



BUDGET COMMENTARY 2013

Budget Commentary, 2013

This commentary has been prepared for our clients and staff for information and guidance only and is available for interested persons at our website <http://www.bdo.com.pk>. The notes contained herein are based on the Finance Bill, 2013 which upon enactment with or without modification shall be issued as Finance Act, 2013.

Clients are advised to consult the actual text of the Bill while interpreting the specific provisions and to consult our tax department for clear advice on specific issues. The budget provisions are applicable for tax year 2014 unless otherwise stated. The reference to the repealed Ordinance means the repealed Income Tax Ordinance, 1979.

BDO EBRAHIM & CO.**Dated: June 13, 2013**

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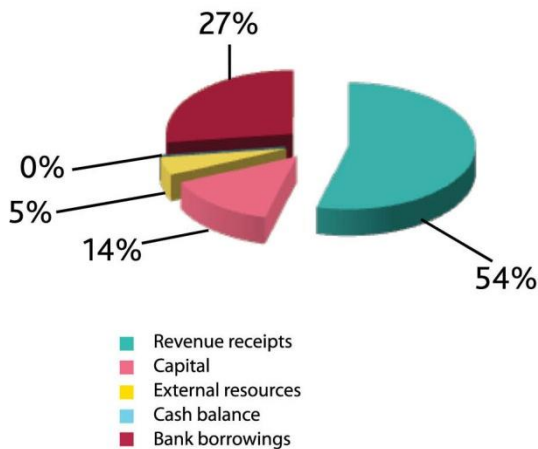
COMPARATIVE BUDGET AT A GLANCE
(AMOUNTS ROUNDED TO NEAREST MILLION)

	2013-14		2012-13	
	Rs	%	Rs	%
Receipts				
Revenue Receipts				
Direct taxes	975	27%	932	29%
Indirect taxes	1,622	45%	1,572	49%
Non-tax revenue	822	23%	730	23%
Gross revenue receipts	3,419	95%	3,234	101%
Less: Provincial share	(1,479)	-41%	(1,459)	-46%
Revenue receipts	1,940	54%	1,775	55%
Capital	507	14%	478	15%
External resources	169	5%	387	12%
Cash balance	-	0%	79	2%
Bank borrowings	975	27%	484	15%
Total Resources	3,591	100%	3,203	100%
Expenditure				
Current Expenditure				
Defence	627	17%	545	17%
General public services	1,902	53%	1,877	59%
Others	300	8%	190	6%
Development expenditure	762	21%	591	18%
Total Expenditure	3,591	100%	3,203	100%

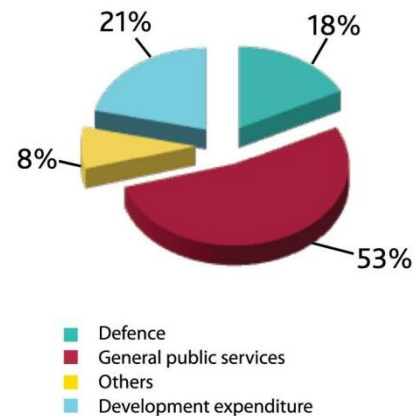
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COMPARATIVE BUDGET AT A GLANCE

Sources of Funds

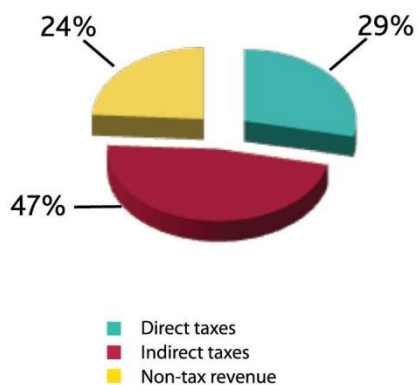


Utilisation of Funds

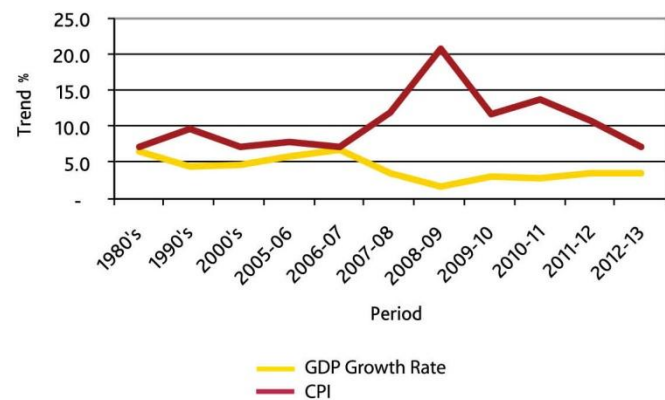


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Breakup of Revenue Receipts

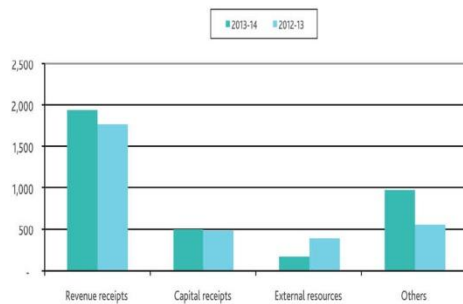


Trends in Growth and Inflation

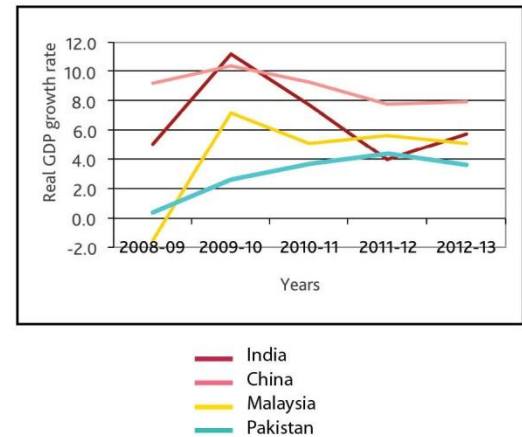


COMPARATIVE BUDGET AT A GLANCE

Comparison of Revenue

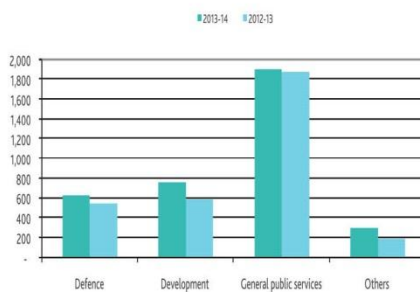


Comparative Real GDP Growth Rate

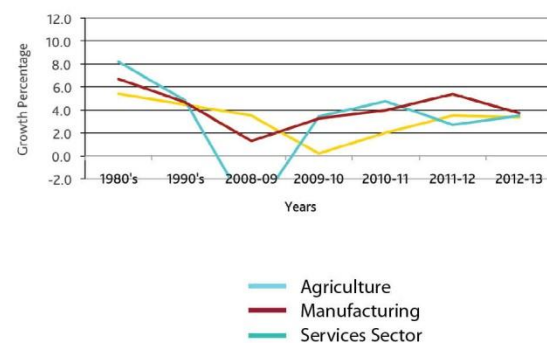


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Comparison of Expenses



Growth Performance of Components of Gross Domestic Product

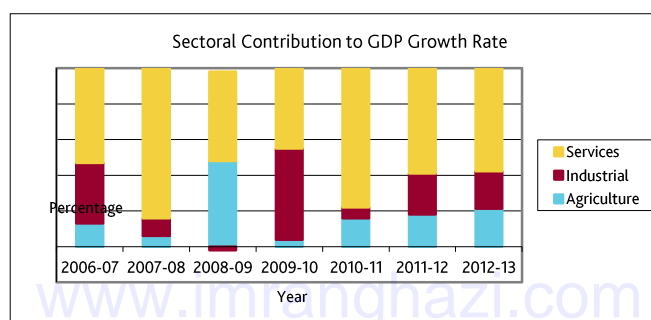


OVERVIEW

Following an election hailed by many as a historical one, Finance Minister Ishaq Dar presented an austerity based, focused budget appeared to be targeting to address some key issues facing the economy. The naysayers amongst us would continue to remain skeptical of the ability of the Government to generate the budgeted revenues and implement some of the austerity measures outlined. The economists amongst us sight elements of Keynesian economics with a two pronged approach of fiscal measures coupled with monetary policy initiatives by the Central Bank. The pragmatists amongst us may feel slightly assured that the Government appears to actively aim to target the energy shortfall and arrest the rise in fiscal deficits, likely leading to a tamed economic recovery, in the near term.

Growth

Pakistan's economy measured through real GDP is estimated to have grown towards the end of the year at a modest rate of 3.6% as compared to the corrected 4.4% in the previous year. The real growth rate must be reviewed in the context of the "real economy" which logically should include an evaluation of the informal economy which is a significant component affecting the livelihood and economic activity in the country. To understand the growth achieved and its momentum, a perusal of the components would provide useful insight.



Agriculture

With a 21% share of the GDP and employing 45% of the country's labour force, the agricultural sector continues to be a cornerstone in the economy of Pakistan. The overall growth in the sector was 3.3%. The important crops account for 25.24 percent of agricultural value added and registered a growth of 2.3 percent compared to a growth of 7.4 percent last year. The important crops included wheat, maize, rice, sugarcane and cotton witnessed growth of 3.23 percent, 6.74 percent, -10.05 percent, 6.98 percent and -4.19 percent, respectively. As per the Economic Survey of Pakistan, the main reason for the negative growth of rice and cotton was unfavorable weather conditions and effects of rains in the rice and cotton growing areas.

Industry

The manufacturing sector accounts 13.2 percent of Gross Domestic Product (GDP) and 13.8 percent of total employed labor force. Large Scale Manufacturing (LSM) at 10.6 percent of GDP dominates the overall sector, accounting for 81 percent of the sectoral share followed by Small Scale Manufacturing, which accounts for 1.6 percent of total GDP. Sectors that have contributed to the growth include paper and board, pharmaceutical, rubber, iron and steel to list a few. Sectors which have performed poorly include engineering, wood products, electronics, automobiles and fertilizer. This year's Budget speech contained hyperbolic references to reforms in the energy sector which would have a direct bearing on the performance of this component of GDP. In addition, certain incentives have been provided in respect of Special Economic Zones which may generate some growth.

Development

The size of Public Sector Development Programme (PSDP) for 2013-14 is Rs 1,155 billion. Out of this, Rs 615 billion has been allocated to provinces. Federal PSDP has been estimated at Rs 540 billion, out of which Rs 296 billion to Federal Ministers / Division, Rs 115 billion to Corporations, Rs 5 billion to Special Programmes, Rs 540 billion to New Development Initiatives and Rs 10 billion to Earthquake Reconstruction and Rehabilitation Authority (ERRA). Large scale public development programs have been the hallmark of the incoming Governing Party and Finance Minister Dar's speech made clear references to this. Their strategy aims to improve job creation and indirect growth in various sectors of the economy. It is interesting to note the increase in public sector development expenditure in the backdrop of austerity measures on other counts.

Investment and Savings

Investment plays a key role in the determination of economic growth of a country. Investment has been hard hit by internal and external factors during the last few years and is considered as a key concern. Total investment has decreased from 19.21 percent of GDP in 2007-08 to 14.22 percent of GDP in 2012-13. Fixed investment has declined to 12.6 percent of GDP in 2012-13 from 17.61 percent of GDP in 2007-08. Private investment recorded a contraction of 8.7 percent in 2012-13 compared to 12.8 percent of GDP in 2007-08. Domestic savings have also decreased from 9.1 percent of GDP in 2007-08 to 8.7 percent of GDP in 2012-13. Net foreign resource inflows are financing the saving investment gap.

Balance of payments

Pakistan's overall external account balance posted a deficit of US\$ 2.12 billion during Jul-April FY13 compared to a deficit of US\$ 2.54 billion in the corresponding period last year. This relative improvement in the external account was entirely due to improvement in the current account, which posted a lower deficit of US\$ 1.42 billion during Jul-April FY13 against a deficit of US\$ 3.35 billion in the corresponding period last year. The improvement in the current account was due to combination of CSF inflows, steady growth in worker's remittances, improvement in trade balance and services account as it fell to \$619 million against \$2.4 billion last year.

Monetary policy

An expansionary monetary policy stance has been adopted by the SBP through a phased reduction aggregating to 400 basis points since August 2011. Monetary policy in Pakistan has undergone substantial changes in tandem with volatile economic conditions within the country. The current policy stance has been largely supportive of the dual objective of promoting economic growth and price stability along with the revival of credit to private sector. This has purportedly been done primarily to facilitate private sector credit and investment.

Inflation

The inflationary trend in the economy subdued during 2012-13. The annualized inflation rate measured in terms of Consumer Price Index (CPI) for (July-May) 2012-13 averaged at 7.5 percent as against 10.9 percent recorded in the same period of 2011-12. Food and non-food inflation followed almost the overall inflationary trends. Food inflation averaged at 6.6 percent against 11.1 percent last year and non-food inflation at 8.1 percent as compared to 10.9 percent in the same period of last year.

Taxation measures

The significant measures provided for in the Finance Bill are as follows:

Direct taxes

- Income Support Levy imposed @ 0.5% from tax year 2013 on all net moveable assets in excess of Rs 1 million.
- Agricultural income to be considered as non-taxable source to the extent of income on which agricultural tax paid is in the Province.
- Tax rate for companies, other than banking companies, reduced to 34%.
- Carry forward of minimum tax now extended to AOP and individuals as well.
- Increase in tax rates for middle to high income salaried individuals.

Indirect taxes

- Standard rate of sales tax increased from 16% to 17%.
- Further tax at 2% imposed on taxable supplies made to a person who has not obtained registration number.
- Non-registered commercial and industrial consumers to pay additional sales tax at 5% on electricity and gas

Looking ahead

As we turn the page in Pakistan's history to a new stage of maturity in the democratic process, we can look forward to heightened sense of accountability in the measurement and management of the economy. Whilst the Budget 2013-2014 appears to be focused and well thought, the ability of those charged with governance is yet to be tested. With the resounding voices of 200 million strong people, the measures introduced must bear fruit for the people of this country to imbibe a feeling of prosperity and national unity.

BDO EBRAHIM & CO.**DATED: JUNE 13, 2013**

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HIGHLIGHTS

Income Tax

- Dividend income of company is brought into the final tax regime
- Credit to be allowed for agriculture income to the extent that provincial tax on the income has been paid
- Minimum tax on turnover increased from 0.5% to 1%
- New minimum tax on income of builders
- New minimum tax on income of land developers
- Mandatory filing of wealth statement and wealth reconciliation statement of individuals
- Mandatory filing of wealth statement and wealth reconciliation statement of salaried persons earning Rs 500,000 or more
- Mandatory filing of return of income by persons who are members of chambers and professional bodies
- Mandatory filing of return of income by industrial and commercial users of electricity whose annual bills are more than Rs 500,000
- Approval of Commissioner required for revision of return of income
- Period for filing of return of income in the event of a provisional assessment reduced from 60 days to 45 days
- Eligibility for appointment of officer Inland Revenue as a judicial member of the Appellate Tribunal
- Person registered for sales tax to be treated as a withholding tax agent
- Banking companies to file statements regarding taxes withheld on payments of return to deposited and allow FBR access to information regarding balances and transactions
- Commissioner allowed to carry out audit under section 177 independently of provisions relating to parametric selection of cases by FBR
- Requirement to display National Tax Number at business premises
- Significant increases in penalties and fines with respect to non-compliance of tax laws
- Reward to FBR officials for meritorious services relating to tax evasion cases
- Adjustable advance tax relating to functions and gatherings
- Adjustable advance tax relating to foreign films, TV serials and plays
- Adjustable advance tax relating to cable operators and other electronic media entities
- Adjustable advance tax relating to sales to distributors, dealers and wholesalers
- Adjustable advance tax relating to sales to retailers
- Adjustable advance tax relating to payments of educational fees
- Adjustable advance tax to be collected from dealers, commission agents etc of market committee
- Salary tax slabs revised and maximum rate increased to 30%
- Individual and Association of Persons tax slabs revised and maximum rate increased to 35%
- Corporate income tax rate, other than banking companies, decreased to 34% for tax year 2014
- Changes in tax rates for payment of rent
- Withholding tax on cash withdrawals increased from 0.2% to 0.3%
- Tax exemption for free passage to employees of airlines withdrawn
- Tax exemption allowed to certain educational institutions withdrawn
- Exemption for dividend in specie withdrawn

- Tax exemption period of certain Special Industrial Zones increased from 5 years to 10 years
- Reduction in tax rates on import of hybrid cars
- Reduction in tax payable by teachers and full time researchers withdrawn
- Rate of initial allowance on plant and machinery decreased from 50% to 25%

Sales Tax

- Increase in standard sales tax rate from 16% to 17%.
- Charging further tax at 2% on taxable supplies to a person who has not obtained registration number.
- Charging sales tax @ 5% in addition to the standard rate of tax on registered commercial and industrial consumers of electricity and gas having monthly bill in excess of Rs.15, 000.
- Disallowing input tax adjustments in cases where discrepancies indicated by CREST or input tax of purchases is not verifiable in the supply chain.
- Proposed amendment allows Commissioner (Appeals) to grant stay of 30 days in hardship cases.
- Withdrawal of sales tax exemption on milk preparations obtained by replacing one or more constituent of milk by another substance and supplies against international tender.
- Finance bill proposes expansion in list of items which are chargeable to sales tax on retail price.
- Finance bill proposes substituting zero-rating with exemption on items of non-export oriented sectors.
- Monitoring or tracking by electronic or other means of taxable supplies.
- Amendment in section 57 to harmonize concept of rectification of mistake on lines of Income Tax Ordinance, 2001.
- Provision of reward to officers and officials of Inland Revenue in case of detection of concealment and evasion of sales tax.

- Change in bank account through sales tax registration form or through change in particulars in registration data base.
- Withdrawal of exemption of sales tax on supplies against international tender.
- Insertion of explanation for removal of doubt regarding powers of both Commissioner and Officer of Inland Revenue.
- Maintenance of records relating to gate passes inward or outward and transport receipts.

The Income Support Levy

- The new Act has been proposed to be promulgated with effect from June 12, 2013 with an aim to provide financial resources for operations of income support fund
- The Act aims to provide financial assistance and other social protection to economically distressed persons and families
- The levy will be 0.5% on the value of net moveable wealth exceeding Rs. 1,000,000 on the last date of tax year
- Assessment of levy shall be made by an officer of Inland Revenue and communicated to the assessee through an order in writing specifying the sum payable with timelines for payment
- Default surcharge at 16% in case of failure to pay the levy or short payment of the levy will be applicable.

The Federal Excise Duty

- Duty on aerated water and all categories of cigarettes has been increased
- Duty on oilseeds has been levied at Rs. 0.40 per kg
- Duty on motor cars, SUVs and other motor vehicles of 1,800 cc or above, including station wagons and racing cars has been levied at 10% Ad.Val.
- Duty exemption on a number of items including; hydraulic cement, lubricating oil and transformer oil has been withdrawn

- Duty on all financial services has been clubbed. All financial services will be subject to payment of duty at 16% of the charges
- Duty exemption on services provided or rendered by asset management companies has been withdrawn
- FBR is empowered to impose further duty at 2% on excisable goods and services
- The Commissioner (Appeals) is empowered to grant stay of recovery to a maximum of 30 days in hardship cases.

The Customs Act

- Directorate General of Input Output Co-efficient Organization has been introduced
- Directorate General Intelligence and Investigation has been re-introduced
- Customs authorities have been empowered to entertain refunds of demurrage charges which are received on account of delay because of no fault of importers or exporters
- Facility of submission of post-dated cheque with regard to provisional assessment of duties has been withdrawn.

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**SECTION
(CLAUSE)**

THE INCOME TAX ORDINANCE, 2001

8	General provisions relating to taxes imposed under sections 5, 6 and 7
Proviso	The proposed amendment seeks to omit the proviso which was inserted through Finance Act, 2007. The insertion of this proviso had resulted in the dividend income earned by a company to be taxed under the normal tax regime. The proposed omission of the proviso seeks to make tax deducted at source on dividend income of a company to be the final tax liability on this income of the company.
56	Set off of losses
	The proposed amendment to this section seeks to restrict adjustment of losses to income other than "salary" income. As a consequence of this amendment loss incurred by salaried person will not be adjustable against the salary income when determining tax liability for the year.
59AA	Group taxation
(1)	This section deals with matters relating to Group Taxation inserted through Finance Act, 2007 by virtue of which the facility of allowing income to be taxed as a "group" was introduced in tandem with the change in corporate laws recognizing the concept of "group". The amendment proposed in the Bill clarifies that requirements to be met for opting for Group Taxation would require compliance with group designation rules and regulations prescribed by Securities and Exchange Commission of Pakistan.
59B	Group relief
(2)(g)	This section was introduced through Finance Act, 2007 with reference to the introduction of Group Taxation applicable to the concept of "group" recognized in the corporate laws. The amendment proposed in the Bill clarifies that requirements to be met for opting for Group Taxation would require compliance with group designation rules and regulations prescribed by Securities and Exchange Commission of Pakistan.
80	Person
(2)	This section defines "person" which includes a "company". The sub section being amended defines a company and the proposed amendment seeks to reformat the definition and to expressly include "non- profit organization" in the definition of a company. The intent of this amendment is to bring non-profit organizations, not operating as a company, trust or society within the definition of "company" for purposes of applicability of the tax laws.
111	Unexplained income or assets
(1)	This section deals with the subject of treating unexplained income or assets of a person as "income" liable to tax. Taxpayers have been using "agriculture income" as a source of income to explain the undeclared income and assets and avoid taxation on the amount as agriculture income is exempt from levy of income tax. The proposed amendment seeks to restrict the taxpayers from using this basis allowing credit only to that portion of agriculture income on which provincial income tax has been paid.
113	Minimum tax on the income of certain persons
(1) and (2)	This section was reintroduced through Finance Act, 2009 after being omitted for a year through Finance Act, 2008. The section provides for charge of a minimum tax on income of specified persons – resident company and individuals/Association of Persons having turnover of Rs 50 million or more. The minimum tax charge accrues if the person is not liable to tax in a tax year or if the tax charge is less than the minimum tax at 0.5% of turnover. The Bill seeks to increase this rate to 1% of turnover.

SECTION
(CLAUSE)

THE INCOME TAX ORDINANCE, 2001

113A

Minimum tax on builders

The proposed amendment seeks to replace the existing provisions relating to minimum tax on certain retailers with provisions relating to a minimum tax on income of persons deriving income from the business of construction and sale of residential, commercial or other buildings. The separate identification of this taxpayer category seems to exclude resident companies, individuals and Association of Persons having turnover of Rs 50 million or more from the applicability of section 113. The minimum tax of builders proposed in this new section is Rs 25 per square foot of total number of square foot sold or booked for sale in accordance with the construction plan approved by the relevant regulatory authorities. This minimum tax is not adjustable against future tax liability as allowed in section 113.

As a result of this substitution the proposal is to withdraw the minimum tax on retailers having turnover up to Rs 5 million.

113B

Minimum tax on land developers

The proposed amendment seeks to replace the existing provisions relating to taxation of income of certain retailers with provisions relating to a minimum tax on income of persons deriving income from the business of development and sale of residential, commercial or other plots. The separate identification of this taxpayer category seems to exclude resident companies, individuals and Association of Persons having turnover of Rs 50 million or more from the applicability of section 113. The minimum tax of developers proposed is Rs 50 per square yard of total number of square yards sold or booked for sale in accordance with the construction plan approved by the relevant regulatory authorities. This minimum tax is not adjustable against future tax liability as allowed in section 113.

As a result of this substitution the proposal is to withdraw the provisions of taxation relating to retailers who are individuals and Association of Persons having a turnover in excess of Rs 5 million but less than Rs 50 million.

114

Return of income

(1)(b)(viii)

This section identifies persons who are required to file return of income which includes persons who are holders of commercial or industrial connection of electricity. The present threshold of annual billings of Rs 1 million is proposed to be reduced to Rs 500,000. The amendment seeks to bring into tax net commercial and industrial consumers whose annual billings are more than Rs 500,000.

(1)(b)(ix)

This proposed new clause seeks to mandate filing of return of income by persons registered with any Chamber of Commerce and Industry or any trade or business association or any market committee or any professional body including Pakistan Engineering Council, Pakistan Medical and Dental Council, Pakistan Bar Council or any Provincial Bar Council, Institute of Chartered Accountants of Pakistan or Institute of Cost and Management Accountants of Pakistan. This amendment is proposed to broaden the tax net by bringing all businesses and professionals into the tax net.

(1A)

The proposed amendment to this sub section is of an editorial nature correcting the amount of exempt income to Rs 400,000 introduced in Finance Act, 2012.

(4)

The proposed amendment seeks to empower the Commissioner to serve notice requiring a person to file return of income within 60 days or a longer or shorter period. The existing provisions empower the Commissioner to serve a notice for 60 days or a period longer.

(6)

The amendment seeks to include an additional condition for revision of return of income. Presently, the conditions include filing of revised return with revised financial statements (audited if required), reasons for revision of return in writing duly signed by the taxpayer and the condition that the income declared is not less than income as per order passed under section 121, 122, 122A, 122C, 129, 132, 133 or 221. The proposed amendment seeks to now require approval of Commissioner for revision to be also submitted with the revised return of income.

SECTION
(CLAUSE)

THE INCOME TAX ORDINANCE, 2001

115	Persons not required to file a return of income
(1) and Proviso	The Bill seeks to omit this sub section and related proviso as a consequence of which all salaried persons will now be required to file a return of income together with a wealth statement and wealth reconciliation statement. The existing provisions exempted persons having only salary income from filing of return of income and also from filing wealth statement and related wealth reconciliation if the salary income was less than Rs 500,000. Corresponding amendments are discussed under section 118.
(4)	The proposed amendment is of editorial nature correcting the references.
116	Wealth statement
(1)	The proposed amendment is of editorial nature clarifying the term "person" to be only individuals.
(2)	The proposed amendments to this sub section seek to exclude the threshold of Rs 1 million for persons required to file wealth statement and wealth reconciliation statement thereby making it mandatory for all persons, being individuals to file the wealth statement and wealth reconciliation statement.
(3)	The proposed amendment seeks to require filing of revised wealth reconciliation statement together with reasons for filing revised wealth statement when filing a revised return of income.
(4)	The proposed amendment is of editorial nature excluding the applicability to Association of Persons who are not required to file wealth statement.
118	Method of furnishing returns and other documents
(1)	The proposal to omit the reference to employers' certificate seeks to mandate the filing of return of income by salaried individuals.
(2A)	This proposed new sub section seeks to require mandatory electronic filing of return of income together with proof of tax payment, wealth statement and wealth reconciliation by all salaried persons having income of Rs 500,000 or more.
(3)	The proposed amendment is of editorial nature to require mandatory filing of return of income by salaried individuals.
(6)	The proposed amendment is of editorial nature to require mandatory filing of return of income by salaried individuals.
119	Extension of time for furnishing returns and other documents
(1), (2) and (3)	The proposed amendment is of editorial nature to require mandatory filing of return of income by salaried individuals.
120A	Investment Tax on income
	The Bill seeks to omit this section which was introduced through Finance Act, 2008 to empower the Federal Board of Revenue to introduce schemes to encourage and promote investment in business and industry. The concept was to introduce time bound schemes requiring tax to be paid at 2% on the fair market value of investment declared under the scheme.

**SECTION
(CLAUSE)
122C**

THE INCOME TAX ORDINANCE, 2001

Provisional assessment

This section empowers the Commissioner of Income Tax to make a provisional assessment of a person who has failed to file a return of income. The existing provisions allow the person to file a return of income within 60 days to avoid the provisional assessment from becoming final. The proposed amendment seeks to reduce this period to forty five days.

130

Appointment of the Appellate Tribunal

- (3) The proposed amendment seeks to include an officer of Inland Revenue Service who is a law graduate having at least 15 years of service in BS-17 and above as being eligible for appointment as Judicial Member. The existing provisions provide for appointment of a Judge only. The Appellate Tribunal is a judicial forum and by making an officer of the Inland Revenue Service as being eligible as a Judicial Member the independence of the judicial process may be considered to be compromised.

149

Salary

- (1) The proposed amendment seeks to make every person making payment of the salary as being responsible and not just the employer. The other amendment proposed seeks to clarify on the adjustment to be made when making the payment.

152

Payments to non-residents

- (8) This proposed new sub section seeks to clarify that the prescribed person, being the withholding agent, is as defined in section 153 relating to payments for goods, services and under contracts. The definition includes Federal Government, a company, an association of persons, a non-profit organization, a foreign contractor or consultant, a consortium or joint venture, an exporter or an export house and an individual. The reference to association of person and individual is to those who have a turnover of Rs 50 million or more. The definition is proposed to be expanded to include a person registered under the Sales Tax Act, 1990.

153

Payments for goods, services and contracts

- (7) The proposed amendment seeks to include a person registered under the Sales Tax Act, 1990 in the definition of prescribed person making them also withholding agents.

153A

Payments to Traders and Distributors

This section deals with withholding tax provisions relating to payments to traders and distributors introduced through Finance Act, 2012 the implementation of which was subsequently stayed because of pressure from this section of business community. The Bill seeks to omit this section as new provisions are proposed for collection of advance tax.

155

Income from property

- (3)(v) The proposed amendment seeks to include charity institutions as a non-profit organization to be a withholding agent with respect to payments of rent chargeable as income from property.
- (3)(via) The proposed new clause seeks to make a private educational institution, a boutique, a beauty parlour, a hospital, a clinic and a maternity home as withholding tax agents when making payments of rent chargeable as income from property. These amendments are proposed to widen the tax net.
- (3)(vib) This proposed new clause seeks to include individuals and association of persons as withholding agents when making payments of rent amounting to Rs 1.5 million or more annually. These amendments are proposed to widen the tax net.

SECTION
(CLAUSE)

THE INCOME TAX ORDINANCE, 2001

164	Certificate of collection or deduction of tax
(2)	The proposed amendment seeks to withdraw the provisions relating to the certificate being sufficient discharge of evidence with respect to tax on salaried income. This amendment is being proposed as a consequence of the requirement for salaried individuals to file return of income.
165	Statements
(1) Explanation	This proposed new explanation seeks to amend the provisions of this section with respect to withholding tax statements to be filed by banking companies. The explanation clarifies that irrespective of the protections allowed under the Economic Reforms Act, 1962, the Banking Companies Ordinance, 1962 the Foreign Exchange Regulation Act, 1947 and the regulations made under the State Bank of Pakistan Act, 1956 with respect to divulgence of information required under section 165 the banking companies will furnish the information with respect to tax withheld by them when making payments of return/markup on customers' deposits. This follows the clearance given by the State Bank of Pakistan with respect to disclosure of the information. The implementation of the provisions of this section will enable the Federal Board of Revenue to confront persons who have been suffering deduction of tax at source but have not been filing return of income and/or declaring the assets in their return of income. Detailed provisions relating to this matter are discussed in the proposed new section 165A.
(6) Proviso	The proposed deletion of the proviso is of editorial nature withdrawing a redundant provision.
165A	<p>Furnishing of information by banks</p> <p>This proposed new section identifies details required to be submitted by banks and access allowed irrespective of the protections allowed under the Economic Reforms Act, 1962, the Banking Companies Ordinance, 1962 the Foreign Exchange Regulation Act, 1947 and the regulations made under the State Bank of Pakistan Act, 1956 with respect to divulgence of information to the Federal Board of Revenue as follows:</p> <ul style="list-style-type: none"> • Online access to the bank's central data base containing details of its account holders and all transactions made in their accounts • List containing particulars of deposits aggregating to rupees one million or more made during the preceding calendar month • List of payments made by any person against bills raised in respect of credit card issued to that person, aggregating to rupees one hundred thousand or more during the preceding calendar month • Consolidated list of loans written off exceeding rupees one million during a calendar year • Copy of each Currency Transaction Report and Suspicious Transactions Report generated and submitted by it to the Financial Monitoring Unit under the Anti-Money Laundering Act, 2010. <p>This proposed new section will empower the Federal Board of Revenue to obtain direct evidence for confronting taxpayers and non-taxpayers with information regarding income not declared. Subsequent to the approval from State Bank of Pakistan the Federal Board of Revenue has already compiled this information and the amendment now proposed paves way for taking legal action for broadening the tax base.</p> <p>The proposed new section also requires each banking company to make arrangements for nominating a senior officer at the head office to coordinate with the Federal Board of Revenue for providing assistance with respect to the information and documents as required by them for their purpose.</p>

**SECTION
(CLAUSE)**

THE INCOME TAX ORDINANCE, 2001

The information being furnished under this proposed new section is for tax purpose only and is required to be kept confidential by the Federal Board of Revenue. The provisions of this section also provide indemnity to the banking company and their officers from any civil, criminal or disciplinary proceedings with respect to the information being furnished.

- 169 Tax collected or deducted as a final tax**
- (3)** The proposed amendment seeks to allow tax deducted at source on dividends received by companies to be treated as a final tax on this income earned by a company.
- 171 Additional payment for delayed refunds**
- (2)(c) Explanation** This proposed new explanation seeks to clarify that the amount of additional payment on refund due shall be due from the date of the application of refund and not from the date on which the income has been deemed to have been assessed under section 120.
- 172 Representatives**
- (3)(b) Explanation** This proposed new explanation seeks to clarify that the term "business connection" for purposes of treating a person as a representative, shall include transfer of an asset or business in Pakistan by a non-resident.
- 177 Audit**
- (10) Explanation** This proposed new explanation seeks to expressly clarify that the powers of the Commissioner of Income Tax to call for records and documents of a taxpayer for an audit and to conduct an audit are independent of the powers under section 214C for parametric selection of cases for audit by the Federal Board of Revenue. This amendment follows the decisions given by the Courts in this regard in favor of the Board. This explanation now enables a Commissioner to proceed with audits without assigning any reason for carrying out the audit and seems to revert to the situation before introduction of the Universal Self-Assessment Scheme under which protection was available to the taxpayer against arbitrary selection and conduct of audits.
- 178 Assistance to Commissioner**
- The proposed amendment is of an editorial nature removing references that are no longer valid.
- 181 Taxpayer's registration**
- (3)** The proposed amendment seeks to allow individuals to use the Computerized National Identity Card (CNIC) issued by the National Database Registration Authority (NADRA) in place of a National Tax Number certificate issued by Federal Board of Revenue.
- 181C Displaying of National Tax Number**
- This proposed new section seeks to require every taxpayer to display the National Tax Number at a conspicuous place at every place of business.

SECTION (CLAUSE) 182	THE INCOME TAX ORDINANCE, 2001
	Offences and penalties
Serial 1 Columns 1 and 4	The proposed amendment seeks to modify the provisions to treat noncompliance of filing of wealth statement as non-compliance of filing of return of income following the amendments proposed in the Bill with respect to mandatory filing of wealth statement and wealth reconciliation statement.
Serial 1 Column 3	The proposed amendments in this clause seek to increase the maximum penalty to 50% (presently 25%) of the tax payable and prescribe a minimum penalty of Rs 20,000 (presently Rs 5,000) where the tax payable is less than or equal to this amount.
Serial 1A	This proposed new provision seeks to provide for penalty for non-filing under section 115, 165 and 165A at Rs 2,500 per day up to a maximum of Rs 50,000.
Serial 1AA	This proposed new provision seeks to provide for penalty for non-filing of wealth statement or wealth reconciliation at Rs 100 per day.
Serial 8	The proposed amendment to this entry seeks to increase the penalty for non-compliance with notice under section 177 with respect to production of books and records from 5% of the tax due to 25% and in the event of a second default from 25% of the tax to 50% and for the third and subsequent defaults from 50% of the tax to 100%.
Serial 9	The proposed amendment to this entry seeks to increase the penalty for non-compliance with notice under section 176 from Rs 5,000 to Rs Rs.25,000 and in the event of a second default and subsequent defaults from Rs 10,000 to Rs 50,000.
Serial 15	This proposed new item seeks to provide for penalty of Rs 5,000 for not disclosing the National Tax Number at the business premises.
210	Delegation
(1)	The proposed amendment seeks to restrict the delegation of the powers of Commissioners to Additional Commissioner, Deputy Commissioner, Assistant Commissioner and Inland Revenue Officer. The present provisions provide for delegation to Officer of Inland Revenue subordinate to the Commissioner and the amendment is to provide for delegation to the hierarchy in place and remove any ambiguity with respect to actions by these officers.
214C	Selection for audit by the Board
(1A)	This proposed new sub section seeks to provide that the parameters used by the Federal Board of Revenue for parametric selection of cases for audit shall remain confidential.
(3) Explanation	This proposed new explanation seeks to clarify that the Commissioner's powers to select a case for audit under section 177 is independent of the Board's power of selection under section 214C. This is in line with amendment proposed in section 177 and the subject has already been discussed.
227A	Reward to Inland Revenue officers and officials
	This proposed new section seeks to provide incentives to the Board's officers and officials for meritorious conduct with respect to cases involving concealment of evasion of income and other taxes. The proposed section also provides for rewards to the informers and empowers the Board to announce an appropriate scheme in this regard. The introduction of this reward read in conjunction with the new provisions relating to obtaining information from banks will provide for a happy hunting ground for the Board's officers and officials.

SECTION
(CLAUSE)
Chapter XI

THE INCOME TAX ORDINANCE, 2001

Administration

The proposed amendments seek to correct the headings of Directorate General of Internal Audit and Directorate General of Withholding Taxes to Directorates - General.

230B

Directorate-General of Law

230C

Directorate-General of Research and Development

These proposed new sections seek to introduce the new Directorates within the Federal Board of Revenue specifying the structure and empowering the Board to announce their functions, jurisdiction and powers.

233A

Collection of tax by NCCPL

(1)

The proposed amendments to this section seek to expand the provisions for collection of this tax to margin financiers, trading financiers and lenders engaged in share business under Securities (Leveraged Markets and Pledging) Rules, 2011.

234

Tax on motor vehicles

(1), (2) and (5)

The proposed amendments to this section seek to make the amount of tax collected at the time of payment of motor vehicle tax to be adjustable against the tax liability of the taxpayer.

236D

Advance tax on functions and gathering

This proposed new section provides for charge of tax on functions and gathering to be paid by the owner, leaseholder, operator or manager of a marriage hall, marquee, hotel, restaurant, commercial lawn, club, community place or any other place. The amount is chargeable for the provision of space as well as for the supply of food etc. If this is undertaken separately. The functions are defined to include wedding related event, seminar, workshop, session, exhibition, concert, show, party or any other gathering. The tax collected is adjustable against the tax liability of the taxpayer.

236E

Advance tax on foreign produced films, TV plays and serials

This proposed new section seeks to provide for payment of advance tax at the time of censorship and certification of a foreign produced film, TV drama serial or a play for screening and viewing. The tax collected is adjustable against the tax liability of the taxpayer.

236F

Advance tax on cable operators and other electronic media

This proposed new section seeks to provide for collection of advance tax by Pakistan Electronic Media Regulatory Authority at the time of issue of license/renewal of license to cable operators and other electronic media entities. The entities liable for this tax are specified in Pakistan Electronic Media Regulatory Authority Ordinance, 2002 and Pakistan Electronic Media Regulatory Authority Rules, 2009. The advance tax collected is adjustable against the tax liability of the taxpayer.

236G

Advance tax on sales to distributors, dealers and wholesalers

This new section seeks to replace the provisions introduced for withholding tax with respect to payments to Traders and Distributors under section 153A which is now proposed to be withdrawn. This new section proposes to collect advance tax from every manufacturer and commercial importer of electronics, sugar, cement, iron and steel products, fertilizer, motor cycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector at the time of making the sale and the amount of tax collected shall be allowed as credit in computing tax due by the distributor, dealer or wholesaler for the tax year in which the tax is collected.

SECTION
(CLAUSE)

THE INCOME TAX ORDINANCE, 2001

236H

Advance tax on sales to retailers

This new section seeks to provide for collection of advance tax by manufacturer, distributor, dealer, wholesaler or commercial importer when making sales to retailers of electronics, sugar, cement, iron and steel products, fertilizer, motor cycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector. The amount of tax collected shall be allowed as credit in computing tax due by the retailer for the tax year in which the tax is collected.

236I

Collection of advance tax by educational institutions

This new section seeks to provide for collection of advance tax by educational institutions when raising fee vouchers or challans for payment of fees (tuition fee and all charges received by the educational institutions by whatever name called but excluding the amount which is refundable) aggregating to Rs 200,000 or more annually. The amount of tax collected shall be allowed as credit in computing tax due by the parents or guardian making the payment.

236J

Advance tax on dealers, commission agents and arhatis etc

This proposed new section seeks to require every market committee to collect advance tax from dealers, commission agents or arhatis etc at the time of issuance of license or renewal of licenses. The advance tax collected is adjustable against the tax liability of the person. The term "market committee" includes any committee or body formed under any provincial or local law made for the purposes of establishing, regulating or organizing agricultural, livestock and other commodity markets.

239B

Reference to authorities

The proposed amendment to this section is of an editorial nature.

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**SECTION
(CLAUSE)**

THE INCOME TAX ORDINANCE, 2001

First Schedule

Rate of Tax

Part I

Rates of Tax

Division I

Rates of Tax for individuals and Association of Persons

(1) The bill proposes to keep the exemption limit to Rs. 400,000 for business individuals and Association of Persons.

The tax rates applicable for computing tax liability for every non-salaried individual and Association of Person are proposed as follows:

S. No.	Taxable Income	Rate of Tax
1.	Where the taxable income does not exceed Rs. 400,000	0%
2.	Where the taxable income exceeds Rs. 400,000 but does not exceed Rs. 750,000	10% of the amount exceeding Rs. 400,000
3.	Where the taxable income exceeds Rs. 750,000 but does not exceed Rs. 1,500,000	Rs. 35,000 + 15% of the amount exceeding Rs. 750,000
4.	Where the taxable income exceeds Rs. 1,500,000 but does not exceed Rs. 2,500,000	Rs. 147,500 + 20% of the amount exceeding Rs. 1,500,000
5.	Where the taxable income exceeds Rs. 2,500,000 but does not exceed Rs. 4,000,000	Rs. 347,500 + 25% of the amount exceeding Rs. 2,500,000
6.	Where the taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 6,000,000	Rs. 722,500 + 30% of the amount exceeding Rs. 4,000,000
7.	Where the taxable income exceeds Rs. 6,000,000	Rs. 1,322,500 + 35% of the amount exceeding Rs. 6,000,000

(1A) The tax rates applicable for computing tax liability of individuals under the head "salary" (including individuals in whose case the salary income exceeds 50% of his taxable income) are proposed to be changed. The bill proposes to keep the exemption limit to Rs. 400,000 for salaried individual. The revised table showing the proposed applicable tax rate is as follows:

S. No.	Taxable Income	Rate of Tax
1.	Where the taxable income does not exceed Rs. 400,000	0%
2.	Where the taxable income exceeds Rs. 400,000 but does not exceed Rs. 500,000	5% of the amount exceeding Rs. 400,000
3.	Where the taxable income exceeds Rs. 500,000 but does not exceed Rs. 800,000	Rs. 5,000 + 7.5% of the amount exceeding Rs. 500,000
4.	Where the taxable income exceeds Rs. 800,000 but does not exceed Rs. 1,300,000	Rs. 27,500 + 10% of the amount exceeding Rs. 800,000
5.	Where the taxable income exceeds Rs. 1,300,000 but does not exceed Rs. 1,800,000	Rs. 77,500 + 12.5% of the amount exceeding Rs. 1,300,000
6.	Where the taxable income exceeds Rs. 1,800,000 but does not exceed Rs. 2,200,000	Rs. 140,000 + 15% of the amount exceeding Rs. 1,800,000

SECTION
(CLAUSE)

THE INCOME TAX ORDINANCE, 2001

S. No.	Taxable Income	Rate of Tax
7	Where the taxable income exceeds Rs. 2,200,000 but does not exceed Rs. 2,600,000	Rs. 200,000 + 17.5% of the amount exceeding Rs. 2,200,000
8	Where the taxable income exceeds Rs. 2,600,000 but does not exceed Rs. 3,000,000	Rs. 270,000 + 20% of the amount exceeding Rs. 2,600,000
9	Where the taxable income exceeds Rs. 3,000,000 but does not exceed Rs. 3,500,000	Rs. 350,000 + 22.5% of the amount exceeding Rs. 3,000,000
10	Where the taxable income exceeds Rs. 3,500,000 but does not exceed Rs. 4,000,000	Rs. 462,500 + 25% of the amount exceeding Rs. 3,500,000
11	Where the taxable income exceeds Rs 4,000,000 but does not exceed Rs 7,000,000	Rs. 587,500 + 27.5% of the amount exceeding Rs. 4,000,000
12	Where the taxable income exceeds Rs 7,000,000	Rs 1,412,500 + 30% of the amount exceeding Rs 7,000,000

Division IA

Rate of Tax on certain persons

Due to the proposed substitution of section 113A, Division IA will become redundant and is proposed to be omitted.

Division II

Rates of Tax for Companies

- (i) The proposed amendment seeks to insert a proviso to Clause (i) whereby rate of tax imposed on taxable income of a company other than a banking company is proposed to be reduced from 35% to 34% for the tax year 2014.

Division VI

Income from Property

- (a) The tax rates applicable for computing tax liability under section 15 on income from property in the case of individual and association of persons are proposed as follows:

S. No.	Gross amount of rent	Rate of tax
1	Where the gross amount of rent does not exceed Rs. 150,000	Nil
2	Where the gross amount of rent exceeds Rs. 150,000 but does not exceed Rs. 400,000.	5% of the gross amount of rent exceeding Rs. 150,000.
3	Where the gross amount of rent exceeds Rs. 400,000 but does not exceed Rs. 1,000,000.	Rs. 12,500 plus 7.5% of the gross amount of rent exceeding Rs. 400,000.
4	Where the gross amount of rent exceeds Rs. 1,000,000 but does not exceed Rs. 2,000,000.	Rs. 57,500 plus 10% of the gross amount of rent exceeding Rs. 1,000,000.
5	Where the gross amount of rent exceeds Rs. 2,000,000 but does not exceed Rs. 3,000,000.	Rs. 157,500 plus 12.5% of the gross amount of rent exceeding Rs. 2,000,000.
6	Where the gross amount of rent exceeds Rs. 3,000,000 but does not exceed Rs. 4,000,000.	Rs. 282,500 plus 15% of the gross amount of rent exceeding Rs. 3,000,000.
7	Where the gross amount of rent exceeds Rs. 4,000,000.	Rs. 432,500 plus 17.5% of the gross amount of rent exceeding Rs. 4,000,000.

SECTION (CLAUSE)

(b)

THE INCOME TAX ORDINANCE, 2001

The tax rates applicable for computing tax liability under section 15 on income from property in the case of company are proposed as follows:

S. No.	Gross amount of rent	Rate of tax
1	Where the gross amount of rent does not exceed Rs. 400,000.	5% of the gross amount of rent.
2	Where the gross amount of rent exceeds Rs. 400,000 but does not exceed Rs. 1,000,000.	Rs. 20,000 plus 7.5% of the gross amount of rent exceeding Rs. 400,000.
3	Where the gross amount of rent exceeds Rs. 1,000,000 but does not exceed Rs. 2,000,000.	Rs. 65,000 plus 10% of the gross amount of rent exceeding Rs. 1,000,000.
4	Where the gross amount of rent exceeds Rs. 2,000,000 but does not exceed Rs. 3,000,000.	Rs. 165,000 plus 12.5% of the gross amount of rent exceeding Rs. 2,000,000.
5	Where the gross amount of rent exceeds Rs. 3,000,000 but does not exceed Rs. 4,000,000.	Rs. 290,000 plus 15% of the gross amount of rent exceeding Rs. 3,000,000.
6	Where the gross amount of rent exceeds Rs. 4,000,000.	Rs. 440,000 plus 17.5% of the gross amount of rent exceeding Rs. 4,000,000.

Part II

Rates of Advance Tax

The proposed substitution seeks to provide revised withholding tax rates on commercial import of goods by non-corporate taxpayers. The proposed revised tax rates are as follows:

- In the case of industrial undertakings, 5% of the value of goods;
- In all other cases of companies, 5% of the value of goods; and
- In case of all taxpayers other than those covered at (a) and (b) above, 5.5% of the value of goods.

Part III

Deduction of Tax at Source

(1)(b)

The proposed substitution seeks to provide revised withholding tax rates on supply of goods by non-corporate taxpayers. The proposed revised tax rates in the case of sale of goods are as follows:

- 3.5% of the gross amount payable in the case of companies; and
- 4% of the gross amount payable in the case of other tax payers.

(2)(ii)

The proposed substitution seeks to provide revised withholding tax rates on rendering and providing of services by non-corporate taxpayers. The proposed revised tax rates in the case of rendering of or providing of services are as follows:

- 6% of the gross amount payable in the case of companies; and
- 7% of the gross amount payable in the case of other tax payers.

(3)

The proposed substitution seeks to provide revised withholding tax rates on contracts by non-corporate taxpayers. The proposed revised tax rates are as follows:

- 6% of the gross amount payable in the case of companies; and
- 6.5% of the gross amount payable in the case of other tax payers.

SECTION
(CLAUSE)

THE INCOME TAX ORDINANCE, 2001

Division V

Income from Property

- (a) The rate of tax to be deducted at source under section 155 on income from property in the case of individual and association of persons are proposed as follows:

S. No.	Gross amount of rent	Rate of tax
1	Where the gross amount of rent does not exceed Rs. 150,000	Nil
2	Where the gross amount of rent exceeds Rs. 150,000 but does not exceed Rs. 400,000.	5% of the gross amount of rent exceeding Rs. 150,000.
3	Where the gross amount of rent exceeds Rs. 400,000 but does not exceed Rs. 1,000,000.	Rs. 12,500 plus 7.5% of the gross amount of rent exceeding Rs. 400,000.
4	Where the gross amount of rent exceeds Rs. 1,000,000 but does not exceed Rs. 2,000,000.	Rs. 57,500 plus 10% of the gross amount of rent exceeding Rs. 1,000,000.
5	Where the gross amount of rent exceeds Rs. 2,000,000 but does not exceed Rs. 3,000,000.	Rs. 157,500 plus 12.5% of the gross amount of rent exceeding Rs. 2,000,000.
6	Where the gross amount of rent exceeds Rs. 3,000,000 but does not exceed Rs. 4,000,000.	Rs. 282,500 plus 15% of the gross amount of rent exceeding Rs. 3,000,000.
7	Where the gross amount of rent exceeds Rs. 4,000,000.	Rs. 432,500 plus 17.5% of the gross amount of rent exceeding Rs. 4,000,000.

- (b) The rate of tax to be deducted at source under section 155 on income from property in the case of company are proposed as follows:

S. No.	Gross amount of rent	Rate of tax
1	Where the gross amount of rent does not exceed Rs. 400,000.	5% of the gross amount of rent.
2	Where the gross amount of rent exceeds Rs. 400,000 but does not exceed Rs. 1,000,000.	Rs. 20,000 plus 7.5% of the gross amount of rent exceeding Rs. 400,000.
3	Where the gross amount of rent exceeds Rs. 1,000,000 but does not exceed Rs. 2,000,000.	Rs. 65,000 plus 10% of the gross amount of rent exceeding Rs. 1,000,000.
4	Where the gross amount of rent exceeds Rs. 2,000,000 but does not exceed Rs. 3,000,000.	Rs. 165,000 plus 12.5% of the gross amount of rent exceeding Rs. 2,000,000.
5	Where the gross amount of rent exceeds Rs. 3,000,000 but does not exceed Rs. 4,000,000.	Rs. 290,000 plus 15% of the gross amount of rent exceeding Rs. 3,000,000.
6	Where the gross amount of rent exceeds Rs. 4,000,000.	Rs. 440,000 plus 17.5% of the gross amount of rent exceeding Rs. 4,000,000.

Division VI

Prizes and Winnings

- (1) The proposed amendment seeks to enhance the rate of tax to be deducted at source under section 156 on a prize on prize bond or cross-word puzzle from 10% to 15%.

SECTION (CLAUSE) **THE INCOME TAX ORDINANCE, 2001**

Part IV **Deduction or Collection of Advance Tax**

Division IIA **Rates for Collection of Tax by a Stock Exchange Registered in Pakistan**

(iv) The proposed omission seeks to eliminate the rate for collection of tax of 10% of the carry over charge in case of financing of carry over trades.

Division IIB **Rates for Collection of Tax by NCCPL**

The proposed new insertion seeks to provide rate of withholding tax under section 233AA at 10% of profit or mark-up or interest earned by the member, margin financier or securities lender.

Division III **Tax on Motor Vehicles**

(4) The proposed new insertion seeks to provide the rate of collection of tax under section 234 on motor vehicle in lump sum as per the following proposed table:

(a)	Upto 1000cc	Rs. 7,500
(b)	1001cc to 1199cc	Rs. 12,500
(c)	1200cc to 1299cc	Rs. 17,500
(d)	1300cc to 1599cc	Rs. 30,000
(e)	1600cc to 1999cc	Rs. 40,000
(f)	2000cc and above	Rs. 80,000

Division VI **Cash Withdrawal from a Bank**

The proposed amendment seeks to enhance the rate of withholding tax on cash withdrawal from 0.2% to 0.3%.

Division VII **Purchase of Motor Cars and Jeeps**

The proposed substitution seeks to revise the rates of payment of tax under section 231B on registration of new motor cars and jeeps. The proposed revised tax rates are as follows:

Engine Capacity	Amount tax
Upto 850cc	Rs. 10,000
851cc to 1000cc	Rs. 20,000
1001cc to 1300cc	Rs. 30,000
1301cc to 1600cc	Rs. 50,000
1601cc to 1800cc	Rs. 75,000
1801cc to 2000cc	Rs. 100,000
Above 2000cc	Rs. 150,000

Division VIII **Advance tax at the time of sale by auction**

The proposed amendment seeks to enhance the rate of collection of tax under section 236A from 5% to 10% on sale of any property or goods by auction.

SECTION (CLAUSE) THE INCOME TAX ORDINANCE, 2001

Division XI Advance tax on Functions and Gatherings

The proposed new insertion seeks to prescribe the rate of tax to be collect at 10% on functions and gatherings under section 236D.

Division XII Advance tax on Foreign-Produced Films and TV Plays

The proposed new insertion seeks to prescribe the rate of collection of tax on foreign-produced films, TV drama serials and plays under section 236E. The proposed tax rates are as follows:

Foreign-produced film	Rs. 1,000,000
Foreign-produced TV drama serial	Rs. 100,000 per episode
Foreign-produced TV play (single episode)	Rs. 100,000

Division XIII Advance tax on Cable Operators and Other Electronic Media

The proposed new insertion seeks to prescribe the rate of tax to be collected under section 236F in the case of cable television operator and other distribution services.

(1) The proposed tax rates in the case of cable television operator are as follows:

License Category as provided in PEMRA Rules 2009	Tax on License Fee	Tax on Renewal
H	Rs. 7,500	Rs. 10,000
H-1	Rs. 10,000	Rs. 15,000
H-II	Rs. 25,000	Rs. 30,000
R	Rs. 5,000	Rs. 30,000
B	Rs. 5,000	Rs. 40,000
B-1	Rs. 30,000	Rs. 50,000
B-2	Rs. 40,000	Rs. 60,000
B-3	Rs. 50,000	Rs. 75,000
B-4	Rs. 75,000	Rs. 100,000
B-5	Rs. 87,500	Rs. 150,000
B-6	Rs. 175,000	Rs. 200,000
B-7	Rs. 262,500	Rs. 300,000
B-8	Rs. 437,500	Rs. 500,000
B-9	Rs. 700,000	Rs. 800,000
B-10	Rs. 875,500	Rs. 900,000

(2) The proposed tax rates in the case of other distribution services are as follows:

Type of Channel as provided in PEMRA Rules 2009	Tax on issuance of license	Tax on Renewal
IPTV	Rs. 100,000	Rs. 1,000,000
FM Radio	Rs. 100,000	Rs. 100,000

SECTION
(CLAUSE)

THE INCOME TAX ORDINANCE, 2001

Type of Channel as provided in PEMRA Rules 2009	Tax on issuance of license	Tax on Renewal
MMDS	Rs. 200,000	Rs. 100,000
Mobile TV	Rs. 100,000	Rs. 50,000
Satellite TV station		
News or Current	Rs. 1,000,000	Rs. 2,000,000
Sports	Rs. 1,000,000	Rs. 1,000,000
Regional Language	Rs. 700,000	Rs. 700,000
Health or Agro	Rs. 300,000	Rs. 300,000
Education	Rs. 300,000	Rs. 300,000
Entertainment	Rs. 1,000,000	Rs. 1,000,000
Specialized subject station	Rs. 500,000	Rs. 200,000
Landing Rights per channel		
News/Current Affairs	Rs. 1,000,000	Rs. 5,000,000
Sports	Rs. 500,000	Rs. 2,500,000
Educational	Rs. 200,000	Rs. 1,000,000
Entertainment	Rs. 200,000	Rs. 2,000,000
Children	Rs. 350,000	Rs. 1,500,000

Division XIV

Advance tax on Sale to Distributors, Dealers or Wholesalers

The proposed new insertion seek to prescribe the rate of collection of tax on sale to distributors, dealers or wholesalers under section 236G at 0.1% of the gross amount of sales.

Division XV

Advance tax on Sale to Retailers

The proposed new insertion seeks to prescribe the rate of collection of tax on sale to retailer under section 236H at 0.5% of the gross amount of sale.

Division XVI

Collection of Advance tax by Educational Institutions

The proposed new insertion seeks to prescribe the rate of collection of tax on fee paid to educational institution under section 236I at 5% of the amount of fee.

Division XVII

Advance tax on Dealers, Commission Agents and Arhatis, etc.

The proposed new insertion seeks to prescribe the rate of collection of tax from dealers, commission agents or arhatis etc. at the time of issuance or renewal of licenses under section 236J by every market committee.

The proposed tax rates are as follows:

Group	Amount of tax (per annum)
Group or Class A	Rs. 10,000
Group or Class B	Rs. 7,500
Group or Class C	Rs. 5,000
Any other category	Rs. 5,000

**SECTION
(CLAUSE)** **THE INCOME TAX ORDINANCE, 2001**

Second Schedule **Exemptions and Tax concessions**

Part I **Exemptions from Total Income**

The proposed omission seeks to withdraw exemption from tax on the following:

- (53A)(i)** Free or concessional passage provided by transporters including airlines to its employees (including the members of their household and dependents) by virtue of his employment.
- (92)** Any income of any university or other educational institution established solely for educational purposes and not for purposes of profit.
- (98A)** Any income derived by International Cricket Council Development (International) Limited (IDI), International Cricket Council (ICC), employees, officials, agents and representatives of IDI and ICC, officials from ICC members, players, coaches, medical doctors and officials of member countries, IDI partners and media representatives, other than persons who are resident of Pakistan, from ICC Champions Trophy, 2008 hosted in Pakistan.
- (103B)** Any dividend in specie derived in the form of shares in a company, as defined in the Companies Ordinance, 1984 (XLVII of 1984).
- (126E)** The proposed substitution seeks to exempt income derived by a zone enterprise as defined in Special Economic Zones Act, 2012 (XX of 2012) for a period of ten years starting from the date the developer certifies that the zone enterprise has commenced commercial operation and for a period of ten years to a developer of zone starting from the date of signing of the development agreement in the special economic zone as announced by the Federal Government.

By virtue of the proposed substitution, the existing Corporate Income Tax Holiday for a period of 5 years available to projects in Special Economic Zones has been extended to 10 years to promote industrialization and investment in the country.

Part II **Reductions in Tax Rates**

- (28)** The proposed new insertion seeks to reduce rate of tax on import of hybrid cars as follows:

Engine capacity	Rate of reduction
Up to 1200 cc	100%
1201 to 1800 cc	50%
1801 to 2500 cc	25%

Part III **Reduction in Tax Liability**

- (1)** The proposed omission seeks to withdraw the reductions in tax liability on flying allowance and submarine allowance taxed at reduced rate of 2.5% as a separate block of income.
- (2)** The proposed omission seeks to withdraw the reduction in tax payable by a full time teacher or a researcher by an amount equal to 75% of tax payable on his income from salary.

**SECTION
(CLAUSE)** **THE INCOME TAX ORDINANCE, 2001**

- (7) The proposed amendment seeks to provide reduction in minimum tax on turnover under section 113 to any taxpayer engaged in the business of distribution of cigarettes manufactured in Pakistan. Presently this is available only to companies engaged in the business of distribution of cigarettes manufactured in Pakistan.

Part IV **Exemption from Specific Provisions**

- (56A) The proposed new insertion seeks to make the provisions of sub-section (7) of section 148 and clause (a) of sub-section (1) of section 169 inapplicable to a person who is liable to withholding tax under section 236E.

By virtue of the proposed insertion, advance tax collected on import of foreign produced films, TV plays and serials will become adjustable.

- (59)(iv)(a) The proposed amendment seeks to withdraw the exemption allowed to small investors in Defence Savings Certificates, Special Savings Certificates, Savings Accounts or Post Office Savings Accounts, or Term Finance Certificates (TFCs) (deposit limit Rs. 150,000).

- (72A) The proposed new insertion seeks to make the provisions of clause (l) of section 21, sections 113 and 152 inapplicable in case of a Hajj Group Operator in respect of Hajj operations provided that the tax has been paid at the rate of Rs. 3,500 per Hajji for the tax year 2013 and Rs.5,000 per Hajji for the tax year 2014 in respect of income from Hajj operations.

- (72B) The proposed new insertion seeks to make the provisions of section 148 regarding tax on import of raw material inapplicable to an industrial undertaking if the tax liability for the current tax year, on the basis of determined tax liability for any of the preceding two tax years, whichever is the higher, has been paid and a certificate to this effect is issued by the concerned Commissioner.

Third Schedule

Part II **Initial Allowance and First Year Allowance**

- (1) The proposed amendment seeks to reduce the rate of initial allowance on plant and machinery from 50% to 25%.

Seventh Schedule **Rules for the computation of the profits and gains of a banking company and tax payable thereon**

- Rule 6** The proposed amendment seeks to reduce the rate of tax on dividend received by the banking company from money markets funds and income funds from 35% to 25% for tax year 2014 and onwards. The proposed amendment will give rise to tax arbitrage of 10% to the banking companies for tax year 2014 and onwards.

**SECTION
(CLAUSE)****THE INCOME SUPPORT LEVY ACT, 2013**

- 1 The new Act is proposed to be promulgated with effect from June 12, 2013, with a view to provide for financial resources for operating income support fund and provide financial assistance and other social protection to economically distressed persons and families.
- 2 The section seeks to define Levy, net moveable wealth and person, etc for the purposes of the Act.
- 3 and 9 The levy is proposed to be charged at 0.5% on the value of net moveable wealth exceeding Rs. 1,000,000 held by a person on the last date of tax year.
- 4 The levy is payable along with wealth statement.
- 5 The assessment of levy shall be carried out by an Officer of Inland Revenue and communicated to the assessee through an order in writing specifying the sum payable and the time within which the levy shall be paid.
- 6 Default surcharge at 16% per annum shall be payable in case an assessee fails to pay the levy or the levy paid is less than the amount payable, to be calculated from the date it was payable.
7. Recovery of levy shall be in accordance with the provisions of collection of tax under the Income Tax Ordinance 2001, (Ordinance).
- 8 The provisions of the Ordinance relating to appeals against, or revision or rectification shall be applicable under the Act.
- 10 FBR is empowered to make Rules for the purposes of this Act, by notification in the official Gazette.

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**SECTION
(CLAUSE)** **SALES TAX ACT, 1990**

Section 2 (5AC) CREST

The Bill seeks to insert the definition of "CREST" as Computerized Risk –Based Evaluation of Sales Tax. This is the computerized program for analyzing and cross- matching of Sales Tax Returns. The definition of CREST has been introduced as Federal Board of Revenue has launched the Computerized Risk-Based Evaluation of Sales Tax (CREST) software to check claims for bogus refunds and illegal input tax adjustments against fake and flying invoices from the sales tax department.

**Section 2
(22A) Provincial sales tax**

The Bill seeks to define "Provincial Sales Tax" as being tax levied under the Provincial Sales Tax Laws and Islamabad Capital Territory as notified through Official Gazette for the purposes of determination of Input Tax.

**Section 2
(33A) Supply chain**

The Bill seeks to insert the definition of "Supply Chain" which means the series of transactions between buyers and sellers from the stage of first purchase or import to the stage of final supply.

**Section 2
(44) Time of supply**

This definition is very important as it determines as to when the sales tax incidence arises.

Previously supply was deemed to have taken place at the time at which the goods were delivered or made available to the recipient of the supply.

The Bill now seeks to amend definition of time of supply by amending sub- clause (a) of clause (44) of section 2 and according to the proposed definition, supply is deemed to take place at the earlier of the time of the delivery of goods or the time when any payment is received by supplier in respect of that supply. This means that by the proposed amendment, now sales tax is chargeable if the amount is received in advance.

Further, the Bill also seeks to amend the definition of time of supply by adding a proviso in sub- clause (c) of clause (44) of Section 2 which provides for the scenario where any part payment is received in respect of supply of goods or supply of goods under hire purchase agreement or services:

- for the supply in a tax period, it shall be accounted for in the return for that tax period
- in respect of exempt supply, it shall be accounted for in the return for the tax period during which the exemption is withdrawn from such supply.

Section 3 Scope of tax – rate enhanced to 17%

The Bill seeks to increase the standard rate of sales tax from 16 percent to 17 percent.

This is a major revenue generating measure proposed under the Sales Tax Act, 1990.

**Section 3
(1A) & (1B) Chargeability of further tax, taxation on capacity basis**

The Bill seeks to insert the provision for chargeability of further tax, where taxable supplies are made to a person who is not registered in Sales Tax. In this case, further tax at the rate of 2% would be charged in addition to 17% standard rate. However, Federal Government can specify those taxable supplies through notification in respect of which further tax shall not be charged.

**SECTION
(CLAUSE)**

SALES TAX ACT, 1990

Further, Finance Bill seeks to insert clause 1B for taxation on the production capacity of plants, machinery, undertaking, establishments or installations which are producing or manufacturing such goods. In this respect, Federal Government can charge tax either on production capacity of plants or on fixed tax basis depending on nature of business.

**Section 3
(5)**

Chargeability of tax at extra rate not exceeding 16%

The Bill seeks to amend sub section 5 of section 3 to allow chargeability of tax at extra rate not exceeding 16%.

**Section 8
(caa)**

Input tax credit not allowed on discrepancies indicated by "CREST"

The Bill seeks to insert a new clause in subsection (1) of Section 8 to disallow input tax adjustments by a registered person, if any discrepancies are indicated by CREST or where input tax is not verifiable in the Supply Chain.

Section 21

De-registration, black listing and suspension of registration

(3)

Presently, as per section 21(3), restriction was placed on claim of input tax credit or refund on purchases from registered persons that have been blacklisted by Federal Board of Revenue unless the tax payer has fulfilled his responsibilities under section 73.

The bill now seeks to amend subsection 3 of section 21 to omit reference of section 73.

**Section 21
(4)**

Blocking of input tax adjustments / refunds in fraudulent cases

The Bill seeks to insert a new subsection 4 of Section 21 to block input tax adjustments or refunds if a registered person is engaged in issuing of fake or flying invoices.

**Section 22
(ea)**

Book keeping and invoicing requirements by registered person

The Bill seeks to insert a new clause (ea) in subsection (1) of section 22 to prescribe that a registered person making taxable supplies shall also maintain records relating to gate passes, inward or outward and transport receipts.

Section 25

Access to records, documents, etc

The Bill seeks to add explanation to section 25(Access to records and documents by an Officer of Inland Revenue) section 38 (Authorized Officers to have access to Premises, Stocks, accounts and records) section 38A (Power to call for information) section 38B (obligation to produce documents and provide information) and 45A(Power of the Board and Commissioner to call for Records) in order to remove doubt that powers of the Board, Commissioner or Officer of Inland Revenue under these sections are independent and Selection of Audit by the Board under section 72B is not necessary to call for any record or information and powers under the above mentioned sections cannot be restricted by section 72B.

40 B

Posting of Inland Revenue Officer

Previously only Board could post Officer of Inland Revenue to the premises of registered person to monitor production, sale of taxable goods and the stock position.

Now The Bill proposes to amend section 40B to also allow Chief Commissioner in addition to the Board for posting of officials of Inland Revenue to business premises for monitoring.

**SECTION
(CLAUSE)
40 C**

SALES TAX ACT, 1990

Monitoring or tracking by electronic or other means

The Bill seeks to insert section 40C to allow legal powers to the Board for monitoring or tracking of production, sales, clearances, stocks by electronic means.

However, from such date as may be prescribed by the Board for implementation of electronic means, no taxable goods shall be sold by manufacturer or any other person without affixing tax stamp, banderole, stickers, labels etc.

45B

Appeals

The Bill seeks to insert a new subsection (1A) in section 45B to allow Commissioner (Appeals) to grant stay of maximum 30 days if recovery of tax causes undue hardship to the taxpayer.

57

Rectification of mistake

The Bill seeks to amend section 57 to allow the Commissioner, Commissioner (Appeals) or the Appellate Tribunal to rectify a mistake apparent in an order on own motion or on an application by the taxpayer. If a rectification has an adverse effect on the taxpayer then an opportunity shall be provided to the taxpayer before such rectification. Further, Commissioner or Commissioners (Appeals) are required to make rectification brought into notice by a taxpayer before the expiration of financial year next following the date of rectification application. If no rectification order is passed by such date then the mistake shall be deemed to have been rectified in favor of the taxpayer. Rectification order may be passed within 5 years from the date of the order sought to be rectified.

This provision is in line with provisions of Section 221 of the Income Tax Ordinance 2001.

72C

Reward to inland revenue officers and officials

The Bill seeks to insert a new section 72C to allow provision of cash reward to officials of Inland Revenue in case of detection of cases involving concealment or evasion of duty and taxes. The Board has been empowered to prescribe the procedure for the apportionment of reward.

73

Certain Transactions Not Admissible

Presently, payment for a transaction exceeding value of Rs 50,000 (other than utility bills) must be made by a crossed banking instrument and from the business bank account of the buyer to the business bank account of the supplier.

Now The Bill seeks to amend explanation in Section 73 to prescribe change in bank account only through sales tax registration form or through change in particulars in registration database.

Third Schedule

Addition of items in Third Schedule of The Sales Tax Act 1990

Sales Tax is charged by a manufacturer at 16% in respect of goods falling under this category on the recommended Retail Price.

The Bill proposes to add following items in Third Schedule after serial number 21

1. Finished or made-up articles of textile and leather, including garments, footwear and bed ware, sold in retail packing
2. Household electrical goods, including air conditioners, refrigerators, deep freezers, televisions, recorders and players, electric bulbs, tube-lights, fans, electric irons, washing machines and telephone sets.
3. Household gas appliances, including cooking range, ovens, geysers and gas heaters.

**SECTION
(CLAUSE)**

SALES TAX ACT, 1990

4. Foam or spring mattresses, and other foam products for household use
5. Auto parts and accessories sold in retail packing
6. Lubricating oils, brake fluid, transmission fluid and other vehicular fluids and maintenance products in retail packing.
7. Tyres and tubes
8. Storage batteries
9. Arms and ammunition
10. Paints, distempers, enamels, pigments, colours, varnishes, gums, resins, dyes, glazes, thinners, blacks, cellulose lacquers and polishes sold in retail packing
11. Fertilizers
12. Cement sold in retail
13. Tiles sold in retail packing
14. Biscuits, confectionary, chocolates, toffees and candies
15. Other goods and products sold in retail packing

Sixth Schedule

Omission of serial no 25 of table-I

The Bill proposes to omit serial no 25 of Table-I of the Sixth Schedule of the Act to withdraw exemption of sales tax on milk preparations obtained by replacing one or more of the constituents of milk by another substance, whether or not packed for retail sale.

Sixth Schedule

Omission of serial no 12 of table-II

The bill seeks to omit serial no. 12 of Table-II of the Sixth Schedule to withdraw exemption of sales tax on supplies against international tender.

SRO 500(I)/2013

Through this notification, Federal Government has rescinded its SROs 646(i)/2005 dated June 30,2005, 172(I)/2006 dated February 24,2006, 863(I)/2007 dated August 24,2007, 160, 161,162,163,164(I)/2010 dated March 10,2010,117(I)/2011 dated February 10, 2011, 180(I)/2011 dated March 5,2011, 200(I)/2011 dated March 14,2011 and 201(I)/2011 dated March 14,2011.

The Federal Board of Revenue has decided to withdraw all notifications granting exemptions of Sales Tax and Federal Excise Duty (FED) to Khyber-Pakhtunkhwa and Federally Administered Tribal Areas (FATA) and Provincially Administered Tribal Areas (PATA) under the Prime Minister's fiscal relief package. The income tax exemptions granted to the business community of the said areas will expire on June 30 this year.

SRO 501(I)/2013

Through this notification, Federal Government has substituted zero-rating with exemption on the items of non-export oriented sectors.

SRO 502(I)/2013

Through this notification, Federal Government has amended its Notification No. 549(I)/2008, dated June 11, 2008 dealing with list of items on which Zero Rating has been omitted. Now these items are exempted through SRO 501(I)/2013 dated June 12, 2013.

SRO. 503(I)/2013

Through this notification, Federal Government has amended its Notification No. 993((I)/2006, dated September 21, 2006 as Federal Board of Revenue has decided to exclude clauses under the fiscal relief package for Khyber Pakhtunkhwa, FATA and PATA

SRO.504(I)/2013

Through this notification , Federal Government has amended its Notification No. 1125(I)/2011, dated December 31,2011 to exclude finished articles, goods and made-ups from the purview of SRO 1125(I)/2011. Now these items are excluded from the list of items chargeable to sales tax at 2%.

**SECTION
(CLAUSE)****SALES TAX ACT, 1990****SRO 505(I)/2013**

Through this notification, Federal Government has amended Sales Tax Special Procedure (Withholding) Rules, 2007 and expanded the scope of withholding regime for withholding of whole of amount of tax by withholding agents on purchases made from unregistered persons.

**SRO
506(I)/2013**

Through this notification, Federal Government has amended Rule 5 of Chapter I of Sales Tax Rules 2006, whereby in case of corporate or non-corporate person having a single manufacturing unit, the registration is required in jurisdiction where the manufacturing unit or business premises is actually located. Further, in case of corporate or non-corporate person having multiple manufacturing units or business premises, the Board would decide the place of registration of such persons.

The Bill Proposes to amend the above criteria in order to streamline the place of registration of registered persons.

SRO 509(I)/2013

Through this notification, the Federal Government has levied extra tax at the rate of five percent in addition to the standard rate of sixteen percent on non-registered and non-active commercial and industrial consumers of electricity and gas having monthly bill in excess of 'Rs 15,000

**SRO
510(I)/2013**

Through this notification, Federal Government has prescribed special procedure by making further amendment in Sales Tax Special Procedure Rules, 2007 for collection and payment of extra tax on supplies of electric power and natural gas consumed by unregistered and inactive persons having industrial or commercial connections.

Further, every person supplying electric or natural gas, shall charge and collect extra tax at 15% , from every unregistered and non-active consumer, where the bill for a month is in excess of rupees fifteen thousand. The amount of extra tax shall be shown separately in the bill or invoice.

The Bill proposes certain conditions and limitations by which the amount of extra tax shall not be adjusted by the supplier or the consumer in their returns and shall be paid in full by the supplier.

Registered consumer shall show the sales tax registration certificate to the supplier and the supplier shall verify from the Active Taxpayers List maintained by Federal Board of Revenue and if satisfied would stop charging and collecting the extra tax from the consumer.

**SECTION
(CLAUSE)**

THE FEDERAL EXCISE ACT, 2005

- 3(3A)** The proposed new sub-section seeks to empower FBR to impose further duty at 2% on excisable goods and services.
- 17(1)(da)** The proposed new clause seeks to prescribe records of inward and outward gate passes and transport receipts as legal documents.
- 33(1A)** The proposed insertion of new sub-section seeks to empower the Commissioner (Appeals) to grant stay of recovery to a maximum of 30 days in hardship cases.
- 35(3)** The proposed addition of Explanation to the sub-section seeks to remove doubts regarding powers of FBR, Commissioner and officer of Inland Revenue under sections 35, 45 and 46, and nothing contained in section 42B shall restrict their respective powers.
- 42C** The proposed insertion of new section seeks to allow provision of reward to officers and officials of Inland Revenue on detection of cases of concealment and evasion of duty.
- 45** The proposed amendment seeks to empower Chief Commissioner, in addition to FBR, to post officers or officials at business premises for the purpose of monitoring.
- 45A** The proposed insertion of new section seeks to allow monitoring or tracking by electronic or other means.

**The First Schedule
Table-I**

Duties on the following items are proposed to be amended as under:

Item	Existing Duty	Proposed Duty
Aerated water	6%	9%
Locally produced cigarettes if their on pack printed retail price (RP) exceeds Rs. 2,286 per thousand cigarettes	65%	Rs. 2,325 per thousand cigarettes
Locally produced cigarettes if their on pack printed RP does not exceed Rs. 2,286 per thousand cigarettes	Rs. 7.02 + 70%	Rs. 880 per thousand cigarettes

Duty on the following items are proposed to be levied:

Item	Proposed Duty
Oilseeds	Rs. 0.40 per kg
Motor cars, SUVs and other motor vehicles of 1,800 cc or above, including station wagons and racing cars	10% Ad.val

Table-II

Duties on all financial services are proposed to be clubbed. Duty at 16% of the charges shall be charged on services provided or rendered by banking companies, insurance companies, cooperative financing societies, modarabas, musharikas, leasing companies, foreign exchange dealers, non-banking financial institutions, asset management companies and other persons dealing in any such services.

SECTION
(CLAUSE)
The Third Schedule
Table-I

THE FEDERAL EXCISE ACT, 2005

Duty exemption is proposed to be withdrawn on the following items:

- Hydraulic cement
- Lubricating oil
- Transformer oil

Table-II

Duty exemption on services provided or rendered by asset management companies is proposed to be withdrawn.

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**SECTION
(CLAUSE)** **THE CUSTOMS ACT, 1969**

2 (la)	The proposed amendment seeks to amend the definition of 'goods declaration' to cover transshipment of goods under WeBOC.
3DDD	The proposed new section seeks to introduce the Directorate General of Input Output Co-efficient Organization which shall comprise of a Director General and Directors, Additional Directors, Deputy Directors, Assistant Directors and other officers, and empowers FBR to appoint them.
14A	The proposed substitution of the section seeks to bind the custodian of goods and terminals handlers to provide adequate security, residential accommodation to Customs staff and authorizes Customs authorities to entertain refunds of demurrage charges which are received on account of delay because of no fault of importers or exporters.
32(4)	The proposed amendment seeks to re-introduce the Directorate General Intelligence and Investigation.
8(1), (2), (3), (4) and (5)	The proposed amendment seeks to withdraw the facility of submission of post-dated cheque with regard to provisional assessment of duties.
Explanation	The proposed amendment seeks to replace post-dated cheque with pay order.
83(2)	The proposed amendment is of editorial nature.
179(1)(vi)	The proposed insertion of proviso seeks to empower the designated Customs officers for the purposes of adjudication of customs in terms of FOB value in case of goods for export.
196(1)	The proposed amendment seeks to authorize the Director of Customs Valuation to file special customs reference application before the Honourable High Court.
202B	The proposed amendment seeks to correct the nomenclature to 'Customs Services of Pakistan'.

The First Schedule The First Schedule is proposed to be amended with a view to change import duties on a number of goods, including the following:

Item	Existing Duty	Proposed Duty
Betel leaves	Rs. 200 per kg	Rs. 300 per kg
Areca (betel) nuts	15% Ad.Val	20% Ad.Val
Office or school supplies – plastics or other material	25% Ad.Val	20% Ad.Val
Fibreboard of wood or other material	20% Ad.Val	15% Ad.Val
Water filter and purifier	20% Ad.Val	15% Ad.Val
Energy saving tubes	20% Ad.Val	Nil
Solar submersible pumps	20% Ad.Val	Nil

Duty free import of Hybrid Electric Vehicle (HEVs) has been proposed, as follows:

Engine capacity	Extent of exemption in duty and taxes
Upto 1,200 cc	100%
From 1,201 cc to 1,800 cc	50%
From 1,801 cc to 2,500 cc	25%

INFORMATION ABOUT WITHHOLDING TAXES

APPENDIX – I

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
148	<p>Import of goods</p> <p>a) In case of industrial undertakings</p> <p>b) In all other cases of companies</p> <p>c) All taxpayers other than those covered in (a) and (b) above</p> <p>Import of remeltable steel imported by an industrial undertaking for its own use</p> <p>Import of potassic fertilizer and urea fertilizer</p> <p>Import of pulses</p> <p>Import of goods classified under Pakistan Customs Tariff falling under chapter 27, 86 and 99</p>	<p>5</p> <p>5</p> <p>5.5</p> <p>1</p> <p>1</p> <p>2</p> <p>0</p>	<p>Collector of Customs</p> <p>Collector of Customs</p> <p>Collector of Customs</p> <p>Collector of Customs</p> <p>Collector of Customs</p>	<p>Final except large import houses (Minimum tax in case of edible oil and packing material)</p> <p>Final except large import houses</p> <p>Final except large import houses</p> <p>Final except large import houses</p> <p>Not applicable</p>
149	Payment of salary	Average rate of tax computed on the basis of formula	Person responsible for paying salary	Adjustable
150	<p>Payments of dividend declared / distributed by:</p> <ul style="list-style-type: none"> Purchaser of a power project privatized by WAPDA Company set up for power generation Any other company 	<p>7.5</p> <p>7.5</p> <p>10</p>	Every person paying dividend	Final
151	<p>Payment of profit / yield to resident in respect of following after deducting zakat thereon:</p> <ul style="list-style-type: none"> Deposit or account maintained with banking company or financial institution Yield on National Saving Schemes and Post Office Saving Account 	<p>10</p> <p>10</p>	Payer of the profit or yield	<p>Final (for Indv. & AOP)</p> <p>Adjustable (for companies)</p>

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
	<ul style="list-style-type: none"> Profit on securities issued by Government and local authority Profit on bond, certificates, debenture, security or instrument of any kind (other than a loan agreement between a borrower and banking Co. or a Development financial institution) 	10 10		
152	Payments to non-residents: <ul style="list-style-type: none"> Sales of good Transport services Other services Execution of contract Royalty Fees for technical services Shipping income Air Transport income Contract or sub contract under a construction, assembly or installation project Advertisement services rendered by T.V. Satellite Channel advertisement services relaying from outside Pakistan Any other contract for construction or services Profit on debt Insurance premium or re-insurance premium Other cases 	3.5 2 6 6 15 15 8 3 6 6 10 6 10 5 20	Federal Government, Company, Small company, Association of Persons (under law), non-profit organization, Foreign Contractor or Consultant and Consortium or Joint Venture, Individual (turnover of Rs. 50M or above), AOP (normal) (turnover of Rs. 50M or above), A person registered under the Sales Tax Act, 1990	Final Final Final Final Final Final Final Final Final Final Final Final Final Adjustable Final Adjustable

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
153	<p>Payments to resident person or permanent establishment of non-resident person on account of:</p> <ul style="list-style-type: none"> • Sale of goods on amount inclusive of Sales Tax <ul style="list-style-type: none"> ➤ General <ul style="list-style-type: none"> i) In the case of companies ii) In the case of other taxpayers ➤ Rice, cotton seed and edible oil other than mentioned below ➤ Edible oil purchased locally by manufacturers of cooking oil and vegetable ghee or both • Sale of rice by Rice Exporter Association of Pakistan to Utility Store Corporation • From distributor of cigarette and pharmaceuticals products and for large distribution houses • Rendering of services <ul style="list-style-type: none"> ➤ General <ul style="list-style-type: none"> i) In the case of companies ii) In the case of other taxpayers ➤ Transport ➤ News and print media services ➤ Rendering of or providing of stitching, dyeing, printing, embroidery, washing, sizing and weaving • Execution of contract <ul style="list-style-type: none"> i) In the case of companies ii) In the case of other taxpayers 	<p>3.5</p> <p>4</p> <p>1.5</p> <p>2</p> <p>1</p> <p>1</p> <p>6</p> <p>7</p> <p>2</p> <p>2</p> <p>1</p> <p>6</p> <p>6.5</p>	<p>Federal Government, Company, Small company, Association of Persons(under law), non-profit organization, Foreign Contractor or Consultant and Consortium or Joint Venture, Individual (turnover of Rs. 50M or above), AOP (normal)(turnover of Rs. 50M or above), A person registered under the Sales Tax Act, 1990</p>	<p>Final</p> <p>Final</p> <p>Final</p> <p>Final</p> <p>Final</p> <p>Final</p> <p>Minimum</p> <p>Final</p> <p>Final</p> <p>Final</p> <p>Final</p>

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
154	Realization of proceeds on account of:			
	<ul style="list-style-type: none"> Exports of goods and sales of goods by indirect exporter under inland back to back letter of credit or standard purchase order of goods specified in seventh schedule 	1	Authorized Dealer in foreign exchange and Banking Company	Final
	<ul style="list-style-type: none"> Exports of goods by an industrial undertaking located in the export processing zones. 	1	EPZ authority established under the EPZ authority Ordinance, 1980.	Final
	<ul style="list-style-type: none"> Payment for firm contract to an indirect exporter. 	1	Direct exporter and an export house registered under the duty and tax remission rules for export 2001.	Final
	<ul style="list-style-type: none"> Indenting commission 	5	Authorized Dealer in foreign exchange and Banking Company.	Final
155	Payment of rent (including advance) on immovable property,	5 to 17.5 in accordance with slab rates as specified in Division V Part III of First Schedule	Federal Government, Provincial Government, Local Authority, Company, Non-Profit Organization, Charitable Organization and Diplomatic Mission of Foreign State, Private Educational Institution, Boutique, Beauty parlor, Hospital, Clinic, Maternity Home, Individuals or AOPs paying gross rent of Rs 1.5 million or more in a year.	Final
156	Payment of prize on prize bond or crosswords puzzle	15	Person paying the amount where the payment is not in cash amount to be collect	Final
	Payment of prize on winning of raffle, lottery, a quiz, offered by companies for promotion of sale.	20		Final
156A	Payment of commission or discount allowed to a petrol pump operator	10	Person selling petroleum products to a petrol pump operator	Final
231A	Cash withdrawal from a bank (all payments in a day amount exceeding 50,000)	0.3	Every Banking Company	Adjustable

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
231AA	Advance tax on transactions in bank if the payment for withdrawal is made through any mode of banking transactions including Demand Draft, Payment Order, Online Transfer, Telegraphic Transfer, CDR, STDR, RTC, or the sum total of the payments for such transaction in a day, exceeds twenty-five thousand rupees	0.3	Every Banking Company	Adjustable
231B	Registration of new motor car or a jeep car	10,000 to 150,000	Excise and Taxation (Motor Vehicle)	Final
233	Payment of Brokerage and Commission <ul style="list-style-type: none"> • General • Advertising 	10 5	Government, Local Authority, Company and Association of Person constituted by or under any law	Final
233A	On purchase of shares On sale of shares On trading of shares	0.01	Registered Stock Exchange	Adjustable
233AA	On margin financing in shares business or on providing of any margin financing, margin trading or securities lending under Securities (Leveraged Markets and Pledging) Rules, 2011 in share business	10% of profit or mark-up or interest earned by the member	National Clearing Company Pakistan Limited	Adjustable

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
234	<p>On collection of motor vehicle tax of :</p> <ul style="list-style-type: none"> Passenger transport vehicle with registered seating capacity of 10 or more persons upto 10 years of the year of the make of vehicle Goods transport vehicle. <p>In the case of goods transport vehicles with minimum laden weight of 8,120 Kg, advance tax after a period of ten years from the date of first registration of vehicle in Pakistan.</p> <ul style="list-style-type: none"> Other private motor cars <p>Where the motor vehicle tax is collected in lump sum</p>	<p>Rs. 25 to 500 per seat per annum</p> <p>Rs. 5 per kilogram of the laden weight per annum</p> <p>Rs. 1,200 per annum</p> <p>Rs. 750 to 8,000 per annum</p> <p>Rs. 7,500 to 80,000 per annum</p>	<p>Person collecting motor vehicle tax</p>	<p>Adjustable</p> <p>Adjustable</p> <p>Adjustable</p> <p>Adjustable</p> <p>Adjustable</p>
234A	In the case of a compressed natural gas station	4	Person preparing Gas Consumption bills	Final
235	<p>On collection of amount of electricity bill:</p> <ul style="list-style-type: none"> Where the amount of electricity bill is exceeding Rs 400 but does not exceed Rs 20,000 Where bill exceeds Rs 20,000 <p>i) For commercial consumers ii) For industrial consumers</p>	<p>Rs. 80 to 1,500 per month</p> <p>10% 5%</p>	Person preparing electricity consumption bill	Adjustable for Companies (minimum for others for bill amounting to Rs. 30,000 per month / adjustable for the amount of bill exceeds 30,000)
236	<p>On collection of amount of telephone charges of:</p> <ul style="list-style-type: none"> Telephone subscriber (bill exceeds Rs. 1,000) Postpaid mobile telephone and prepaid telephone cards 	<p>10</p> <p>10</p>	Person preparing telephone bills	Adjustable

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)		DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
236A	On the sale by public auction or auction by tender	10		Any person making sale by public auction or auction by tender	Adjustable
236B	Domestic air tickets	5		Person preparing air tickets	Adjustable
236C	On sale or transfer of immovable property	0.5		Any person responsible for registering or attesting transfer of immovable property	Adjustable
236D	On arranging or holding a function in a marriage hall, marquee, hotel, restaurant, commercial lawn, club, a community place or any such place used for such purpose	10		Owner, a lease holder, an operator or a manager of marriage hall, marquee, hotel, restaurant, commercial lawn, club, a community place or any other place used for such purpose	Adjustable
236E	<ul style="list-style-type: none">On foreign produced filmsOn foreign produced TV drama serialOn foreign produced TV drama serial (single episode)	Rs 1,000,000 Rs 100,000 per episode Rs 100,000		Any person responsible for censoring or certifying a foreign produced film, TV drama serial or a play for screening and viewing	Adjustable
236F	Cable operators and other electronic media on issuance of license for distribution services or renewal of license <ul style="list-style-type: none">In case of Cable Television Operator License category H to B-10In case of other Distribution Services Different types of channels Satellite TV Station Landing Rights per channel	Tax On License Fee Rs 7,500 to Rs 875,500 Rs 100,000 to Rs 200,000 Rs 300,000 to Rs 1,000,000 Rs 200,000 to Rs 1,000,000	Tax On Renewal Rs 10,000 to Rs 900,000 Rs 50,000 to Rs 1,000,000 Rs 300,000 to Rs 2,000,000 Rs 1,000,000 to Rs 5,000,000	Pakistan Electronic Media Regulatory Authority	Adjustable
236G	Sales to distributors, dealers and wholesalers	0.1		Every manufacturer or commercial importer of electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector	Adjustable in the year tax was collected
236H	Sales to retailers	0.5		Every manufacturer, distributor, dealer, wholesaler or commercial importer of electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector	Adjustable in the year tax was collected

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
236I	Fee paid to an educational institution Where annual fee exceeds Rs 200,000	5%	The person preparing fee voucher or challan	Adjustable against the liability of the either of the parents or guardian making payment of fee
236J	On the issuance or renewal of licenses of dealers, commission agents and arhatis etc: Group or Class A Group or Class B Group or Class C Any other category	(per annum) Rs 10,000 Rs 7,500 Rs 5,000 Rs 5,000	Every market committee	Adjustable

For final discharge of tax liability, the reference to deducted and collected shall be read as "to be deducted" and "to be collected".

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