



BUDGET COMMENTARY 2014

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Budget Commentary, 2014

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, 2014 which upon enactment with or without modification shall be issued as Finance Act, 2014.

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 2015 unless otherwise stated. The reference to the repealed Ordinance means the repealed Income Tax Ordinance, 1979.

BDO EBRAHIM & CO.**Dated: June 04, 2014**

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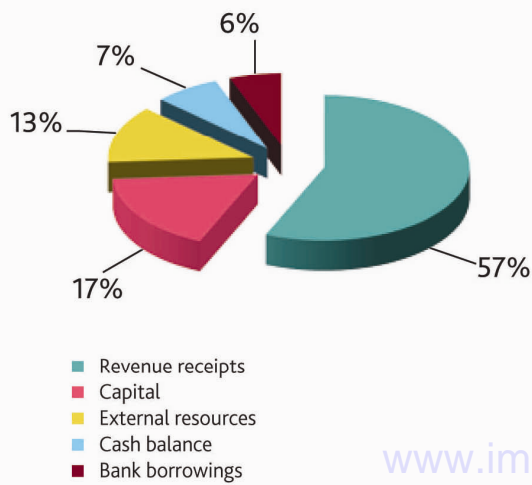
COMPARATIVE BUDGET AT A GLANCE
 (AMOUNTS ROUNDED TO NEAREST MILLION)

	2014-15		2013-14	
	Rs	%	Rs	%
Receipts				
Revenue Receipts				
Direct taxes	1,180	30	975	27
Indirect taxes	1,949	50	1,622	45
	3,129	79	2,597	72
Non-tax revenue	816	21	822	23
Gross revenue receipts	3,945	100	3,419	95
Less: Provincial share	(1,720)	(44)	(1,479)	(41)
Net Revenue receipts	2,225	57	1,940	54
Capital receipts	686	17	507	14
External resources	508	13	169	5
Cash balance	289	7	-	-
Bank borrowings	228	6	975	27
Total Resources	3,936	100	3,591	100
Expenditure				
Current Expenditure				
Defence	700	18	627	17
General public services	2,114	54	1,902	53
Others	316	8	300	8
	3,130	80	2,829	79
Development expenditure	806	20	762	21
Total Expenditure	3,936	100	3,591	100

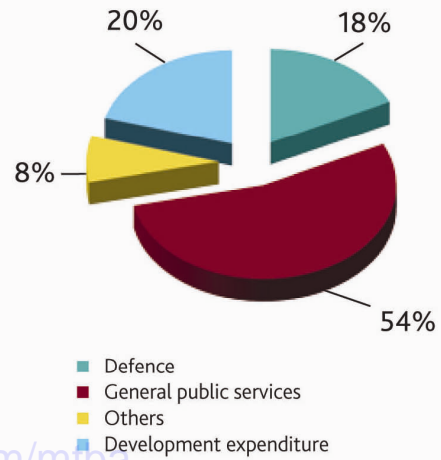
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COMPARATIVE BUDGET AT A GLANCE

Sources of Funds

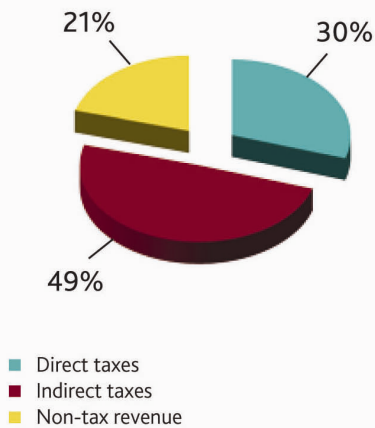


Utilisation of Funds

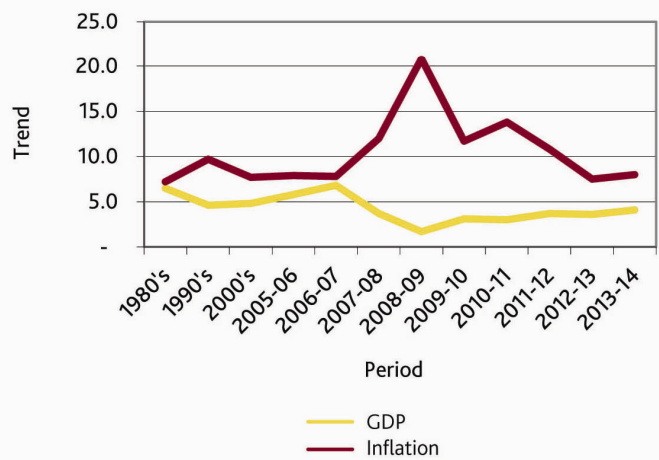


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Breakup of Revenue Receipts



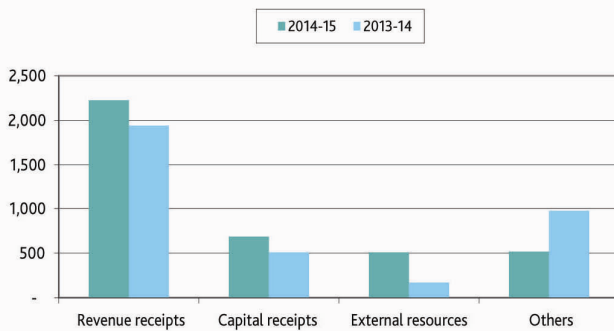
Trends in Growth and Inflation



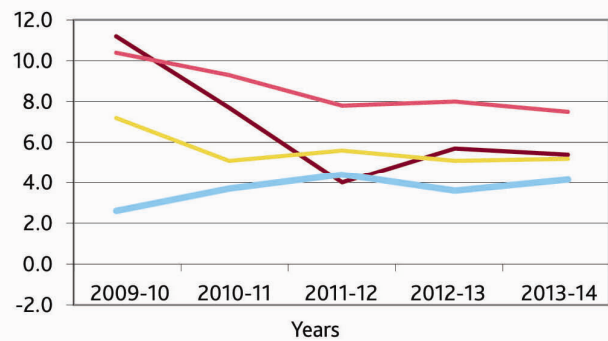
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COMPARATIVE BUDGET AT A GLANCE

Comparison of Revenue

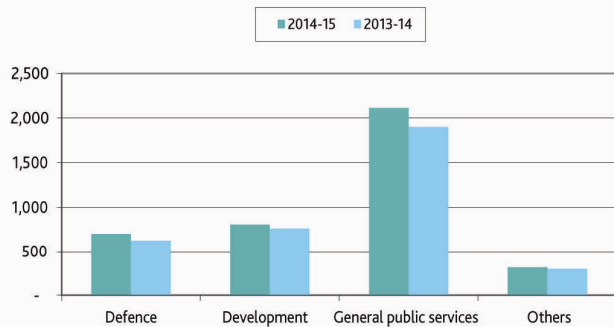


Comparative Real GDP Growth Rate

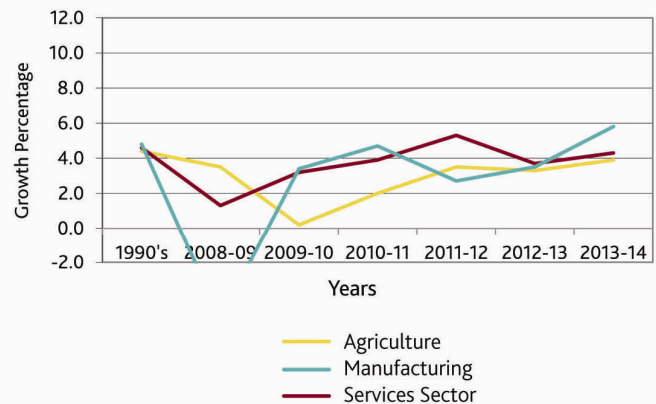


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Comparison of Expenses



Comparison of Expenses



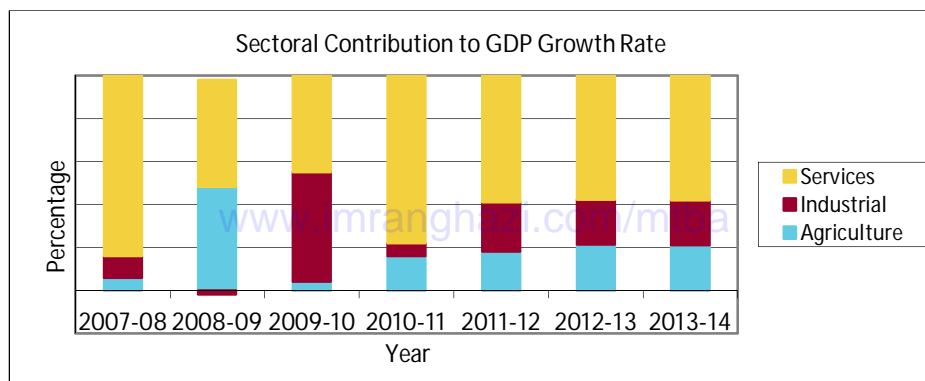
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OVERVIEW

The year 2014 represents a completion of the first fiscal tenure of the existing Government. The promise of tamed economic recovery indicated in the Budget 2013 appears to have been converted to a partial reality with broad improvements across several macroeconomic indicators, albeit, targets were missed for most key performance indicators. This Budget, with a Rs. 2.8 trillion tax revenue target, is considered an aggressive and ambitious target, set with the intent of bringing about tough structural reforms and measures aimed at broadening the tax base. The rhetoric of the Finance Minister exuded a sense of confidence in the economic recovery and coupled with infrastructure, power sector and social sector reforms underway appears to set a positive tone for the medium term budgetary framework targets to be achieved over a three year period.

Growth

Pakistan's economy measured through GDP is estimated to have grown towards the end of the year at a rate of 4.1% as compared to the budgeted rate of 4.4% for the year and a rate of 3.7% in the prior year. The growth momentum is broad based and all the three major sectors namely agriculture, industry and services have provided support to improve economic growth. The agriculture sector grew at an estimated rate of 2.12 percent against the growth of 2.88 percent in the last year. The industrial sector expanded by 5.84 percent against the growth of 1.37 percent in last year, while large scale manufacturing posted growth of 5.31 percent against the growth of 4.08 percent in last year. 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 44% 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 2.1% as compared to 2.9% in the prior year. The important crops account for 25.24 percent of agricultural value added and registered a growth of 3.74 percent compared to a growth of 1.19 percent last year. The important crops includes all major crops like wheat, maize, rice, sugarcane and cotton which registered growth at 4.44 percent, 7.27 percent, 22.79 percent, 4.27 percent and 2.00 percent, respectively.

Industry

The industrial sector contributes 20.8 percent in the GDP of the country. Manufacturing is the most important sub-sector of the industrial sector containing 64.92 percent share in the overall industrial sector. The growth of the manufacturing sector registered at 5.55 percent compared to the growth of 4.53 percent last year. Manufacturing contributes 64.92 percent in overall industrial sector. Large-Scale Manufacturing (LSM) has a share of 52.45 percent and Small Scale Manufacturing has a share of 7.97 percent. Small scale manufacturing witnessed a growth at 8.35 percent against a growth of 8.28 percent last year. LSM has witnessed a growth of 5.31 percent as compared to the growth of 4.08 percent last year. Most sub sectors in the industrial segment have grown during the present year.

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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 13.99 percent of GDP in 2013-14. Fixed investment was 12.39 percent of GDP against the 12.97 percent of GDP last year. Private investment was 8.94 percent of GDP as compared to 9.64 percent of GDP in the prior year. National savings are 12.9 percent of GDP in 2013-14 compared to 13.5 percent in 2012-13. Domestic savings was 7.5 percent of GDP in 2013-14 as compared to 8.3 percent of GDP in 2012-13. Net foreign resource inflows are financing the saving investment gap.

Balance of payments

Pakistan's balance of payments shows an increase in capital flows that has substantially offset a gradual widening of the current account deficit during current financial year. External account turned into surplus during July-April, 2013-14, compared to the same period last year. Overall external account balance posted a surplus of US\$ 1,938 million during July-April, 2013-14, compared to a deficit of US\$ 2,090 million in the corresponding period of last year. Workers' remittances registered commendable growth during July-April, 2013-14, growing by 11.5 percent against 6.4 percent growth recorded in the corresponding period of last year. The consistent growth in remittances reflects a shift from informal to formal avenues to remit funds from overseas Pakistanis. The Government and SBP have focused on promotion of formal channel for international remittances through banks and different money transfer services under the Pakistan Remittances Initiatives (PRI). It is expected that with the grant of GSP plus status, Pakistan exports to EU countries will gain momentum in coming months.

Monetary policy

Monetary policy is primarily focused on stimulating and sustaining economic growth through containment of inflationary pressures. 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. During the first half of current fiscal year, SBP reversed its stance from an "accommodative" to a "tightening" policy as the rate was increased by cumulative 100 bps, staggered in two stages of 50 bps each. This policy stance change was largely a reflection of expected inflationary pressures in the medium term. In the last policy statement from the SBP, a cautionary stance has been taken by maintaining the policy rate at 10%.

Inflation

The inflationary trend in the economy remained subdued during 2013-14. An overview of inflationary trends during ten months of the current FY (July-April) 2013-14 indicates that inflation moved at a slow pace on account of improved supply position of essential items and declining trend in major global commodities prices. Due to this slow trend the inflation rate was recorded at 8.7 percent on average basis during July-April, 2013-14, over an increase of 7.7 percent of corresponding period.

Key economic targets

The following key targets were announced for the 3 year Medium term Economic Framework:

- GDP growth to be increased to 7.1% by 2016-17
- Inflation to be maintained in single digits.
- Fiscal deficit to be brought down to 4%.
- Tax to GDP ratio to be increased to 13%.
- Foreign exchange reserves to be increased to USD 22 billion by 2016-17.

The above measures will depend on the management and implementation of revenue measures introduced as well as fiscal discipline in management of expenditures.

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Taxation measures

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

Direct taxes

- Tax rate for companies reduced to 33%
- Differentiation of taxpayers in terms of status of compliance and differentiation in rates to encourage broadening of tax net
- Incentives for export oriented tax sectors including duty draw backs and rebates.
- Reduction in tax rates applicable to capital market transactions
- Withdrawal of exemption of tax on bonus shares
- Introduction of Alternative Corporate Tax (ACT) based on accounting income
- Reduced tax rates for new industrial units set up through Foreign Direct Investment

Indirect taxes

- Change in sales tax regime for retailers
- Restriction of input tax to goods and supplies actually utilized in the manufacturing of goods and services
- Phasing out of SRO's introduced in previous years.
- Telecom services being subjected to provincial sales tax will be excluded from FED

Looking ahead

The Budget 2014-2015 appears to indicate that the Government is intent upon challenging the status quo and implement changes which some may consider a bitter pill to swallow. The one year track record whilst not conclusive is indicative that the country's economy is on a path of tamed economic recovery. The initiatives outlined appear to be well thought out and researched along with having the blessing of various lobbyist groups. If the initiatives identified can be implemented successfully, the intent shall translate into fruition and help to steer the country to a path of sustainable growth.

BDO EBRAHIM & CO.

DATED: JUNE 4, 2014

HIGHLIGHTS

The Income Tax Ordinance

- A taxpayer whose name appears on the active taxpayer's list issued by FBR or who is holder of a taxpayer's card shall now be called 'filer'
- A new definition for "non-filer" is introduced which is identified as a person who is not a filer
- Spectrum license fees received by PTA is to be treated as income of the Federal Government, therefore, not taxable
- Tax credit has been made available to not for profit organizations if they have filed return, complied with the withholding obligations and filed withholding tax returns in lieu of exemption available which has now been withdrawn
- New concept of Alternate Corporate proposed to be introduced from Tax Year 2014 onwards – tax on companies would be the higher of Alternate Corporate Tax at 17% of adjusted accounting profit or the normal Corporate Tax as per tax computation
- Withholding tax shall be deducted at 20% when making payment for directorship fees or fee for attending board meetings or such fee by whatever name called. The tax deducted and paid is an advance tax of the director adjustable against their final tax liability.
- Income of sportsman shall be liable to tax deductible at source at 10% and this will be final tax
- Advance tax is made payable on purchase of air ticket and purchase or transfer of immoveable property
- Bonus shares will now be chargeable to withholding tax at 5% of the value thereof and this will be the final tax of the shareholder on this income
- Tax on capital gain to apply to debt securities
- Tax on companies as partners in a joint venture to be taxed as a company and not as a partner of AOP
- New provisions relating to advance tax on sale of motor vehicles, international travel, cash withdrawals, electricity bills with higher rates for non-filers to encourage them to obtain Taxpayer Registration

- Import of ships by shipbreakers brought into the presumptive/final tax regime
- Compulsory Taxpayer Registration requirement for new applicants for electricity and gas connections
- Withholding tax on registration of sale/purchase of immovable properties
- The rate of tax required to be deducted by a collective investment scheme or a mutual fund shall be as follows:

	Stock Fund	Money market Fund, Income Fund or any other fund
Individual	10%	10%
Company	10%	25%
AOP	10%	10%

- In case of a stock fund if dividend receipts of the fund are less than capital gains, the rate of tax deduction shall be 12.5%
- The rate of withholding tax to be deducted from payment made against sale of goods, services other than transport services, execution of contract other than a contract for the sale of goods or rendering of or providing of services have been revised.
- The rates of withholding taxes collected under section 234 with Motor Vehicle Tax have been revised in case where the motor vehicle tax is collected in lump sum and in case of other private motor cars.
- The rate of withholding tax on functions and gatherings under section 236D have been reduced from 10% to 5%.
- Withdrawal of the reduction in minimum tax on turnover under section 113 for certain taxpayers, however, the minimum tax on these taxpayers is proposed to be taxed at the proposed rates.
- For the purpose of determining distribution of at least 90% of accounting income by Collective Investment Scheme or a REIT Scheme in order to avail exemption from taxation, the income distributed through bonus shares, units or certificates shall not be taken into account towards distribution.
- Reduction in the rate of initial allowance on plant and machinery from 25% to 10%

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- Tax would be imposed on net basis on income from dividend and income from capital gains as opposed to tax year 2014 where the dividend and capital gains were subject to tax on gross basis. In order to compute and impose tax on net basis, certain formulas have been introduced in finance bill 2014.

Sales Tax Act

- Proposed amendment in the definition of Retail Price allows Board to specify zones or areas for the purpose of determination of highest retail price for any brand or variety of goods.
- Amendment in the section 3 allows addition of a new Eighth Schedule and Ninth Schedule
- Charging sales tax at the rate of seventeen percent from CNG stations by Gas Transmission and Distribution Company
- Amendment in section 3 allows tax to be charged from retailers through their monthly electricity bills, at the rate of five percent where the monthly bill amount does not exceed rupees twenty thousand and at the rate of seven and half percent where the monthly bill amount exceeds the aforesaid amount.
- Finance bill proposes amendment with respect to collection of excess tax. Any amount payable to the Federal Government shall be deemed to an arrear of tax or charge payable and shall be recoverable accordingly and no claim for refund in respect of such amount shall be admissible notwithstanding anything contained in any law or judgment of a court including the Supreme Court and a High Court.
- Finance bill proposes amendment in section 4 which allows Federal Board of Revenue to specify goods which shall be charged to zero percent as are supplied to a registered person or class of registered persons engaged in the manufacture and supply of goods supplied at reduced rate of sales tax.
- Proposed amendments in section 7 with respect to adjustment of input tax and determination of tax liability of a registered person.
- Finance bill proposes expansion in list of cases where input tax credit would not be allowed.
- Proposed amendment in section 40B whereby it is declared that powers of the Board, Chief Commissioner and Commissioner under this section are independent of section 40

- Insertion of a new section allows the Board to implement a computerized system for the cross matching and scrutiny of returns.
- Finance bill proposes expansion in list of items which are chargeable to sales tax at zero percent as specified in Fifth Schedule.
- Amendment and expansion in list of items specified in Table -1 and Table -2 of Sixth Schedule and insertion of new Table -3 under the Sixth Schedule
- The bill seeks to add a new Eighth and Ninth Schedule under the Sales Tax Act, 1990

The Federal Excise Duty

- Duty on locally produced cigarettes has been enhanced
- 10% Duty on locally produced motor cars, SUVs and other motor vehicles of 1,800 cc or above, including station wagons and racing cars is withdrawn
- Duty on all types of cement will be charged on Ad.Val. basis instead of per metric ton basis
- Duty on telecommunication services has been reduced from 19.5% to 18.5% of the charges
- Duty on international air travel has been enhanced
- Duty on chartered flights has been levied at 16% of the charges
- The Commissioner (Appeals) is empowered to grant stay of recovery to a maximum of 30 days in hardship cases.

The Customs Act

- The Fifth Schedule has been introduced to levy specified rates of custom duty on goods and classes of goods.
- Trial of narcotics and narcotic substances cases shall be held in the Special Courts constituted under the Control of Narcotics Substances Act, 1997
- FBR is empowered to appoint a senior Collector having experience of three (instead of five) years, as Technical Member of Appellate Tribunal

- Maximum rate of duty is reduced from 30% to 25%
- Duty on imports of a number of items which were subjected to nil duty, has been imposed at 1%.

The Income Support Levy

- The Act introduced through the Finance Act, 2013 has been repealed as it was considered controversial from inception.

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SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
2	Definitions
(8), (9), (10) and (11)	The proposed amendment in the Bill seeks to re-number the clauses for creating the alphabetical order in the section.
(23)	A new definition for "filer" is introduced which is identified as a taxpayer whose name appears on the active taxpayer's list issued by the Federal Board of Revenue or who is holder of a taxpayer's card.
(29)	The proposed amendments in this clause seek to change the definition of income to include bonus shares received by a shareholder from a company as income liable to tax. Tax on bonus shares is explained in section 236M.
(35C)	A new definition for "non-filer" is introduced which is identified as a person who is not a filer.
(59B)	A new definition for "Special Judge" is introduced and is identified as a Special Judge appointed under section 203 of the Ordinance.
(61A)	A new definition for "Stock Fund" is introduced and is identified as a collective investment scheme or a mutual fund where the investible funds are invested by way of equity shares in companies, to the extent of more than seventy percent of the investment.
4A	The section was introduced in Finance Bill 2011 and titled "Surcharge" for a one time levy of surcharge in Tax Year 2011. The proposed deletion is to remove the reference of this redundant section.
8	General provisions relating to taxes imposed under sections 5,6 and 7
(d) and (e)	The proposed amendments in this section are of an editorial nature.
13	Value of perquisites
(8)	The proposed amendments in this section are of an editorial nature.
18	Income from business
(3)	The proposed amendments in this section are of an editorial nature.
21	Deductions not allowed
(e)	The proposed amendments in this section are of an editorial nature.
31	Transfer to participatory reserve
(1)	The proposed amendment seeks to correct the reference to Financial Institutions (Recovery of Finances) Ordinance, 2001 from the existing reference to Banking Tribunals Ordinance, 1984. The deductibility of the amount transferred to participatory reserves, created under section 120 of the Companies Ordinance, 1984, will now be allowed if the agreement relating to participatory redeemable capital is between the company and a banking company as defined in the Financial Institutions (Recovery of Finances) Ordinance, 2001.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
37	Capital gains
(1A)	The proposed amendment seeks to remove references which are redundant as the taxability of capital gains on sale of capital assets is explained in detail in Division VIII of Part 1 of the First Schedule.
37A	Capital gain on disposal of securities
(1)	The proposed amendment seeks to delete the first proviso which has become redundant as the section clearly refers to taxability of capital gain on sale of securities held for a period less than a year.
(3) and (4)	<p>The proposed amendment seeks to include "debt securities" in the definition of "security" and explains that debt securities includes the following:</p> <ul style="list-style-type: none"> • Corporate Debt Securities such as Term Finance Certificates (TFCs), Sukuk Certificates (Sharia Compliant Bonds), Registered Bonds, Commercial Papers, Participation Term Certificates (PTCs) and all kinds of debt instruments issued by any Pakistani or foreign company or corporation registered in Pakistan • Government Debt Securities such as Treasury Bills (T-Bills), Federal Investment Bonds (FIBs), Pakistan Investment Bonds (PIBs), Foreign Currency Bonds, Government Papers, Municipal Bonds, Infrastructure Bonds and all kinds of debt instruments issued by Federal Government, Provincial Governments, Local Authorities and other statutory bodies <p>The proposed amendments seek to clarify that the tax on capital gains from sale of securities would apply to all these instruments.</p>
39	Income from other sources
(1)	The proposed amendment seeks to include issue of bonus shares as income of a shareholder receiving bonus shares.
49	Federal Government, Provincial Government and Local Government income
(4) proviso	This proposed new proviso seeks to clarify that the spectrum licenses (3G and 4G) sold by Pakistan Telecommunication Authority after March 2014 are to be treated as income of the Federal Government and not income of Pakistan Telecommunication Authority.
56A	Set off of losses of companies operating hotels
	The proposed amendments in this section are of an editorial nature.
59AA	Group taxation
(6)	The proposed amendment seeks update the reference the reference to Board (meaning Federal Board of Revenue) from the redundant Central Board of Revenue. The reference is with respect to the laws relating to regulation of Group Taxation.
88A	Share profits of company to be added to taxable income
	This section dealt with taxability of a company that was a partner in a joint venture taxed as an Association of Persons. The proposed amendment seeks to delete this provision as the subject matter is dealt with in the new proviso to section 92(1).

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

- 92 Principles of taxation of association of persons**
- (1) The provisions of this section laid down the principle that the tax of an association of person once paid would exempt the share of income of the partners of an association of persons. Joint venture companies were able to get benefit from tax on their share of income because of these provisions and provisions of section 88A. The proposed new proviso seeks to replace the existing provisions of section 88A which allowed companies to get tax credit for tax paid by the association of persons with respect to their share of profit. The proviso will now require association of persons to exclude the share of income of companies who will need to include the share of their income in their tax computation and be liable for tax as a company.
- 100B Special provision relating to capital gains tax**
- (2) (d) This proposed new sub clause seeks to exclude the applicability of Eighth Schedule on a company with respect to "debt securities" introduced in the section relating to tax on capital gain on sale of securities.
- 100C Tax credit for certain persons**
- This proposed new section seeks to lay down provisions with respect to tax credit for non- profit organizations. As per these new provisions non-profit organizations, trusts or welfare institutions shall be allowed a tax credit equal to one hundred percent of the tax payable, including minimum tax and final taxes payable under any of the provisions of the Ordinance subject to the following conditions:
- (a) return has been filed
 - (b) tax required to be deducted or collected has been deducted or collected and paid
 - (c) withholding tax statements for the immediately preceding tax year have been filed.
- Persons eligible for tax credit under this section are:
- a) Any income of a trust or welfare institution or non-profit organization from donations, voluntary contributions, subscriptions, house property, investments in the securities of the Federal Government and so much of the income chargeable under the head "income from business" as is expended in Pakistan for the purposes of carrying out welfare activities – the exemption is proposed to be limited to an amount that bears in proportion to the income from business the same proportion as the income from business bears to the income from all the sources of income.
 - b) A trust administered under a scheme approved by the Federal Government and established in Pakistan exclusively for the purposes of carrying out activities as are for the benefit and welfare of:
 - i) ex-servicemen and serving personnel, including civilian employees of the Armed Forces and their dependents
 - ii) ex-employees and serving personnel of the Federal Government or a Provincial Government and their dependents where the trust is administered by a committee nominated by the Federal Government or the Provincial Government.
 - c) A trust or welfare institution or non-profit organization approved by the Chief Commissioner for the purposes of this sub-clause

**SECTION
(CLAUSE)**

THE INCOME TAX ORDINANCE, 2001

- d) Income of a university or other educational institution being run by a non-profit organization existing solely for education purposes and not for purposes of profit
- e) Any income which is derived from investments in securities of the Federal Government, profit on debt from scheduled banks, grant received from Federal Government or Provincial Government or District Governments, foreign grants and house property held under trust or other legal obligations wholly, or in part only, for religious or charitable purposes and is actually applied or finally set apart for this application subject to following provisos:
 - i) Exemption will not apply to the extent amount is not expended within Pakistan
 - ii) If amount set apart is expended outside Pakistan the amount shall be included in total income of the tax year in which the amount was expended or set apart whichever is greater and the provisions relating to audit shall not apply to this proviso.

The proposed section includes an explanation that excludes from the definition of charitable and religious purpose any amount which is set apart, expended or disbursed for the maintenance and support wholly or partially for the family, children or descendants of the author of the trust or the donor or the maker of the institution or for his own maintenance and support during his lifetime or payment to himself or his family, children, relations or descendants or for the payment of his or their debts out of the income from house property dedicated or if any expenditure is made other than for charitable purposes.

- f) Any income of a religious or charitable institution derived from voluntary contributions applicable solely for religious or charitable purposes of the institution, excluding income of a private religious trust which does not ensure benefit for the public.

113 Minimum income tax on the income of certain persons

(1) and (2) The proposed amendments to this section seek to transfer the identification of applicable tax rates under this section to Division IX of Part I of First Schedule.

113C Alternative Corporate Tax

This proposed new section seeks to provide for an Alternate Corporate Tax which would be the tax payable for Tax Year 2014 onwards if it is higher than the Corporate Tax.

Alternate Corporate Tax is defined as the tax at 17% of a sum equal to accounting income less the following:

- (i) exempt income
- (ii) income subject to tax/ tax credit under the following sections

Section	Subject
37A	Capital gain on disposal of securities
148(7)	Income under final tax on imports
150	Dividends
153(3)	Income under final tax on payments for goods, services and contracts
154(4)	Income under final tax on exports
156	Income from prizes and winnings
233(3)	Income under final tax from brokerage and commission
65D	Tax credit for newly established industrial undertakings
65E	Tax credit for industrial undertakings established before July, 2011

**SECTION
(CLAUSE)**

THE INCOME TAX ORDINANCE, 2001

The accounting income is defined as the accounting profit before tax for the tax year, as disclosed in financial statements or as adjusted for exclusion of the above income and after adjusting for proportionate allocation of expenses attributable to income excluded. The accounting income is also excluding income from associates under equity method of accounting.

Corporate Tax is the total tax payable by the company, including tax payable on account of minimum tax and final taxes payable under the Ordinance excluding the tax payable under the above sections and including tax due under:

- Section 161 (failure to pay tax collected or deducted)
- Section 162 (recovery of tax from the person from whom tax was not collected or deducted).
- Any amount charged or paid on account of default surcharge or penalty

The provisions of this section also allow for carry forward of excess amount paid as alternate corporate tax for adjustment against corporate tax for a period of ten years immediately succeeding the year in which the excess was first computed. This adjustment does not affect the adjustment allowed for carry forward of minimum tax in section 113 of the Ordinance.

The provisions of this proposed new section do not apply to companies whose tax is computed under the following sections:

Section	Subject
Fourth Schedule	Profits and gains of insurance companies
Fifth Schedule	Profits and gains from exploration and production of petroleum companies Profits and gains from exploration and extraction of mineral deposits
Seventh Schedule	Profits and gains of banking companies

The tax credit for investment under section 65B would be allowed against the Alternate Corporate Tax payable.

The section empowers the Commissioner to make adjustments and proceed to compute accounting income as per historical accounting pattern after providing an opportunity to the taxpayer of being heard.

114 Return of income

(1) The proposed amendment seeks to exempt non-resident persons, who are registered with any of the bodies, from filing of return of income.

122B Revision by the Regional Commissioner

The proposed amendments in this section seek to replace the words Regional Commissioner by the words Chief Commissioner to correct the references in accordance with the new designations. This section deals with revision of orders passed for exemption and lower rate certificates issued under the Ordinance by the Commissioners.

127 Appeal to the Commissioner (Appeals)

The proposed amendments in this section are of an editorial nature replacing reference to Taxation Officer by Officer of Inland Revenue.

SECTION (CLAUSE) 130	THE INCOME TAX ORDINANCE, 2001
	Appointment of Appellate Tribunal
(4)	The proposed amendment seeks to include Cost and Management Accountants with ten years professional experience to be eligible for appointment as Accountant Member of the Income Tax Appellate Tribunal.
148	Imports
(7)(d)(viii) and (ix)	Tax deducted on imports is considered to be final tax liability and the persons excluded from this treatment are large import houses who meet the conditions specified. The proposed amendment seek to correct the references to registration under the Sales Tax Act, 1990 and making supplies to persons registered under the Sales Tax Act, 1990.
(8A)	This proposed new clause seeks to include tax paid at the time of import of ships by ship breakers into the final/presumptive tax regime.
149	Salary
(3)	This proposed new clause seeks to provide for withholding tax at 20% when making payment for directorship fees or fee for attending board meetings or such fee by whatever name called. The tax deducted and paid is an advance tax of the director adjustable against their final tax liability.
150	Dividends
	The proposed amendment seeks to amend the reference to Division I of Part III being the applicable Division where rate of tax on dividends are specified.
151	Profit on debt
(1)	The proposed amendment seeks to amend the reference to Division IA of Part III being the applicable Division where rate of tax on profit on debt are specified.
(3)	The proposed new proviso seeks to allow the non-filer to adjust the amount deducted in excess of the amount required to be deducted for filers against tax payable at the time of filing of return of income.
153	Payments for goods, services and contracts
(1)(c)	The proposed amendment to this sub section seeks to clarify that contract signed by a sportsman are included in the reference to contracts. The tax deducted at source on payments under these contracts is deemed to be the final tax on the income earned by the recipients from these payments. The other proposed amendment in this section is of an editorial nature.
156	Prizes and winnings
(3)	The proposed amendment in this sub-section is of an editorial nature.
159	Exemption or lower rate certificate
(4)	The proposed amendment in this sub-section is of an editorial nature.
169	Tax deducted or collected as a final tax
(1)(b)	The proposed amendment in this sub-section is of an editorial nature.

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**SECTION
(CLAUSE)****THE INCOME TAX ORDINANCE, 2001****181AA****Compulsory registration in certain cases**

This proposed new section seeks to make it compulsory for all new applicants for an electricity or gas connection to obtain a taxpayer's registration certificate under section 181 of the Ordinance. This provision is being introduced to widen the tax net.

203**Trial by Special Judge****(1)**

The proposed new proviso seeks to empower a Special Judge appointed under section 185 of the Customs Act, 1969 to try offences under the Ordinance.

231B**Advance tax on private motor vehicles**

This proposed new section seeks to replace the existing section with the same heading to provide payment of advance tax at the time of registration of vehicles.

The provisions of the new section are as follows:

- Advance tax at rates prescribed in Division VII of Part IV of the First Schedule shall be paid at the time of registration of new locally manufactured vehicles and at the time of registration of transfer of private motor vehicles with the Excise and Taxation Department
- Advance tax at rates prescribed in Division VII of Part IV of the First Schedule shall be collected by the manufacturer of a motor car or jeep at the time of sale
- Advance tax is not payable at the time of registration with the Excise and Taxation Department if evidence is produced that tax due on the same vehicle from the same person was paid at the time of transfer of locally manufactured vehicles or at the time of clearance of imports for imported cars
- The advance tax collected under this section are adjustable against tax payable by the person
- The provisions of this section are not applicable to Federal Government, Provincial Government, Local Government, foreign diplomat and a diplomatic mission in Pakistan.

235A**Domestic electricity consumption**

This proposed new section seeks to provide for collection of advance tax on domestic electricity consumption at rates specified in Division IV of Part IV of the First Schedule.

The amount is to be added to the bill for electricity consumption at the time of making the bill and is adjustable against the tax payable by the person to whom the bill is charged.

236A**Tax on steel smelters**

This proposed new section seeks to provide for collection of tax from steel melter and steel re-roller operating composite steel units and registered for the purpose of Chapter XI of the Sales Tax Special Procedure Rules, 2007 at Re 1 per unit of electricity consumed for the production of steel billets, ingots and mild steel (MS products) excluding stainless steel.

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

The advance tax is required to be charged and collected on electricity bills prepared and the amount collected is deemed to be the tax collected under section 153(1) of the Ordinance on the payment for local purchase of scrap.

The tax collected under this section is non adjustable and credit will not be allowed to any person on the tax collected under this section.

236B**Advance tax on purchase of air ticket**

(2) The proposed amendment in this sub-section seeks to transfer the responsibility for collection of advance tax on purchase of ticket to airlines from travel agents who are presently responsible for collecting this tax. This is to ensure this tax is collected on all airline bookings as a growing number of bookings are now online directly with the airlines. The proposed amendment also clarifies that the mode, manner and time of collection of this tax will be as prescribed.

236K**Advance tax on purchase or transfer of immovable property**

This proposed new section seeks to introduce advance tax payable at the time of purchase or transfer of immovable property. The tax is to be collected at rates specified in Division XVII of Part IV of the First Schedule and is to be collected by the person responsible for registering or attesting transfer.

The tax collected will be an advance tax adjustable against the tax liability of the person.

This tax is not to be collected in the case of the Federal Government, Provincial Government, Local Government or a foreign diplomatic mission in Pakistan.

The provisions of this section also do not apply to a scheme introduced by the Federal Government, Provincial Government or an Authority formed under a Federal or Provincial law for expatriate Pakistanis.

236L**Advance tax on purchase of international air tickets**

This proposed new section seeks to provide for collection of advance tax on gross amount of single or return journey by airlines issuing international air tickets at rates specified in Division XX of Part IV of the First Schedule.

The amount is to be charged and collected as the amount of the fare is charged and collected either manually or electronically.

The mode, manner and time of collection are to be as prescribed and the tax collected is adjustable against the tax payable by the person.

236M**Bonus shares**

This proposed new section seeks to provide for collection of tax on bonus shares issued to a shareholder of the company at the rate of five percent on the value of the bonus shares determined on the basis of day end price on the first day of closure of books.

Bonus shares are presently exempt from charge of tax.

The provisions seem to indicate that adequate arrangements are to be made by the company for collection and deposit of the tax amount failing which the tax is payable by the company without prejudice to any other liability for which the company may become liable on this account.

The tax collected and deposited is to be considered as the final tax liability of the shareholder on this income.

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

It is not clear from the provisions of this section as to the applicability on bonus shares issued by companies which are not listed on the stock exchanges. As the reference to the value is with respect to the market value on day end on the first day of book closure, it appears that provisions may apply only to bonus shares issued by listed companies.

239**Savings****(13)**

The proposed amendment to this sub-section appears to be of an editorial nature.

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**SECTION
(CLAUSE)** **THE INCOME TAX ORDINANCE, 2001****First Schedule** **Rates of Tax****Part I** **Rates of Tax****Division I** **Rates of Tax for individuals and Association of Persons**

(1B) The bill proposes to insert a new clause thereby reducing the rate of tax payable by a disabled person or taxpayer of the age of 60 years by 50% on income up to Rs. 1 million as follows:

Where the taxable income in a tax year, other than income on which the deduction of tax is final, does not exceed one million rupees of a person-

- (i) holding a National Database Registration Authority's Computerized National Identity Card for disabled persons; or
- (ii) a taxpayer of the age of not less than sixty years on the first day of that tax year, the tax liability on such income shall be reduced by 50%.

(2) The bill proposes to make technical amendment by deleting the redundant clause relating to the rate of tax payable on bonus as IDPT as income tax at 30% which was inserted for the tax year 2010 when there was flood situation in Pakistan. The proposed omission has no consequential effect on taxability.

Division III **Rate of Dividend Tax**

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The proposed substitution of Division III seeks to amend rate of tax on dividend as follows:

The rate of tax imposed under section 5 on dividend received from a company shall be –

- (a) 7.5% in the case of dividends declared or distributed by purchaser of a power project privatized by WAPDA or on shares of a company set up for power generation or on shares of a company, supplying coal exclusively to power generation projects; and
- (b) 10%, in all other cases:

Provided that the dividend received by a person from a stock fund shall be taxed at the rate of 12.5% for tax year 2015 and onwards, if dividend receipts are less than capital gains:

Provided further that the dividend received by a company from a collective investment scheme or a mutual fund, other than a stock fund, shall be taxed at the rate of 25% for tax year 2015 and onwards.

Division VII **Capital Gains on Disposal of Securities**

The bill proposes to substitute table of rate of tax thereby revising rate of tax on capital gain for the tax year 2015. The proposed table for Capital Gain Tax rate is reproduced as follows:

SECTION
(CLAUSE)

THE INCOME TAX ORDINANCE, 2001

S. No.	Period	Tax Year	Rate of tax
(1)	(2)	(3)	(4)
1.	Where holding period of a security is less than six months.	2011 2012 2013 2014	10% 10% 10% 10%
2.	Where holding period of a security is more than six months but less than twelve months.	2011 2012 2013 2014	7.5% 8% 8% 8%
3.	Where holding period of a security is less than twelve months.	2015	12.5%
4.	Where holding period of a security is twelve months or more but less than twenty-four months.	2015	10%
5.	Where holding period of a security is twenty-four months or more.	2015	0%

Division VIII

Capital Gains on Disposal of Immovable Property

The bill proposes to make technical amendment thereby clarifying that the capital gain arising on disposal of immovable property where holding period of immovable property is more than two years would be taxable at the rate of 0%.

Division IX

Minimum Tax under Section 113 www.imranghazi.com/mtba

The bill proposes to insert a new division thereby prescribing the rate of minimum tax for different persons as follows:

S. No.	Person(s)	Minimum Tax as percentage of the person's turnover for the year
(1)	(2)	(3)
1.	a) Oil marketing companies, Oil refineries, Sui Southern Gas Company Limited and Sui Northern Gas Pipelines Limited (for the cases where annual turnover exceeds rupees one billion.) b) Pakistan International Airlines Corporation; and c) (c) Poultry industry including poultry breeding, broiler production, egg production and poultry feed production.	0.5%
2.	a) Distributors of pharmaceutical products, fertilizers and cigarettes; b) Petroleum agents and distributors who are registered under the Sales Tax Act, 1990; c) Rice mills and dealers; and d) Flour mills.	0.2%
3.	Motorcycle dealers registered under the Sales Tax Act, 1990.	0.25%
4.	In all other cases.	1%

**SECTION
(CLAUSE)**
THE INCOME TAX ORDINANCE, 2001
Part II
Rates of Advance Tax

The bill proposes to substitute Part II thereby prescribing and revising the rate of advance tax to be collected by Collector of Customs against imports under section 148 as per the following:

S. No.	Person(s)	Rate
(1)	(2)	(3)
1.	i) Industrial undertaking importing remeltable steel (PCT Heading 72.04) and directly reduced iron for its own use; ii) Persons importing potassic fertilizers in pursuance of Economic Coordination Committee of the cabinet's decision No. ECC-155/12/2004 dated the 9th December, 2004; iii) Persons importing urea; and iv) Manufacturers covered under Notification No. S.R.O. 1125(I)/2011 dated the 31st December, 2011.	1% of import value as increased by customs-duty, sales tax and federal excise duty.
2.	Persons importing pulses	2% of import value as increased by customs-duty, sales tax and Federal excise duty
3.	Commercial importers covered under Notification No. S.R.O. 1125(I)/2011 dated the 31st December, 2011.	3% of import value as increased by customs-duty, sales tax and federal excise duty
4.	Ship breakers on import of ships	4.5%
5.	Industrial undertakings not covered under S. Nos. 1 to 4	5.5%
6.	Companies not covered under S. Nos. 1 to 5	5.5%
7.	Persons not covered under S. Nos. 1 to 6	6%

Part IIA
Collection of Tax from Distributors, Dealers and Wholesalers

The bill proposes to delete Part IIA relating to the rate of tax to be collected from Distributors, Dealers and Wholesalers under section 153A as the same has become redundant after the omission of section 153A.

Part III
DEDUCTION OF TAX AT SOURCE
Division I
Advance Tax on Dividend

The bill proposes to insert Division I and Division IA relating to Advance tax on Dividend and Profit on Debt respectively thereby substituting existing Division I. The insertion seeks to stipulate rate of withholding tax on dividend. The Division I has been reproduced as follows:

The rate of tax to be deducted under section 150 shall be-

- (a) 7.5% in the case of dividends declared or distributed by purchaser of a power project privatized by WAPDA or on shares of a company set up for power generation or on shares of a company, supplying coal exclusively to power generation projects;
- (b) 10% for filers other than mentioned in (a) above;

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

(c) 15% for non-filers other than mentioned in (a) above:

Provided that the rate of tax required to be deducted by a collective investment scheme or a mutual fund shall be-

	Stock Fund	Money market Fund, Income Fund or any other fund
Individual	10%	10%
Company	10%	25%
AOP	10%	10%

Provided further that in case of a stock fund if dividend receipts of the fund are less than capital gains, the rate of tax deduction shall be 12.5%.

Division IA Profit on Debt

The bill proposes to insert Division I and Division IA relating to Advance tax on Dividend and Profit on Debt respectively thereby substituting existing Division I. The insertion seeks to stipulate rate of withholding tax on profit on debt from non-filers above Rs. 500,000 at 15%. The Division IA has been reproduced as follows:

The rate of tax to be deducted under section 151 shall be 10% of the yield or profit for filers and 15% of the yield or profit paid, for non-filers:

Provided that for a non-filer, if the yield or profit paid is rupees five hundred thousand or less, the rate shall be ten per cent.

Division III Payments for Goods or Services

(1)(b) The proposed amendment seeks to revise the rate of withholding tax to be deducted from payment made against sale of goods as follows:

- i) 4% of the gross amount payable in the case of companies; and
- ii) 4.5% of the gross amount payable in the case of other taxpayers.

(2)(ii) The proposed amendment seeks to revise the rate of withholding tax to be deducted from payment made against services other than transport services as follows:

- (a) 8% of the gross amount payable in the case of companies; and
- (b) 10% of the gross amount payable in the case of other taxpayers.

3(i), (ii) & (iii) The proposed amendment seeks to revise the rate of withholding tax to be deducted from payment made against execution of contract other than a contract for the sale of goods or rendering of or providing of services and inserts new sub clause (iii) as follows:

- i) 7% of the gross amount payable in the case of companies;
- ii) 7.5% of the gross amount payable in the case of other taxpayers; and
- iii) 10% of the gross amount payable in case of sports persons.

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

Division IV **Exports**

(3) The proposed amendment seeks to increase the rate of withholding tax from 0.5% to 1% to be deducted by every exporter or an export house making a payment in full or part including a payment by way of advance to a resident person or permanent establishment in Pakistan of a non-resident person for rendering of or providing services of stitching, dying, printing, embroidery, washing, sizing and weaving from the gross amount payable.

Division VIA **Petroleum Products**

The proposed amendment seeks to increase the rate of withholding tax from 10% to 12% to be deducted by every person selling petroleum products to a petrol pump operator from the amount of commission or discount allowed to the operator.

Part IV **DEDUCTION OR COLLECTION OF ADVANCE TAX**

Division II **Brokerage and Commission**

The bill proposes to substitute the Division relating to rate of collection / deduction of tax from any payment on account of brokerage or commission to agent as follows:

The rate of collection under sub-section (1) of section 233 shall be.-

- (a) 7.5% of the amount of the payment, in case of advertising agents;
- (b) 12% of the amount of payment in all other cases.

Division III **Tax on Motor Vehicles**

(3) The proposed substitution seeks to revise the rates of withholding taxes collected under section 234 with Motor Vehicle Tax in case of other private motor cars. The proposed rate of withholding tax for filers and non-filers are as follows:

S. No.	Engine capacity	For filers	For non-filers
(1)	(2)	(3)	(4)
1.	Up to 1000cc	Rs. 1,000	Rs. 1,000
2.	1001cc to 1199cc	Rs. 1,800	Rs. 3,600
3.	1200cc to 1299cc	Rs. 2,000	Rs. 4,000
4.	1300cc to 1499cc	Rs. 3,000	Rs. 6000
5.	1500cc to 1599cc	Rs. 4,500	Rs. 9,000
6.	1600cc to 1999cc	Rs. 6000	Rs. 12,000
7.	2000cc & above	Rs. 12,000	Rs. 24,000

SECTION THE INCOME TAX ORDINANCE, 2001
(CLAUSE)

(4) The proposed substitution seeks to revise the rates of withholding taxes collected under section 234 with Motor Vehicle Tax in case where the motor vehicle tax is collected in lump sum. The proposed rate of withholding tax for filers and non-filers are as follows:

S. No.	Engine capacity	For filers	For non-filers
(1)	(2)	(3)	(4)
1.	Up to 1000cc	Rs. 10,000	Rs. 10,000
2.	1001cc to 1199cc	Rs. 18,000	Rs. 36,000
3.	1200cc to 1299cc	Rs. 20,000	Rs. 40,000
4.	1300cc to 1499cc	Rs. 30,000	Rs. 60,000
5.	1500cc to 1599cc	Rs. 45,000	Rs. 90,000
6.	1600cc to 1999cc	Rs. 60,000	Rs. 120,000
7.	2000cc & above	Rs. 120,000	Rs. 240,000

Division V Telephone Users

The proposed amendment seeks to reduce the rate of collection of tax under section 236 in the case of subscriber of mobile telephone and pre-paid telephone card from 15% to 14% of the amount of bill or sales price of pre-paid telephone card or sale of units through any electronic medium or whatever form.

Division VI Cash withdrawal from a bank

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The proposed amendment seeks to stipulate the rate of deduction of advance tax on cash withdrawal at 0.3% for filers and at 0.5% for non-filers.

Division VII Advance Tax on Purchase of Private Motor Car and Jeep

The bill proposes to substitute the existing Division with a new one as follows:

The rate of tax under sub-sections (1), (2) and (3) of section 231B shall be as follows:-

S. No.	Engine capacity	Tax for filers	Tax for non-filers
(1)	(2)	(3)	(4)
1.	Upto 850cc	Rs. 10,000	Rs. 10,000
2.	851cc to 1000cc	Rs. 20,000	Rs. 25,000
3.	1001cc to 1300cc	Rs. 30,000	Rs. 40,000
4.	1301cc to 1600cc	Rs. 50,000	Rs. 100,000
5.	1601cc to 1800cc	Rs. 75,000	Rs. 150,000
6.	1801cc to 2000cc	Rs. 100,000	Rs. 200,000
7.	2001cc to 2500cc	Rs. 150,000	Rs. 300,000
8.	2501cc to 3000cc	Rs. 200,000	Rs. 400,000
9.	Above 3000cc	Rs. 250,000	Rs. 450,000

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

Division X **Advance Tax on Sale or Transfer of Immovable Property**

The proposed amendment seeks to provide rates of deduction of advance tax on sale of immovable property under section 236C at 0.5% of the gross amount of the consideration received for filers and 1% for non-filers.

Division XI **Advance Tax on Functions and Gatherings**

The proposed amendment seeks to reduce the rate of withholding tax on functions and gatherings under section 236D from 10% to 5%.

Division XVIII **Advance Tax on Purchase of Immovable Property**

The bill proposes to insert a new Division to stipulate the rates of withholding tax on purchase of immovable property. The proposed new Division has been reproduced as follows:

The rate of tax to be collected under section 236K shall be:-

S. No.	Period	Rate of Tax
(1)	(2)	(3)
1.	Where value of Immovable property is up to 3 million.	0%
2.	Where the value of Immovable property is more than 3 million	Filer 1% Non-Filer 2%

Provided that the rate of tax for Non-Filer shall be 1% up to the date appointed by the Board through notification in official gazette.

Division XIX **Advance Tax on Domestic Electricity Consumption**

The bill proposes to insert a new Division to stipulate the rates of withholding tax on domestic electricity consumption. The proposed new Division has been reproduced as follows:

The rate of tax to be collected under section 235A shall be-

- i) 7.5% if the amount of monthly bill is Rs. 100,000 or more; and
- ii) 0% the amount of monthly bill is less than Rs. 100,000.

Division XX **Advance Tax on International Air Ticket**

The bill proposes to insert a new Division to stipulate the rates of withholding tax on international air tickets. The proposed new Division has been reproduced as follows:

SECTION
(CLAUSE)

THE INCOME TAX ORDINANCE, 2001

The rate of tax to be collected under section 236L shall be:-

S. No. (1)	Type of Ticket (2)	Rate	
		(3) Filer	(4) Non-Filer
1.	Economy	0%	0%
2.	First / Business / Club class	3%	6%

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SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
Second Schedule	Exemptions and Tax concessions
Part I	Exemptions from Total Income
(4)(b)	The proposed substitution seeks to replace income year with tax year which has no consequential effect. The said clause exempts salary earned by a Pakistani seafarer working on a foreign vessel provided he remits such income within 2 months of the relevant tax year through normal banking channel.
(35)	The proposed omission seeks to withdraw exemption from tax on any income representing compensatory allowance payable to a citizen of Pakistan locally recruited in Pakistan Mission abroad.
(57)(3)(xiii)	<p>The proposed insertion seeks to exempt Sindh Province Pension Fund established under the Sindh Province Pension Fund Ordinance, 2002 from tax.</p> <p>The proposed omission seeks to withdraw exemption from tax on the following:</p>
(58)	<p>Donations, voluntary contributions, subscriptions, house property, investments in the securities of the Federal Government and so much of the income chargeable under the head "Income from business" of a trust or welfare institution or a trust administered under a scheme approved by the Federal Government and established in Pakistan exclusively for the benefit and welfare of ex-servicemen and serving personnel, including civilian employees of the Armed Forces or of the Federal Government or a Provincial Government and their dependents or a trust approved by the Regional Commissioner of Income Tax as is expended in Pakistan for the purposes of carrying out welfare activities.</p> <p>The withdrawal of this exemption has been substituted by the introduction of a tax credit as explained in the proposed new section 100C of the Ordinance.</p>
(58A)	<p>Income of a university or other educational institution being run by a non-profit organization existing solely for educational purposes and not for purposes of profit.</p> <p>The withdrawal of this exemption has been substituted by the introduction of a tax credit as explained in the proposed new section 100C of the Ordinance.</p>
(59)	<p>Any income which is derived from investments in securities of the Federal Government, profit on debt from scheduled banks, grant received from Federal Government or Provincial Government or District Governments, foreign grants and house property held under trust or other legal obligations for religious or charitable purposes.</p> <p>The withdrawal of this exemption has been substituted by the introduction of a tax credit as explained in the proposed new section 100C of the Ordinance.</p>
(60)	<p>Any income of a religious or charitable institution derived from voluntary contributions applicable solely to religious or charitable purposes of the institution.</p> <p>The withdrawal of this exemption has been substituted by the introduction of a tax credit as explained in the proposed new section 100C of the Ordinance.</p>

**SECTION
(CLAUSE)****THE INCOME TAX ORDINANCE, 2001****(66)(v) & (XXX)**

The proposed bill seeks to withdraw exemption from tax on income derived by Hamdard Laboratories (Waqf) Pakistan and to exempt any income derived by Greenstar Social Marketing Pakistan (Guarantee) Limited. Moreover, there are few editorial amendments proposed in the clause (66).

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

(81A)

The existing holders of Foreign Currency Bearer Certificate whether certificates are encashed or not.

(88A)

The existing holders of Federal Government Securities and redeemable capital whether the securities and redeemable capital are matured or not.

(92A)

Any income of any university or any other educational institution established in the most affected and moderately affected areas of Khyber Pakhtunkhwa, FATA and PATA.

The withdrawal of this exemption has been substituted by the introduction of a tax credit as explained in the proposed new section 100C of the Ordinance.

(93A)

Profits and gains derived by a taxpayer from the running of any vocational institute or technical institute or poly-technical institute, recognized by a Board of Technical Education or a university or any other authority appointed in this behalf by the Federal Government or a Provincial Government.

The withdrawal of this exemption has been substituted by the introduction of a tax credit as explained in the proposed new section 100C of the Ordinance.

(99)

The proposed bill seeks to insert a proviso clarifying that for the purpose of determining distribution of at least 90% of accounting income by Collective Investment Scheme or a REIT Scheme in order to avail exemption from taxation, the income distributed through bonus shares, units or certificates shall not be taken into account.

(126)

The proposed substitution seeks to exempt from tax any income derived by a public sector university.

The withdrawal of this exemption has been substituted by the introduction of a tax credit as explained in the proposed new section 100C of the Ordinance.

(126A)

The proposed substitution seeks to exempt from tax any income derived by China Overseas Ports Holding Company Limited from Gwadar Port operations for a period of twenty years with effect from the sixth day of February, 2007. By virtue of the proposed substitution, exemption from tax on income of Gawadar Free Zone Company Limited, PSA Gawadar International Terminal Limited, Gawadar Marine Services Limited and P.S.A. Gawadar (PTE) Limited will be withdrawn.

(126H)

The proposed insertion seeks to exempt any profits and gains derived by a taxpayer, from a fruit processing or preservation unit set up in Balochistan Province, Malakand Division, Gilgit-Baltistan and FATA between tax year 2015 to tax year 2017, engaged in processing of locally grown fruits for a period of five years.

(132B)

The proposed insertion seeks to exempt any profits and gains derived by a taxpayer from a coal mining project in Sindh, supplying coal exclusively to power generation projects.

SECTION THE INCOME TAX ORDINANCE, 2001**(CLAUSE)****(135)**

The proposed omission seeks to withdraw exemption from tax on any amount received on encashment of Special US Dollar Bond issued under the Special US Dollar Bonds Rules, 1998.

Part II**Reductions in Tax Rates****(3) & (3A)**

The proposed amendment seeks to consolidate income from construction contracts outside Pakistan and income from the services rendered outside Pakistan in the same clause thereby proposing to omit clause 3A relating to income from construction contracts outside Pakistan. Both construction contract and services rendered outside Pakistan will be charged at the rate of one percent of the gross receipts.

The proposed omission seeks to withdraw concession in tax rates on the following:

(9B)

Remeltable steel imported by an industrial undertaking for its own use. However, tax at the rate of 1% on import value of remeltable steel is proposed to be imposed in Part II Rates of Advance tax of the First Schedule.

(9C)

Manufacturers and commercial importers covered under Notification No. S.R.O. 125(I)/2011. However, the said manufacturers and commercial importers, covered under the said SRO, are proposed to be taxed at the rate of 1% of import value in case of manufacturer and 3% of import value in case of commercial importers under Part II Rates of Advance tax of the First Schedule.

(13E)

Potassic fertilizers imported in pursuance of Economic Coordination Committee. However, tax at the rate of 1% on import value of Potassic fertilizers is proposed to be imposed in Part II Rates of Advance tax of the First Schedule.

(13HH) & (13HHH)

Rice sold by Rice Exporters Association of Pakistan (REAP) to Utility Store Corporation with the provisions of the agreement, signed with Ministry of Food, Agriculture and Livestock (MINFAL).

(17)

Dividends declared or distributed by purchaser of a power project privatised by WAPDA. However, the dividend declared or distributed by purchaser of a power project privatised by WAPDA is proposed to be taxed at the rate of 7.5% in Division III of Part I of the First Schedule.

(18A)

The proposed insertion seeks to grant concession to an industrial undertaking by imposing tax at the rate of 20% for a company setting up an industrial undertaking between the tax year 2015 to tax year 2017 provided that fifty percent of the cost of the project including working capital is through owner equity foreign direct investment.

The proposed omission seeks to withdraw concession in tax rates on the following:

(19)

Income of amalgamated company for the tax year in which amalgamation takes place and two tax years next following

(20)

Dividend declared or distributed on shares of a company set up for power generation. However, tax at the rate of 7.5% on dividends declared or distributed on shares of a company set up for power generation is proposed to be imposed in Division I of Part III of the First Schedule.

(23)

Import of Urea fertilizer. However, tax at the rate of 1% on import value of Potassic fertilizers is proposed to be imposed in Part II Rates of Advance tax of the First Schedule.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
(24)	Import of pulses. However, tax at the rate of 2% on import value of pulses is proposed to be imposed in Part II Rates of Advance tax of the First Schedule.
(24B)	Purchase of steel scrap by Steel Melters and purchase of ingots and billets by Steel Re-rolling Mills.
(26)	Payment to advertising agents.
(29)	Cigarette manufacturers who are registered under the Sales Tax Act, 1990.
Part III	Reduction in Tax Liability
(1)(1)(a)	The proposed omission seeks to withdraw the reductions in tax liability on flying allowance of pilots.
(1A)	<p>The proposed omission seeks to withdraw the reductions in tax liability of a taxpayer aged 60 years or more on the first day of the tax year by an amount equal to 50% of his tax liability.</p> <p>The withdrawal of this exemption has been substituted by the introduction of clause (1B) in Division I Rates of Tax for individuals and Association of Persons of Part I of First Schedule.</p>
(1AA)	<p>The proposed amendment seeks to provide reduction in liability by imposing tax at a rate of 7.5% on total allowances, exceeding basic pay, received by pilots of any Pakistani airlines.</p> <p>The proposed omission seeks to withdraw the reduction in minimum tax on turnover under section 113 of the following:</p>
(5)	Corporatized entities of Pakistan Water and Power Development Authority (DISCOs) and National Transmission and Dispatch Company (NTDC).
(7)	Any taxpayer engaged in the business of distribution of cigarettes manufactured in Pakistan.
(8)	Distributors of pharmaceutical products, fertilizers, consumer goods including fast moving consumer goods. However, the minimum tax on these taxpayers is proposed to be taxed at the rate of 0.2% in Division IX of Part I of the First Schedule.
(9)	Oil marketing companies, Oil refineries, Sui Southern Gas Company Limited and Sui Northern Gas Pipelines Limited whose annual turnover exceeds rupees one billion. However, the minimum tax on these Companies is proposed to be taxed at the rate of 0.5% in Division IX of Part I of the First Schedule.
(10)	Flour mills. However, the minimum tax on flour mills is proposed to be taxed at the rate of 0.2% in Division IX of Part I of the First Schedule.
(12)	Pakistan International Airlines Corporation. However, the minimum tax on Pakistan International Airlines Corporation is proposed to be taxed at the rate of 0.5% in Division IX of Part I of the First Schedule.
(13)	Petroleum agents and distributors who are registered under the Sales Tax Act, 1990 and rice mills and dealers. However, the minimum tax on these taxpayers is proposed to be taxed at the rate of 0.2% in Division IX of Part I of the First Schedule.

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

- (14)** Poultry industry including poultry breeding, broiler production, egg production and poultry feed production. However, the minimum tax on these industries is proposed to be taxed at the rate of 0.5% in Division IX of Part I of the First Schedule.
- (15)** Motorcycle dealers registered under the Sales Tax Act, 1990. However, the minimum tax on these taxpayers is proposed to be taxed at the rate of 0.25% in Division IX of Part I of the First Schedule.

Part IV Exemption from Specific Provisions

- (9A)** The proposed new insertion seeks to make the provisions of clause (a) of sub-section (1) of section 153 inapplicable to steel melters, steel re-rollers, composite steel units, as a payer, in respect of purchase of scrap, provided that tax is collected in accordance with section.
- (9AA)** The proposed new insertion seeks to make the provisions of clause (a) of sub-section (1) of section 153 inapplicable to ship breakers as recipient of payment in respect of purchase of ships after July 1, 2014.
- (10)** The proposed amendment seeks to impose provision of section 111 on any amount invested in the purchase of Special US Dollar Bonds issued under the Special U.S. Dollar Bond Rules, 1998.
- (10A)** The proposed amendment seeks to impose provision of section 148 on import of plant and machinery for establishment of businesses in the most affected and moderately affected areas of Khyber Pakhtunkhwa, section 154 on export of goods originating from the most affected and moderately affected areas of Khyber Pakhtunkhwa, FATA and PATA, section 235 on commercial and industrial consumers of electricity located in the most affected and moderately affected areas of Khyber Pakhtunkhwa, FATA and PATA, section 182 and section 205 on business located in the most affected and moderately affected areas of Khyber Pakhtunkhwa, FATA and PATA.
- (9AA)** The proposed new insertion seeks to make the provisions of clause (a) of sub-section (1) of section 153 inapplicable to ship breakers as recipient of payment in respect of purchase of ships after tax year 2014.
- (11A)(v)** The proposed new insertion seeks to make the provisions of section 113 regarding minimum tax inapplicable on a Company supplying coal exclusively to power generation projects in respect of receipt from sale of electricity.
- The proposed amendment seeks to withdraw the following exemption from the provision of:
- (41A)** Section 148 and section 169 in respect of a person if he opts out of presumptive tax regime subject to the condition that minimum tax liability under normal tax regime is 60% or more of tax already collected at import stage.
- (41AA)** Section 154 and section 169 in respect of a person if he opts out of presumptive tax regime subject to the condition that minimum tax liability under normal tax regime is 50% or more of tax already deducted by Collector of Customs or authorized dealer.
- (41AAA)** Section 153 and section 169 in respect of a person if he opts out of presumptive tax regime subject to the condition that minimum tax liability under normal tax regime is 70% or more of tax already deducted by the buyer.

- SECTION (CLAUSE)**
- (41B)** THE INCOME TAX ORDINANCE, 2001
- Section 152 in respect of payments to foreign news agencies, syndicate services and non-resident contributors. By virtue of the proposed amendment, now tax will be deducted from payment to foreign news agencies, syndicate services and non-resident contributors.
- (56B)** 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 on a person by providing exemption from final tax regime being a commercial importer if the person opts to file return of total income along with accounts and documents as may be prescribed, subject to the condition that minimum tax liability under normal tax regime shall not be less than 5.5% of the imports, if the person is a company and 6% otherwise.
- (56C)** The proposed new insertion seeks to make the provisions of sub-section (3) of section 153, in respect of sale of goods and clause (a) of sub-section (1) of section 169 inapplicable on a person by providing exemption from final tax regime, if the person opts to file return of total income along with accounts and documents as may be prescribed subject to the condition that minimum tax liability under normal tax regime shall not be less than 3.5% of the gross amount of sales, if the person is a company and 4% otherwise.
- (56D)** The proposed new insertion seeks to make the provisions of sub-section (3) of section 153, in respect of contracts and clause (a) of sub-section (1) of section 169 inapplicable on a person by providing exemption from final tax regime if the person opts to file return of total income along with accounts and documents as may be prescribed subject to the condition that minimum tax liability under normal tax regime shall not be less than 6% of contract receipts, if the person is a company and 6.5% otherwise.
- (56E)** The proposed new insertion seeks to make the provisions of sub-section (2) of section 153 and clause (a) of sub-section (1) of section 169 inapplicable on a person by providing exemption from final tax regime if the person opts to file return of total income along with accounts and documents as may be prescribed subject to the condition that minimum tax liability under normal tax regime shall not be less than 0.5% of gross amount of services received.
- (56F)** The proposed new insertion seeks to make the provisions of sub-section (2) of section 156A and clause (a) of sub-section (1) of section 169 inapplicable on a person by providing exemption from final tax regime if the person opts to file return of total income along with accounts and documents as may be prescribed, subject to the condition that minimum tax liability under normal tax regime shall not be less than 10% of the commission or discount received.
- (56G)** The proposed new insertion seeks to make the provisions of sub-section (3) of section 233 and clause (a) of sub-section (1) of section 169 inapplicable on a person by providing exemption from final tax regime if the person opts to file return of total income along with accounts and documents as may be prescribed, subject to the condition that minimum tax liability under normal tax regime shall not be less than 10% of the commission.
- (57)** The proposed new amendment seeks to explain that exemption granted from section 153 on a person shall only be available as a recipient and not as withholding agent.
- (80)** The proposed new omission seeks to withdraw the exemption from the provisions of section 153A to manufacturers.

**SECTION
(CLAUSE)
Third Schedule**

THE INCOME TAX ORDINANCE, 2001

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 25% to 10%.

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 impose tax on net basis on income from dividend and income from capital gains as opposed to tax year 2014 where the dividend and capital gains were subject to tax on gross basis.

Rule 6A & 6B In order to compute and impose tax on net basis, following formula is proposed in finance bill 2014:
For Dividend

$$(A/C) \times B$$

where-

A is the total amount of expenditure as per this Schedule;
B is the gross amount of dividend received; and
C is the gross amount of receipts including dividend.

For Capital Gains

$$(A/C) \times B$$

where-

A is the total amount of expenditure as per this Schedule;
B is the gross amount of capital gains; and
C is the gross amount of receipts including capital gains.

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

The Act was introduced in the Finance Act, 2013 and was considered controversial from inception. The Courts have granted stay against this levy. As a result the law is now being repealed. It is not clear as to the fate of the levy paid by some taxpayers as this amount should strictly be refunded or adjusted against future tax liability.

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**SECTION
(CLAUSE)****SALES TAX ACT, 1990****Section 2 (27)****Retail Price**

The Bill seeks to insert the proviso in the definition of "Retail Price". The definition of retail price is important especially in the case of 3rd Schedule items and it means price fixed by the manufacturer inclusive of all charges and taxes excluding sales tax. The bill now seeks to insert the proviso that the Board through General Order shall specify Zones or areas for the purpose of determination of highest retail price for any brand or variety of goods.

Section 3**Scope Of Tax**

Section 3 is the charging section which creates a charge on all taxable supplies made in Pakistan by a registered person in the course or furtherance of any taxable activity carried on by him and on all goods imported.

- (aa) The Bill now seeks to insert a new clause (aa) after clause (a) of subsection (2) of section 3 which states that goods specified in the Eighth Schedule shall be charged to tax at rates and subject to such conditions and limitations as specified in the Eighth Schedule.
- (3B) Further, the Bill also seeks to insert sub- section (3B) after sub- section (3A) which states that goods specified in the Ninth Schedule shall be charged to tax at the rate specified therein. Further the liability to pay sales tax to the sales tax department shall be of the person specified in the Ninth schedule.
- (8) The Bill seeks to substitute sub-section (8) of section 3. Previously in case of supply of natural gas to CNG stations, the Gas Transmission and Distribution Company shall charge sales tax from the CNG stations at the rate of nine percent in addition to the sales tax chargeable at the rate of seventeen percent on the value of supply.
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- The Bill now seeks to substitute sub section 8 of section 3 where by in case of supply of natural gas to CNG stations, the Gas Transmission and Distribution Company shall charge sales tax from the CNG stations at the rate of seventeen percent of the value of supply to the CNG consumers.
- (9) The Bill seeks to add a new sub – section (9) after subsection (8) of Section 3 whereby tax shall be charged from retailers through their monthly electricity bills, at the rate of five percent where the monthly bill amount does not exceed rupees twenty thousand and at the rate of seven and half percent where the monthly bill amount exceeds the aforesaid amount, subject to the conditions, procedure and restrictions as prescribed in the special procedure for payment of sales tax by retailers. The tax would be in addition to the tax payable under subsection (1) as seventeen percent, tax payable under (1A) as further tax and tax payable under subsection (5) as extra tax.

Section 3B**Collection of excess tax**

- (2) . Presently the provisions of section are only applicable on a person who has collected tax under misapprehension of any provision of the Act which was not payable as tax or which is in excess of the tax or charge actually payable and the incidence of which has been passed on to the consumer, shall pay the amount of tax or charge so collected to the Federal Government. Furthermore, under sub section (2) of section 3B any amount payable to the Federal Government shall be deemed to be an arrear of tax or charge payable and shall be recoverable accordingly and no claim for refund in respect of such amount shall be admissible.

Section 4**Zero rating**

- (d) The Bill seeks to substitute the words "goods supplied at reduced rate of sales tax" for the words "Zero rated goods" in clause (d) of section 4. Finance bill proposes amendment in section 4 which allows Federal Board of Revenue to specify goods which shall be charged to zero percent as are supplied to a registered person or class of registered persons engaged in the manufacture and supply of goods supplied at reduced rate of sales tax.

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**SECTION
(CLAUSE)****SALES TAX ACT, 1990****Section 7****Determination of tax liability**

(1) A registered person is entitled to deduct his input tax during the tax period for the purpose of taxable supplies made or to be made from his output tax liability subject to the provision of section 8B (Adjustable input tax). The bill now seeks to amend subsection (1) of section 7 which allows consideration of section 8 (Tax credit not allowed) as well as section 8B (Adjustable input tax).

Further, the Bill also seeks to provide that for the purpose of determining tax liability in respect of taxable supplies, a registered person shall be entitled to deduct input tax paid during the tax period for the purpose of taxable supplies made by him from the output tax excluding the amount of further tax.

(2) The Bill seeks to insert a new clause (iiia) after clause (iii) in sub section (2) of section 7 which provides that a registered person shall not be entitled to deduct input tax from output tax unless the goods and services against which input tax is claimed are:

- (a) imported or purchased for the purpose of sale or resale by the registered person on payment of tax
- (b) used directly as raw material by the registered person in the manufacture or production of taxable goods.
- (c) Electricity, natural gas and other fuel consumed directly by the registered person in his declared business premises for the manufacture, production or supply of taxable goods.
- (d) Plant, machinery and equipment used by the registered person in his declared business premises for the manufacture, production or supply of taxable goods.

Section 8**Tax credit not allowed**

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The Bill seeks to add new clauses after clause (e) in sub section (1) of section 8 which provides that input tax credit is not available in the following cases:

- Goods and services not related to the taxable supplies made by the registered person
- Goods and services acquired for personal or non- business consumption
- Goods used in, or permanently attached to, immovable property, such as building and construction materials, paints, electrical and sanitary fittings, pipes, wires and cables but excluding such goods acquired for sale or resale or for direct use in production or manufacture of taxable goods.
- Vehicles falling in Chapter 87 of the First Schedule to the Customs Act, 1969, parts of such vehicles, electrical and gas appliances, furniture but excluding goods acquired for sale or re-sale.

Section 40B**Posting of Inland Revenue Officer**

Presently section 40B empowers the Board or Commissioner Inland Revenue to post an officer of sales tax to the premises of the registered person who is involved in tax fraud or in tax evasion to monitor his production, sale and stock position. The Bill now seeks to add an explanation in section 40B in order to remove doubt that the powers of the Board, Chief Commissioner and Commissioner under this section are independent of the provisions of section 40 (Searches under warrant).

Section 50B**Electronic scrutiny and intimation**

The Bill seeks to add a new section 50B after section 50A in order to empower Board to implement a computerized system for the purpose of automated scrutiny, analysis and cross matching of returns and other available data relating to registered persons and to electronically send intimations to such registered persons about any issue detected by the system.

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

Further, the intimation sent by the computerized system shall be in the nature of advice aimed at allowing the registered person to clarify the issue before any penal action is initiated. The computerized system shall keep record of the issues detected, intimations sent and action taken and also present information to the office of Inland Revenue and to the Board.

Fifth Schedule**Addition of items in Fifth Schedule of the Sales Tax Act 1990**

Goods specified in section 4 and fifth Schedule are chargeable to sales tax at 0%. The Bill proposes to add following items in Fifth Schedule after serial no 8:

- Goods exempted under section 13, if exported by a manufacturer who makes local supplies of both taxable and exempt goods.
- Petroleum Crude Oil
- Raw materials, components if imported or purchased locally for use in manufacturing of such plant and machinery.
- The following goods and raw materials imported or purchased locally for the manufacture of the said goods
- Colors in sets
- Writing, drawing and marking inks
- Erasers
- Exercise books
- Pencil sharpeners
- Geometry Boxes
- Pens, ball pens
- Pencils
- Milk including flavored milk
- Yogurt
- Cheese
- Butter
- Cream
- Desi ghee
- Whey
- Milk and cream, concentrated and added sugar or other sweetening matter
- Preparations for infant use put up for retail sale
- Fat filled milk
- Bicycles

Sixth Schedule

Certain imports and supplies of goods falling under this category are outside the scope of sales tax and therefore not subject of sales tax.

Table -1 (Imports or Supplies)

The Bill seeks to insert the figures and comma " 1511.1000 after the figure and comma "1510.0000" in column (3) against serial number 24 in column (1) in Table -1 in the Sixth Schedule

Table -1 (Imports or Supplies)

The Bill seeks to insert the words " cochlear implants system" after word " solution" in column (2) against S. No 59 and in column (3) after the figure "99.25", the comma and figure "99.37"

Table -1 (Imports or Supplies)

The Bill seeks to add new serial numbers and entries relating thereto after serial No 71 and entries relating thereto in column (2) and (3) in column (1) in Table -1 in the Sixth Schedule.
The Sixth Schedule Table 1 refers to exemptions of goods on imports and supplies. Additions to this table are as follows:

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SECTION
(CLAUSE)

SALES TAX ACT, 1990

S. No	Descriptions
72	Uncooked poultry meat
73	Milk and cream
74	Flavored milk
75	Yogurt
76	Whey
77	Butter
78	Desi ghee
79	Cheese
80	Processed cheese not grated or powdered
81	Cotton seed
82	Frozen, prepared or preserved sausages and similar products of poultry meat or meat offal
83	Meat and similar products of prepared frozen or preserved meat or meat offal of all types including poultry meat and fish
84	Preparations for infant use, put up for retail sale
85	Fat filled milk
86	Colours in sets (Poster colours)
87	Writing, drawing and marking inks
88	Erasers
89	Exercise books
90	Pencil sharpeners
91	Energy saver lamps
92	Sewing machines of the household type
93	Bicycles
94	Wheelchairs
95	Vessels for breaking up
96	Other drawing, marking out or mathematical calculating instruments (geometry box)
97	Pens and ball pens
98	Pencils including colour pencils
99	Compost (non-chemical fertilizer) produced and supplied locally
100	Construction materials to Gawadar Export Processing Zone's investors and to Export Processing Zone Gawadar for development of Zone's infrastructure.
101	Raw and pickled hides and skins, wet blue hides and skins, finished leather, and accessories, components and trimmings, if imported by a registered leather goods manufacturer, for the manufacture of goods wholly for export, provided that conditions, procedures and restrictions laid down in rules 264 to 278 of the Customs Rules, 2001 are duly fulfilled and complied with.
102	Machinery, equipment and materials imported either for exclusive use within the limits of Export Processing Zone or for making exports therefrom, and goods imported for warehousing purpose in Export Processing Zone, subject to the conditions that such machinery, equipment, materials and goods are imported by investors of Export Processing Zones, and all the procedures, limitations and restrictions as are applicable on such goods under the Customs Act, 1969 (IV of 1969) and rules made thereunder shall mutatis mutandis, apply.

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SECTION
(CLAUSE)

SALES TAX ACT, 1990

103	Import and supply thereof, up to the year 2020, of ships of gross tonnage of less than 15 LDT and all floating crafts including tugs, dredgers, survey vessels and other specialized crafts purchased or bare-boat chartered by a Pakistan entity and flying the Pakistan flag, except ships or crafts acquired for demolition purposes or are designed or adapted for use for recreation or pleasure purposes, subject to the condition that such ships or crafts are used only for the purpose for which they were procured, and in case such ships or crafts are used for demolition purposes within a period of five years of their acquisition, sales tax applicable to such ships purchased for demolition purposes shall be chargeable.
104	Substances registered as drugs under the Drugs Act, 1976 (XXXI of 1976) and medicaments as are classifiable under Chapter 30 of the First Schedule to the Customs Act, 1969 (IV of 1969) except the following, even if medicated or medicinal in nature, namely:- a) filled infusion solution bags imported with or without infusion given sets; b) scrubs, detergents and washing preparations; c) soft soap or no-soap soap; d) adhesive plaster; e) surgical tapes; f) liquid paraffin; g) disinfectants; and h) cosmetics and toilet preparations.
105	Raw materials for the basic manufacture of pharmaceutical active ingredients and for manufacture of pharmaceutical products, provided that in case of import, only such raw materials shall be entitled to exemption which are liable to customs duty not exceeding ten per cent advalorem, either under the First Schedule to the Customs Act, 1969 (IV of 1969) or under a notification issued under section 19 thereof.
106	Import of Halal edible offal of bovine animals.
107	Import and supply of iodized salt bearing brand names and trademarks whether or not sold in retail packing.
108	Components or sub-components of energy saver lamps, namely:- a) Electronic Circuit b) Plastic Caps (Upper and Lower) c) Base Caps B22 and E27 d) Tungsten Filaments e) Lead-in-wire f) Fluorescent Powder (Tri Band Phosphor) g) Adhesive Additive h) Al-Oxide Suspension i) Capping Cement j) Stamp Pad Ink k) Gutter for Suspension
109	Goods imported temporarily with a view to subsequent exportation, as concurred by the Board, including passenger service item, provision and stores of Pakistani Airlines.
110	The following items with dedicated use of renewable source of energy like solar and wind, subject to certification by the Alternative Energy Development Board (AEDB), Islamabad:- a) Solar PV panels; b) LVD induction lamps; c) SMD, LEDs with or without ballast, with fittings and fixtures; d) Wind turbines including alternators and mast; e) Solar torches; f) Lanterns and related instruments; g) PV modules along with related components, including invertors, charge controllers and batteries.

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

111	White crystalline sugar
112	Following cardiology/cardiac surgery, neurovascular, electrophysiology, endosurgery, endoscopy, oncology, urology, gynaecology, disposables and other equipment identified in the schedule for:
	a. Angioplasty products b. Angiography products c. Contrast media for angiography/ angioplasty d. Temporary pacemakers e. Permanent pacemaker f. Heart failure devices g. Implantable cardiovertes h. Cardiac electrophysiology products i. Lear cardiology products j. Cardiac surgery products k. Equipment l. Peripheral interventions equipment
113	High Efficiency Irrigation Equipment as specified in the Table (If used for agriculture sector) (If used for agriculture sector)
114	Green House Farming and Other Green House Equipment. (If used for agriculture sector) 3. Tunnel farming equipment. 4. Green houses (prefabricated).
115	Plant, machinery and equipment imported for setting up fruit processing and preservation units in Gilgit-Baltistan, Balochistan Province and Malakand Division subject to the same conditions and procedure as are applicable for import of such plant, machinery and equipment under the Customs Act, 1969 (IV of 1969).
116	Plant, machinery and equipment imported for setting up industries in FATA subject to the same conditions and procedure as are applicable for import of such plant, machinery and equipment under the Customs Act, 1969 (IV of 1969).

**Table -2 (Local
Supplies Only)**

The Bill seeks to substitute the words "supplies made by the cottage industry for entry in column (2) against serial number 3 in column (1) in Table -2 in the sixth schedule. Previously a supply made by cottage industry and small retailers whose annual turnover from supplies does not exceed rupees five million are exempted from sales tax. Now the proposed amendment seeks to charge sales tax on supplies made by small retailers. It means that small retailers whose annual turnover up to Rs. 5 million are required to be registered under the Sales Tax Act, 1990.

**Table -2 (Local
Supplies Only)**

The Bill seeks to add new serial numbers and entries relating thereto after the already omitted serial number 12 in column(1) in Table -2 in the Sixth Schedule

S. No	Descriptions
13	Reclaimed lead, if supplied to recognized manufacturers of lead batteries
14	Waste paper
15	a) Sprinkler Equipment b) Drip Equipment c) Spray Pumps and nozzles
16	Raw cotton and ginned cotton

**Table -3 (Capital
Goods)**

The Bill seeks to add a new Table-3 after Table -2 in the Sixth Schedule relating to the plant, machinery, equipment and apparatus, including capital goods that proposes to be exempt from the whole of sales tax, subject to the conditions.

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

The Bill seeks to add a new Eighth Schedule after the Sixth Schedule and have also inserted clause (aa) of subsection (2) of section 3 which provides that goods specified in the Eighth Schedule shall be charged to tax at such rates and subject to such conditions and limitations as specified in Eighth Schedule. The Table 1 included in the Eighth schedule (excluding the conditions) is as follows:

S. No.	Description	Rate of Sales Tax
1	Soyabean meal	5%
2	Oil cake and other solid residues, whether or not ground or in the form of pellets	5%
3	Directly reduced iron	5%
4	Oilseeds meant for sowing.	5%
5	Raw cotton and ginned cotton	5%
6	Plant and machinery not manufactured locally and having no compatible local substitutes	5%

TABLE 2

Plant, machinery, equipment and apparatus, including capital goods, specified in column (2) of the Annexure of Table 2 is proposed to be charged a reduced sales tax rate of 5%. The levy of reduced rate is proposed to be applicable subject to the following conditions:

- i) The imported goods as are not listed in the locally manufactured items (for S. Nos. other than 1, 5 and 6 of the Annexure). The machinery, equipment and other capital goods imported are for setting up of a new industrial units where imports are made against valid contract(s) or letter(s) of credit and the total C&F value of such imports for the project is US \$ 50 million or above;
- ii) The Chief Executive, or another nominated person shall certify in the prescribed form (Annexure A and B) that the imported items are Company's bonafide requirements. He shall furnish all relevant information Online to Pakistan Customs Computerized System as per prescribed procedures; and
- iii) In case of partial shipments, he shall furnish at the time of arrival of first shipment, complete details of the machinery, equipment and components required for the plant, duly supported by the contract, lay out plan and drawings.

The definition of the capital goods for this section will be as prescribed in Pakistan Customs Tariff for and will be applicable for:

- a. the manufacture or production of any goods, and includes refractory bricks and materials required for setting up a furnace, catalysts, machine tools, packaging machinery and equipment, refrigeration equipment, power generating sets and equipment, instruments for testing, research and development, quality control, pollution control and the like; or
- b. use in mining, agriculture, fisheries, animal husbandry, floriculture, horticulture, livestock, dairy and poultry industry.

The Annexure for Table 2 is reproduced below:

S. No.	Description
1	Machinery and equipment for development of grain handling and storage facilities.
2	Cool chain machinery and equipment.
3	Following items imported by Call Centers, Business Processing Outsourcing facilities duly approved by Telecommunication Authority.

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SECTION
(CLAUSE)

SALES TAX ACT, 1990

S. No.	Description
	a) UPS,
	b) Inverters/converters.
	c) Fax machines
	d) Photo copiers
	e) IP Phones
	f) Telephone sets/head sets.
	g) Dialers
	h) Generator.
	i) Cat 5/Cat 6/Power cables
	j) PAPX Switch
	k) Multimedia projectors
	l) Video conferencing equipment.
	m) CCTV
	n) Plasma TV
	o) PUD's
	p) Dedicated telephone exchange system for call centers.
	q) Parts, voice cards.
	r) VAST terminals
4	<p>Machinery, equipment, materials, capital goods, specialized vehicles (4x4 non luxury) i.e. single or double cabin pickups, accessories, spares, chemicals and consumables meant for mineral exploration phase.</p> <p>Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the exploration phase. These are subject to conditions as specified therein.</p>
5.	Complete plants for relocated industries
6.	Machinery, equipment and other capital goods meant for initial installation, balancing, modernization, replacement or expansion of oil refining (mineral oil, hydro- cracking and other value added petroleum products), petrochemical and petrochemical downstream products including fibers and heavy chemical industry, cryogenic facility for ethylene storage and handling.
7.	<p>Proprietary Formwork System for building/structures of a height of 100 ft and above and its various items/ components consisting of the following, namely:-</p> <ol style="list-style-type: none"> 1. Plastic tube. 2. Plastic tie slot filters/plugs, plastic cone. 3. Standard steel ply panels, Special sized steel ply panels, wedges, tube clamps (B-Type & G Type), push/pull props, brackets (structure), steel soldiers (structure), drop head, standard, prop tic, board rail post (structure), coupler brace, cantilever frame, decking beam/Infill beam and doorway angles. 4. Lifting Unit (Structure) 5. Bolts, tie bolts, anchor bolt assembly (fastener), anchor screw (fastener). 6. Nuts 7. Steel pins, tie wing nut (fastener). 8. Steel washers, water plate (fastener). 9. Special hammers 10. Extraction keys. 11. Adjustable base jack (thread rod with nut and steel plate), adjustable fork head (threaded rod with nut and steel channel). <p>These are subject to conditions as specified therein.</p>

**SECTION
(CLAUSE)
Ninth Schedule**

SALES TAX ACT, 1990

The Bill seeks to add a new Ninth Schedule after the Eighth Schedule and have also inserted, a new subsection (3B) of section 3 which provides that sales tax on the import and supply of goods specified in the Ninth Schedule shall be charged at the rates, in the manner, at the time and subject to the procedure and conditions as specified in the Schedule and the liability to charge, collect and pay the tax shall be on the persons specified therein. The table is as follows:

(1)	(2)	(3)
Description / Specification of Goods	Sales tax payable at the time of import	Sales tax payable at the time of registration of a new International Mobile Equipment Identity (IMEI) number
A. Low Priced Cellular Mobile Phones or Satellite Phones	Rs. 150 per phone	Rs. 250 per registration
i) All cameras: 2.0 mega-pixels or less ii) Screen size: 2.6 inches or less iii) Key pad		
B. Medium Priced Cellular Mobile Phones or Satellite Phones	Rs. 250 per phone	Rs. 250 per registration
i) One or two cameras: between 2.1 to 10 mega-pixels ii) Screen size: between 2.6 inches and 4.2 inches iii) Micro-processor: less than 2 GHZ		
C. Smart Cellular Mobile Phones or Satellite Phones	Rs. 500 per phone	Rs. 250 per registration
i) One or two cameras: 10 mega-pixels and above ii) Touch Screen: size 4.2 inches and above iii) 4GB or higher Basic Memory iv) Operating system of the type IOS, Android V2.3, Android Gingerbread or higher, Windows 8 or Blackberry RIM v) Micro-processor: 2GHZ or higher, dual core or quad core		

**SECTION
(CLAUSE) THE FEDERAL EXCISE ACT, 2005**

13(4) The proposed insertion of second proviso seeks to empower FBR to specify through a general order zones or areas only for the purpose of highest retail price for any brand or variety of goods.

The First Schedule

Table-I

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

Item	Existing Duty	Proposed Duty
Locally produced cigarettes	Rs. 2,325 per 1,000 cigarettes, if their on pack printed retail price (RP) exceeds Rs. 2,286 per 1,000 cigarettes	Rs. 2,632 per 1,000 cigarettes, if their on pack printed retail price (RP) exceeds Rs. 2,706 per thousand cigarettes
Locally produced cigarettes	Rs. 880 per 1,000 cigarettes, if their on pack printed RP does not exceed Rs. 2,286 per 1,000 cigarettes	Rs. 1,085 per 1,000 cigarettes, if their on pack printed RP does not exceed Rs. 2,706 per 1,000 cigarettes
Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements	Rs. 400 per metric ton	5% of retail price

At S.No. 55, for the word 'Motor' the words 'Imported motor' is proposed to be substituted. This means that there will be no excise duty on locally manufactured motor cars, SUVs, and other motor vehicles of 1,800 cc or above.

Table-II

Duties on international air travel are proposed to be enhanced as follows:

Class	Existing Duty	Proposed Duty
Economy and economy plus	Rs. 3,840	Rs. 5,000
Club, business and first class	Rs. 6,840	Rs. 10,000

Duty on telecommunication services is proposed to be reduced from 19.5% to 18.5% of the charges.

Further, telecommunication services which are subject to provincial sales tax and where such tax is being collected by the respective province through its own board or authority are excluded from the purview of duty. This would end the ongoing litigation resulting from the demand of payment of duty by federal tax authorities in some cases concurrently with the provincial sales tax, leading to implied double incidence on the same services.

Duty on chartered flights is proposed to be levied at 16% of the charges.

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

- 2 (k) The proposed substitution seeks to amend the definition of 'customs-station' by merging clauses (k) and (m) to include inland river port or any place declared as such under section 9.
- 2(m) The clause is proposed to be deleted as the same has been merged with clause (k).
- 7 The proposed amendment is of an editorial nature and seeks to replace the word 'Central' by the word 'Federal' consequent to the change in nomenclature from Central Excise to Federal Excise.
- 18(1A) The proposed insertion of new sub-section and the Fifth Schedule seek to levy specified rates of custom duty on goods and classes of goods.
- 18(A) The proposed amendment is of an editorial nature and seeks to substitute the words, figures and brackets 'Central Excise and Salt Act, 1944 (1 of 1944)' by the words and figures 'the Federal Excise Act, 2005'.
- 25 The proposed deletion of clause (d) of sub-section (5) seeks to rationalize the applicability of valuation data.
- 32 The proposed amendments in sub-sections (2), (3) and (3A) seek to empower FBR to recover non levied or short levied taxes.
- 80(3) The proposed amendment seeks to include taxes and other charges in re-assessment of goods.
- 81(1) The proposed amendments in the first proviso and second proviso seek to include taxes and other charges in final determination of liability.
- 185(B) The proposed substitution of clause (a) seeks to hold trial of narcotics and narcotic substances cases in the Special Courts constituted under the Control of Narcotics Substances Act, 1997.
- 194(3) The proposed amendments seek to segregate 'Pakistan Custom Service' from 'Excise Group' and empower FBR to appoint a senior Collector having experience of three (instead of five) years, as Technical Member of Appellate Tribunal.
- The First Schedule The First Schedule (Pakistan Custom Tariff) is proposed to be amended with a view to rationalize import duties on a number of goods, including the following:

Item	Duty (% Ad.Val)	
	Existing	Proposed
Live bovine animals (bulls, cows, oxen, other)	0	1
Live pure-bred animals (buffalo, other)	0	1
Sheep, goats	0	1
Meat of bovine animals (fresh, chilled or frozen)	0	1
Yogurt, butter, dairy spread, cheese, curd	30	25
Natural honey	30	25
Bovine semen, fish eggs	0	1
Roses, grafted or not	0	1
Mushroom spawn	0	1
Potato seed	0	1
Tomato fresh or chilled	0	1
Onion and shallots, garlic, peas, gram	0	1

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SECTION
(CLAUSE)

THE CUSTOMS ACT, 1969

Item	Duty (% Ad.Val)	
	Existing	Existing
Coconut seed	0	1
Dates, fig, pineapple, etc fresh or dried	30	25
Cherries, pine nuts, peaches, raisins	30	25
Pepper seeds for sowing	0	1
Red chillies seeds for sowing	0	1
Maize seed	0	1
Rice seed	0	1
Soya bean seeds	0	1
Chewing gum, white chocolate	30	25
Corn flakes	30	25
Mineral water	30	25
Aerated water	30	25
Dog or cat food, put up for retail sale	30	25
Cigar, cheroots and cigarillos, containing tobacco	30	25
Manganese and chromium ores and concentrates	0	1
Petroleum oils and oils obtained from bituminous minerals, crude	0	1
Motor spirit, aviation spirit, kerosene, light diesel	0	1
Liquefied natural gas, propane, butanes	0	1
Electrical energy	0	1
Eau-de-cologne, perfumes	30	25
Lip and eye make-up preparations	30	25
Soap for toilet use (including medicated products)	30	25
Photographic plates for X-ray	0	1
Children's picture, drawing or colouring books	0	1
Ceiling fan, pedestal fan, table fan, exhaust fan	30	25
Air-conditioner, refrigerator, freezer	30	25
Computer printer	0	1
Computer parts and accessories	0	1

The Fifth Schedule

This new Schedule is proposed to be added to enable conditional imports of plant, machinery, equipment and apparatus including capital goods for various industries/sectors.

**SECTION
(CLAUSE)****THE PAKISTAN TELECOMMUNICATION (RE-ORGANIZATION) ACT, 1996**

33A(4)

The proposed deletion of clause (c) seeks to provide for credit of the revenue derived from radio spectrum to the Federal Consolidated Fund with retrospective effect from March 1, 2014.

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**SECTION
(CLAUSE)****THE CONTROLLER GENERAL OF ACCOUNTS (APPOINTMENT, FUNCTIONS AND POWERS) ORDINANCE, 2001**

- 5 The proposed amendment in clause (b) seeks to empower Ministry of Finance or Finance Departments to bypass the Controller General to authorize payments directly from State Bank of Pakistan and furnish him such information to record the transaction.

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**SECTION
(CLAUSE)**
THE GAS INFRASTRUCTURE CESS ACT, 2011

- 3 The proposed insertion of a new proviso seeks to empower the Federal Government to levy any rate of Cess on any category of gas consumers for socio economic considerations, subject to maximum rate provided in the Second Schedule.
- The First Schedule The proposed amendment seeks to include Oil and Gas Development Company Limited to levy the Cess on gas sold by it to power sector. Any other company which may be selling gas directly to any category of consumers will also be included,
- The Second Schedule The Schedule is proposed to be substituted and the rates of Cess are proposed to be as follows:

S.No.	Sector	Maximum rate of cess (Rs/MMBTU)
1.	Fertilizer – Feed Stock	300
2	Fertilizer – Fuel Stock	300
3	Compressed Natural Gas (CNG)	300
4	Industrial	300
5	Captive Power	300
6	WAPDA / KESC / GENCOS	300
7	Independent Power Plants (IPPS)	300
8	Commercial including Ice Factories	300
9	Cement	300
10	Liberty Power Plant	-
11	Domestic	-

INFORMATION ABOUT WITHHOLDING TAXES

APPENDIX – I

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
148	Import of goods		Collector of Customs	Final except large import houses
	a) In case of industrial undertakings	5.5		(Minimum tax in case of edible oil and packing material)
	b) In all other cases of companies	5.5		
	c) All taxpayers other than those covered in (a) and (b) above	6		
	Import of remeltable steel and directly reduced iron by an industrial undertaking for its own use	1	Collector of Customs	Final except large import houses
	Import of potassic fertilizers and urea	1	Collector of Customs	Final except large import houses
	Import of pulses	2	Collector of Customs	Final except large import houses
	Manufacturers under Notification No. S.R.O 1125(I)/2011 dated December 31, 2011	1	Collector of Customs	Final except large import houses
Commercial importers under Notification No. S.R.O 1125(I)/2011 dated December 31, 2011	3	Collector of Customs	Final except large import houses	
Ship breakers on import of ships	4.5	Collector of Customs	Final except large import houses	
Import of goods classified under Pakistan Customs Tariff falling under chapter 27, 86 and 99	0	Collector of Customs	Not applicable	
149	Payment of salary	Average rate of tax computed on the basis of formula	Person responsible for paying salary	Adjustable

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
150	Payments of dividend declared / distributed by: <ul style="list-style-type: none"> • Purchaser of a power project privatized by WAPDA • Company set up for power generation • Company supplying coal exclusively to power generation projects • Any other filer • Any other non-filer • Dividend received from a Stock Fund by: <ul style="list-style-type: none"> ➤ Individual ➤ Company ➤ AOP • Dividend from Stock fund is less than capital gains • Dividend received from Money Market Fund, Income Fund or any other fund by: <ul style="list-style-type: none"> ➤ Individual ➤ Company ➤ AOP 	7.5 7.5 7.5 10 15 10 10 10 12.5 10 25 10	Every person paying dividend Collective Investment Scheme or Mutual Funds Collective Investment Scheme or Mutual Funds Collective Investment Scheme or Mutual Funds	Final Final Final Final

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ 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 by: <ul style="list-style-type: none"> ➤ Filers 10 ➤ Non-filers 15 ➤ Non-filers having profit / yield payment is Rs. 500,000 or less 10 • Yield on National Saving Schemes and Post Office Saving Account by: <ul style="list-style-type: none"> ➤ Filers 10 ➤ Non-filers 15 ➤ Non-filers having profit / yield payment is Rs. 500,000 or less 10 		Payer of the profit or yield	<p>Final (for Indv. & AOP)</p> <p>Adjustable (for companies)</p>
	<ul style="list-style-type: none"> • Profit on securities issued by Government and local authority by: <ul style="list-style-type: none"> ➤ Filers 10 ➤ Non-filers 15 ➤ Non-filers having profit / yield payment is Rs. 500,000 or less 10 • 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) by: <ul style="list-style-type: none"> ➤ Filers 10 ➤ Non-filers 15 ➤ Non-filers having profit / yield payment is Rs. 500,000 or less 10 		Payer of the profit or yield	<p>Final (for Ind & AOP)</p> <p>Adjustable (for companies)</p>

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/FINAL
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 • Insurance premium or re-insurance premium • Other cases 	3.5 2 6 6 15 15 8 3 6 6 10 6 5 20	Federal Government, 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, an exporter or an export house	Adjustable Adjustable Adjustable Adjustable Final Final Final Final Final Final Final Final Final Final Adjustable
153	Payments to resident person or permanent establishment of non-resident person on account of: <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 • From distributor of cigarette and pharmaceuticals products and for large distribution houses 	4 4.5 1.5 2 1	Federal Government, 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, an exporter or an export house	Final Final Final Final Final

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
	<ul style="list-style-type: none"> • 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 ➤ 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 iii) In case of sportspersons 	8 10 2 1 7 7.5 10		Minimum Minimum Final 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 • Exports of goods by an industrial undertaking located in the export processing zones. • Payment for firm contract to an indirect exporter. • Indenting commission 	1 1 1 5	Authorized Dealer in foreign exchange, Collector of Customs and Banking Company EPZ authority established under the EPZ authority Ordinance, 1980. Direct exporter and an export house registered under the duty and tax remission rules for export 2001. Authorized Dealer in foreign exchange and Banking Company.	Final Final Final Final

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/FINAL
155	Payment of rent (including advance) on immovable property,	10% to 15% 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.	Adjustable
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	12	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) for: ➤ Filers ➤ Non-filers	0.3	Every Banking Company	Adjustable
		0.5		
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, non-banking financial institution, exchange company, or authorized dealer of foreign exchange	Adjustable
231B	Registration of new motor car or a jeep car for: ➤ Filer ➤ Non-filers	Rs. 10,000 to 250,000	Excise and Taxation (Motor Vehicle)	Adjustable
		Rs. 10,000 to 450,000		

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SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/FINAL
233	Payment of Brokerage and Commission <ul style="list-style-type: none"> • General • Advertising 	12 7.5	Federal Government, Local Government, Local Government, Company and Association of Person constituted by or under any law	Final
233A	On purchase of shares On sale of shares	0.01 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, margin financier or securities lender	National Clearing Company Pakistan Limited	Adjustable
234	On collection of motor vehicle tax of : <ul style="list-style-type: none"> • Passenger transport vehicle with registered seating capacity of 4 to 20 persons or more • 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 for: <ul style="list-style-type: none"> ➤ Filers ➤ Non-filers <p>Where the motor vehicle tax is collected in lump sum</p> <ul style="list-style-type: none"> ➤ Filers ➤ Non-filers 	Rs. 25 to 500 per seat per annum Rs. 5 per kilogram of the laden weight per annum Rs. 1,200 per annum Rs. 1,000 to 12,000 per annum Rs. 1,000 to 24,000 per annum Rs. 10,00 to 120,000 per annum Rs. 10,000 to 240,000 per annum	Person collecting motor vehicle tax	Adjustable Adjustable Adjustable Adjustable Adjustable
234A	In the case of a compressed natural gas station	4	Person preparing Gas Consumption bills	Final

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SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/FINAL
235	On collection of amount of electricity bill: <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 <ol style="list-style-type: none"> For commercial consumers For industrial consumers 	Rs. 80 to 1,500 per month 10% 5%	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)
235A	On collection of amount of electricity bill of: <ul style="list-style-type: none"> Domestic consumer having monthly bill of less than Rs. 100,000 Domestic consumer having monthly bill of Rs. 100,000 or more 	0 7.5	Person preparing electricity consumption bill	Adjustable
235B	Production of steel billets, ingots and mild steel excluding stainless steel	Rs. 1/units of electricity consumed	Person preparing electricity consumption bill	Final
236	On collection of amount of telephone charges of: <ul style="list-style-type: none"> Telephone subscriber (bill exceeds Rs. 1,000) Postpaid mobile telephone and prepaid telephone cards 	10 14	Person preparing telephone bills	Adjustable
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 for: <ul style="list-style-type: none"> Filer Non-Filer 	0.5 1	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	5	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

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)		DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/FINAL
236E	<ul style="list-style-type: none"> On foreign produced TV drama serial On foreign produced TV drama serial (single episode) 	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-10 In case of IPTV, FM Radio, MMDS, Mobile TV, Mobile Audio, Satellite TV Channel, and landing rights	Tax On License Fee Rs 7,500 to Rs 875,500	Tax On Renewal Rs 10,000 to Rs 900,000 20% of permission fee or renewal fee	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
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

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/FINAL
236K	On purchase or transfer of immovable property: Where value of immovable property is upto Rs. 3 million Where value of immovable property is more Rs. 3 million ➤ Filer ➤ Non-Filer ➤ For non-filer up to the date appointed by the Board	0 1 2 1	Any person responsible for registering or attesting transfer of any immovable property	Adjustable
236L	On purchase of international air ticket (one-way or return) issued from Pakistan on: ➤ Economy class (Filer / Non-filer) ➤ First/Business/Club class: • Filer • Non-filer	0 3 6	Every airline operating in Pakistan	Adjustable

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

NOTES

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CHILE	MACEDONIA	TURKEY
CHINA (PRC)	MALAWI	TURKMENISTAN
COLOMBIA	MALAYSIA	UAE
COMOROS	MALTA	UGANDA
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CZECH REPUBLIC	MYANMAR	US VIRGIN ISLANDS
DENMARK & FAROE ISLANDS	MOLODOVA	VENEZUELA
DOMINICAN REPUBLIC	MONGOLIA	VIETNAM
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EAST AFRICA	MONTSERRAT	ZIMBABWE
EASTERN CARIBBEAN	NAMIBIA	
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EGYPT	NEW ZEALAND	
EL SALVADOR	NIGERIA	
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