrival of goods.

Application of risk management system

[Section 80AA]

The Bill proposes to insert new Section for the purpose of enforcing Customs Controls through establishment of Risk Management System to be used in manner as prescribed by rules.

Provisional determination of liability

[Section 81]

The Bill seeks to broaden the scope of section 81 to cover the assessment of exported goods within the purview of section 131.

Procedure in case of goods not cleared or warehoused or transhipped or exported

[Section 82]

The Bill seeks to reduce the current time period for placing un-cleared goods on their arrival on port, from twenty days to fifteen days and further extendable period from ten days to five days.

Warrant to be given when goods are warehoused

[Section 90 (2) & (4)]

The Bill proposes to for issuance of warrant and subsequent transfer of warrant through Customs Computerized System when such system is operational.

The bill also seeks to insert a new sub-section 4 which empowers the Board to make rules to regulate the transfer of goods.

Period for which goods may remain warehoused

[Section 98]

The Bill proposes to reduce the warehousing period of perishable goods from three months to one month.

The Bill also proposes to empower the Chief Collector to extend the time period for warehousing of non-perishable goods till the time as he deemed appropriate as against the current authority of extending time for one month.

The Bill now seeks to empower the Board to regulate the period for which the goods may remain in the warehouse as against the current power vested to the Federal Government.

Application of the Customs Computerized System

[Section 155A]

The Bill proposes to transfer the powers of Federal Government to the Board to determine the date for application of all or specific provisions of Act related to the Customs computerized system on any Customs station.

Punishment for offences

[Section 156]

The bill proposes to impose new penalties under different sections. The changes in **Table** are here-under;

	Offences	Penalties	Section of this Act to which offence has reference
	Col (1)	Col (2)	Col (3)
14	If any person commits an offence under (i) sub-section (1) or sub-section (2) of section 32	Such person shall be liable to a penalty not exceeding two hundred thousand rupees or three times the value of the goods in respect of which such offence is committed, whichever be greater; and such goods shall also be liable to confiscation; and upon conviction by a Special Judge he shall further be liable to imprisonment for a term not exceeding three years, or to fine, or to both	32

	(ii) sub-section (3) or sub-section (3A) of section 32,	Such person shall be liable to a penalty not exceeding fifty thousand rupees or two times the value of the goods in respect of which such offence is committed, whichever be greater.	32
14B	If any person commits an offence under section 32C,	Such person shall be liable to penalty not exceeding two hundred thousand rupees or three times the value of goods in respect of which such offence is committed whichever is greater; and such goods shall also be liable to confiscation; and upon conviction by a special judge he shall further be liable to imprisonment for a term not exceeding ten years and to a fine which may extend up to one million rupees; and shall also be liable to forfeiture of property involved in money laundering or property of corresponding value in accordance with the provisions of the Anti-Money Laundering Act, 2010 (XIV of 2010).	32C
47A	If the goods declaration is not filed within the prescribed period of ten days,	The owner of such goods shall be liable to a penalty at the rate of rupees five thousand per day for the initial five days of default and at the rate of rupees ten thousand per day for each day of default thereafter.	79

Proceedings against person

[Section 156A]

The bill seeks to insert a new section after section 156A which empowers the Board to prescribe rules for initiating criminal proceedings against any authority mentioned in section 3 to 3DDD (i.e. Federal Excise Officers) including their subordinates, who wilfully and deliberately commits or omits an act which results in personal benefits and undue advantage to the authority or the person or taxpayer or both.

Further the Board can also initiate criminal proceedings against the taxpayer by intimating the relevant government agency.

The proceedings shall be without prejudice to any liability that the authority, person or taxpayer may incur under any other law for the time being in force.

After approval through this measure the Federal Government desires to prevent immoral doings and squeeze the professional misconduct and undertake timely remedial steps.

Power of adjudication

[Section 179]

The Bill proposes to withdraw the powers of the Assistant Collector to adjudicate cases and proposes to enhance the monetary limit of cases decided by Superintendent and Principal Appraiser from fifty thousand to one hundred thousand.

The Bill also proposes to reduce the time period for passing an order to ninety days from one hundred and twenty days of issuance of show cause notice.

Through this measure the Federal Government desires to avoid un-necessary delay for conclusion of cases.

Option to pay fine in lieu of confiscated goods

[Section 181]

The Bill proposes to widen the scope of aforesaid section

Delegation of Powers

[Section 185 & 185D]

The Bill proposes to empower Prime Minister instead of the Federal Government, to appoint Special Judge Customs in consultation with the Chief Justice of the concerned High Court. (Sec 185)

The Bill proposes to empower Prime Minister instead of the Federal Government, to transfer cases from the jurisdiction of one Special Judge Customs to another, in consultation with the Chief Justice of the concerned High Court. (Sec 185D)

Appeals to Collector (Appeals)

[Section 193]

The Bill proposes to give an option for appeal against an order passed under section 131 (i.e. Clearance for exportation) of the Act.

Procedure in Appeal

[Section 193A]

The Bill proposes to reduce the statutory time period for deciding an appeal by Collector (Appeals) from one hundred and twenty days to ninety days.

Appellate Tribunal

[Section 194]

The Bill proposes to authorize the Prime Minister of Pakistan, instead of Federal Government, to select the Chairman and other judicial and technical members and to set terms and conditions for appointment.

The tenure of technical member shall be at least two years.

Powers of Board or Chief Collector to pass certain orders

[Section 195]

The Bill proposes to reassign the powers Chief Collectors from Collector of Customs. The bill also proposes to insert a new sub-section to reduce the time limit for re-opening of cases from two years to one hundred and twenty days subject to an extension of sixty days.

Alternate Dispute Resolution

[Section 195C]

The Bill proposes to update the regulations for the composition, proceedings, time limit and disposal of the case under the ADR.

The Bill seeks to enhance the timeline for the composition of ADR from 30 days to 60 days and also prescribe the guidelines for the appointment of the members.

Owner to make all arrangements and bear all expenses

[Section 200]

The Bill proposes to enhance the scope of examination to include exported goods placed at custom stations to be undertaken by custodian of the cargo with operational customs computerized system. The exporter shall bear all related expenses.

FIRST SCHEDULE

[Section 18]

EXEMPTION FROM CUSTOM DUTIES

The Bill proposes to introduce **concession/exemption** of Customs Duty on import of following major items;

- Oil refining machines falling under PCT Code 8479.8230
- Natural Gas falling under PCT Code 2711.2100
- Liquefied Petroleum Gas (L.P.G) falling under PCT Code 2711.1910
- Machines for cleaning, sorting or grading eggs, fruit or other agricultural produce falling under PCT Code 8433.6000

- Equipment for railways or tramways falling under PCT Code 8530.1000
- Fertilizers
- Machinery parts and items relating to textile industry
- Natural Pearls falling under PCT Code 7101.1000
- Machinery falling under chapter 84.78 for preparing or making up tobacco, not specified or included elsewhere in the aforesaid Chapter

REDUCTION IN CUSTOM DUTIES

By virtue of amendment in First and Fifth Schedule, reduction in customs duty has been proposed for the following major items;

Items	PCT Code	Existing CD %	Proposed CD %
Acetic acid	2915.2100	16	11
Oxalic acid	2917.1110	11	3
Insulation tape double sided	3919.1010	11	0
Coniferous	4408.1000	11	3
Dark Red Meranti, Light Red Meranti and Meranti Bakau	4408.3100	11	3
Of a density exceeding 0.8 g/cm ²	4411.9200	16	11
Not mechanically worked or surface covered	4411.9310	16	11
Printing paper	4802.5510	20	16
Of a kind used for winding textile yarn	4822.1000	20	16
Containing by weight more than 50 % of graphite or other carbon or of a mixture of these products	6903.1000	11	3
Other round cans	7612.9040	20	16
Aluminium lids for cans of carbonated soft drinks	8309.9010	11	0
CKD kits for compression-ignition internal combustion piston engines (diesel engines of 3 HP to 36 HP)	8408.9000	20	3
Pre-fabricated room/structures for setting up new hotels/motels in Hill Stations, Gilgit-Baltistan, AJK, and Coastal Areas of Baluchistan	9406.1090 9406.9090	11	3

FIFTH SCHEDULE

[Section 18(1A)]

Following new concessions have been proposed under the Fifth Schedule:

- Imports of items falling under PCT Code 1901.9090 other than mentioned separately in chapter 19.01 by manufacturers of infant formula milk, registered under the Sales Tax Act, 1990, subject to annual quota determination and verification by the Input Output Co-efficient Organization (IOCO) at concessional rate of 5%
- Imports by manufacturers of hemodialyzers, registered under the Sales Tax Act, 1990, subject to annual quota determination by the Input Output Co-efficient Organization (IOCO) at concessional rate of 0%.
- Laser land leveler comprising of laser transmitter, laser receiver, control box, rigid mast pack, with or without scrapper at concessional rate of 2%.

- Aluminium sheets and coils and aluminium foil (if imported by manufacturers of photo polymers & CTP plates and pre-sensitized printing plate), AKD wax and dispersing agents (If imported by manufacturers of Paper sizing agents) at concessional rate of 5% who are registered under the Sales Tax Act, 1990, subject to annual quota determination by the Input Output Co-efficient Organization (IOCO).
- Import of carbon steel strip falling under PCT Code 7226.9200 imported by manufacturer of shaving bladed/razors registered under Sales Tax Act, 1990 at concessional rate of 11% to 5%.
- Import of CNG vehicle conversion kits falling under PCT Code 8409.9191 & 8409.9991 approved by OGRA if imported by authorized dealers at concessional rate of 35% to 5%.

Following amendments for availing concessions earlier granted have been proposed for the following sectors:

Sector	Particulars
Agriculture Sector	Certain conditions for availing the concession on import of agricultural machinery have now proposed to be waived off
Power generation/transmission and grid stations	An additional condition has been proposed for availing concessional duty on import of machinery and equipment meant for power transmission and grid stations. The goods shall not be sold without prior approval of the FBR.
Marble, granite and gem stone extraction and processing industries	Additional condition for the concessional rate on machinery and equipment is proposed to be added with respect to disposal of the imported machinery.

REDUCTION IN REGULATORY DUTIES

Regulatory duty is proposed to be reduced on following items:

- Mobile Phone
- Tyres
- Item prone to smuggling
- Industrial inputs

INCREASE IN CUSTOM DUTIES

Withdrawal of concessional customs duty is proposed on following items: -

- Plant and Machinery for setting up industry in FATA
- The Bill proposes to allow concessional rate of customs duty of 11% on “Lead Acid Batteries for Telephone Exchanges and Set top boxes for gaining access to internet, TV broadcast transmitter, Reception apparatus for receiving satellite signals of a kind used with TV (satellite dish receivers), and other set top boxes.
- Custom duty on import of LNG is proposed to be withdrawn (i.e. increased from 0% to 5%).

ADDITIONAL CUSTOMS DUTY

The Bill proposes to increase levy of additional Customs Duty for certain non-essential items.

Note: The notifications for amendments relating to Regulatory Duty and Additional Duty are yet to be issued. The above comments are based on 'Salient Features' issued with the Budget Documents.



THANKING NOTE

Lastly, it is matter of true privilege for Khilji & Co, Chartered Accountants, to thank all its team members for their contributions during preparation of this document. It was really helpful to have all inputs. KCO considers itself extremely fortunate to have this highly capable, dedicated and exemplary team.

It has been a monumental effort for all team members contributing through their services and expertise to make this document possible in such a short span of time. We hope and believe that this document would assist our clients and team members in better understanding and evaluation of the Budget proposals.

Since, we are a developing organization therefore, as part of our strategy for continuous improvement we would appreciate feedback on the document.