TMRAC

2018-19

TAX COMPLIANCE GUIDE

&

HIGHLIGHTS ON AMENDMENTS IN THE TAX LAWS THROUGH FINANCE ACT, 2018

TARIQ MIAN RAMZAN ARSHAD & CO. Cost & Management Accountants

|Islamabad Office:

| Office No.1, 3rd Floor Executive Center, Markaz I-8, Islamabad, Pakistan |

|Tel: +92-51-4938395, 4938396 | Cell: +92 321 522 44 88

| Email: tmrc@tmrc.com.pk

| Lahore Office:

| 4-C, Sherwani House, Model Town Lahore, Pakistan |

| Tel: +92-42-35857745-8| F: +92-42-35857745 |Cell (Arshad Bashir): +92 321 9504472

| Email: arshad@tmrc.com.pk

PREFACE

This document has been prepared as a general guide for the benefit of our clients and is also available to other interested persons upon request.

The sources of information to prepare this memorandum are; Pakistan, Budget in Brief 2018-19, the Finance Act 2018, Tax Laws and notifications as are available on the websites of Ministry of Finance and Federal Board of Revenue, Government of Pakistan.

This memorandum is correct to the best of our knowledge and belief. However, this should not be taken as legal text as it sets out interpretation of the significant compliance provisions and amendments made through the Finance Act 2018 in the taxation laws etc., in a brief manner to assist the readers in understanding important changes.

We hope that this memorandum will be beneficial for the readers in understanding the basic tax compliances and budgetary changes. It is suggested that the text of the Act, Laws and the relevant notifications, where applicable, be referred to in considering the interpretation of any provision of the law. Since these are only summarized contents, no final decision on any issue may be arrived at without further consideration. Specific professional advice should be sought before any action is taken. TMRAC will not accept any responsibility in this regard.

We value your suggestions. Please e-mail us your questions and comments at info@tmrc.com.pk

Following Members of TMRAC Team members has made the contribution to compile this document;

- Sikandar Zulkarnain, Supervisor Mgt. Trainees
- Abdul Wahab, Executive Taxation
- Syed Badar Ali Shah Gilani, Sr. Executive Taxation
- Syeda Talha, Manger QCR
- Naeem Sabir, Manager Audit and Accounts
- Sadaf Humayun, Manager Tax and Corporate
- Muhammad Imran Malik, FCMA, Sr. Manager/Partner
- Muhammad Arshad Bashir, FCMA, FPFA, Partner
- Mian Muhammad Ramzan, FCMA, FPFA, Partner

Date: July 10, 2018
Place: Islamabad, Pakistan
-

TABLE OF CONTENTS

TAX COMPLIANCE GUIDE

PERIODIC & ANNUAL TAX COMPLIANCE CHART

S.No.	Description of Legal/Statutory Requirements	Frequency	Date of Compliance
1.	Filing of Annual Income Tax Return (in case of Companies)	Annual	on or before 31st December for the year ending on or before 30th day of June.
2.	**For Individuals/Proprietorships/Firms/AOPs** **For PTR Cases,** Filing of Statement u/s 115(4) in lieu of Annual Income Tax Returns for Proprietorships/Firms/AOPs **For Salaried Individuals** Annual Income Tax Return is also required to be filed **For Non PTR Cases**, Filing of Annual Income Tax Returns for Proprietorships /Firms/AOPs is required to be filed	Annual	on or before 31st August on or before 31st August on or before 30th September
3.	Filing of Monthly income tax withholding Statements	Monthly	On or before 15th of the month next to the end of each month.
4.	Filing of Annual withholding tax Statements (In case of salaries only)	Annual	On or Before 31st July of every year
5.	Filing of Monthly Sales Tax Returns under the Federal and provincial Sales Tax Laws;	Monthly	On or before 18th of the month next to the end of each month (Subject to that due date to complete Annex C is 10th and amount of sales tax to be deposited on or before 15th of the month)
6.	Filling of Annual Sales Tax Return (for Companies only)	Annual	For a financial year by the 30th September of the following financial year.

ADVANCE INCOME TAX COMPLIANCE CHART

Every taxpayer (except income subject to final taxation, salary income and in case of business individual) who has income that was charged to tax in previous tax year shall have to pay advance tax in four quarterly installments. Advance Tax is computed according to provisions of Section 147. Advance Tax is payable as per following schedule of due dates;

Sr.No.	Quarter	In case of Individuals	In case of AOPs/Companies other than banking company
1.	September Quarter	On or before 15th September	On or before 25th September
2.	December Quarter	On or before 15th December	On or before 25th December
3.	March Quarter	On or before 15th March	On or before 25th March
4.	June Quarter	On or before 15th June	On or before 15th June

WITHHOLDING TAXES- INCOME TAX

- Withholding tax regime has become vital in the taxation system of Pakistan. WHT is an act of deduction or collection of tax at source, through withholding tax agents, which has generally been in the nature of an advance tax payment. More than 70% of income tax is being collected through WHT Regime.
- A deduction of tax at source at the time of payments is required to be made under different withholding tax provisions of the Income Tax Law.
- The deduction/collection of tax is required to be made at prescribed rates according to the nature of payments/receipts.
- The concept of Filer and Non-Filer was introduced in 2013 to increase the tax base and Non-Filers are subject to higher WHT Rate.
- Tax deducted/collected at source is required to be deposited in the govt. treasury within **seven days of ending of each week** in which deduction has been made.
- FBR, to meet revenue targets, has been putting special focus on monitoring of withholding taxes. For the last few years withholding tax agents have to face WHT audits u/s 161/205 almost every year. Therefore, WHT agents need to be more careful regarding their obligations for Withholding Taxes under Income tax law.

Some of the Important Withholding Tax Provisions are as follows;

Section	**Withholding Agents (Prescribed Persons)**	**Scope**	**Rate**
149- Salary	The Person Responsible for Paying Salaries to Employees	Payments of Salaries	As per Rate Schedule (Table1A Division I of Part I of the First Schedule)
152(1)- Payments to Non Residents	Every Person Making Payment	Payments to a non-resident person for Royalty or Fee for Technical Services	15% (Division IV of Part I of the First Schedule)
152(2A)- Payments to Non- Residents	As prescribed under Section 153 (below)	Payments to a permanent establishment in Pakistan of a non-resident person (i) for the sale of goods; (ii)for the rendering of or providing services; and (iii)on the execution of a contract, other than a contract for the sale of goods or the rendering of or providing services	As per Rate Schedule (Division II of Part II of the First Schedule)
153- Payments for Goods, Services and Contracts	• the Federal Government; • a company; • an association of persons constituted by, or under law; • a non-profit organization; • a foreign contractor or consultant; • a consortium or joint venture; • an exporter or an export house; • an association of persons, having turnover of fifty million rupees or above in tax year 2007 or in any subsequent tax year;	Payments to Resident Persons against; 153(1)(a): Sale of Goods 153(1)(b): Providing or rendering of services 153(1)(c): the execution of a contract, other than a contract for the sale of goods or the rendering of or providing services.	As per Rate Schedule (Division III of Part III of the First Schedule)

	• an individual, having turnover of fifty million rupees or above in the tax year 2009 or in any subsequent year; • a person registered under the sales tax Act 1990 • a person deriving income from the business of construction and sale of residential, commercial or other buildings(builder); or • a person deriving income from the business of development and sale of residential, commercial or other plots (developer);		
155- Payment of Property Rent	• the Federal Government; • a Provincial Government; • Local Government; • a company; • a non-profit organization or a charitable institution • a diplomatic mission of a foreign state • a private educational institution, a boutique, a beauty parlour, a hospital, a clinic or a maternity home • individuals or association of persons paying gross rent of rupees one and a half million and above in a year; or • any other person notified by the Board for the purpose of this section.	Payments of Rent of property	As per Division V of Part III of the First Schedule
233- Brokerage and Commission	• Federal Government, • a Provincial Government, • a Local Government, • a company or • an association of persons constituted by, or under any law	Payment of Brokerage and Commission to Agents	As per Division II of Part IV of the First Schedule
236A- Sale by Auction	Every Person Making Sale by Auction or Auction by a tender	Sale by public auction or auction by a tender, of any property	10% for filers and 15% for Non-Filers (Division VIII of Part IV of the First Schedule)
236C- Sale or transfer of Immovable Property	The person responsible for registering or attesting transfer of any immovable property	Sale or Transfer of Immovable Property	1% for Filers and 2% for Non-Filers (Division X of Part IV of the First Schedule)
236K- Purchase or transfer of Immovable Property	The person responsible for registering or attesting transfer of any immovable property	Purchase or Transfer of Immovable Property (where value exceeds Rs.4m)	2% for Filer and 4% for Non Filer *(Division XVIII of Part IV, of the First Schedule)*
236-W	The person responsible for registering or attesting transfer of any immovable property	Purchase of immovable property on the differential amount in registry price and FBR Notified Rates under clause (4) of Section	3% differential amount as computed under clause (c) of sub-section (4) of Section 111.

		111 This tax is not adjustable	
236D- Functions and Gatherings	The 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	On Functions and Gatherings	Higher of 5% or Rs.20000 /10000 as provided in Division XI of Part IV of the First Schedule
236G- Sale to Distributors, Dealers and Wholesalers	Every manufacturer or commercial importer of electronics, sugar, cement, pesticides, iron and steel products, fertilizer, motorcycle, cigarettes, glass, textile, beverage, paint or foam sector	On Sale to Distributors, Dealers & wholesalers	As per rates provided under Division XIV of Part IV of the First Schedule.
236H- Sales to Retailers	Every Manufacturer or Commercial importer or dealer or wholesalers or distributor of electronics, sugar, cement, pesticides, iron and steel products, motorcycle, cigarettes, glass, textile, beverage, paint or foam sector	On Sales to Retailers etc.	As per rates proved in Division XV of Part IV of the First Schedule
236 I Collection of Advance Tax by Educational Institutions	Person preparing Fee Voucher/Challan on behalf of Educational Institutions	Collection of Advance Tax by Educational Institutions on Fee/Charges of Students where annual fee/charges exceeds Rs.200,000 except on an amount which is paid by way of scholarship	5% (Division XVI of Part IV of the First Schedule)
236 J Advance tax on Dealers, Commission Agent and Arhatis etc.	Market Committee	Dealers, Commission agents and Arhatis	As per rate schedule Division XVII of Part IV of the First Schedule
236 L Advance tax on purchase of international tickets	Every Airline	From passengers on international tickets either one way or return excluding economy class	Rs.24,000 on First class/business class and Rs.12,000 on other class except economy.
236P Advance Tax on Banking Transactions	Banks/Financial Institutions	Banking Transactions by Non-Filers	4%
236Q Advance Tax on usage of Machinery and Equipment	Every person as prescribed u/s 153(7)	On rentals of machinery and equipment other than agricultural machinery and leased machinery and equipment	10%
236R- Advance tax on Education related expenses remitted abroad	Banks/Foreign Exchange Companies/Financial Institutions	On Remittance of amount abroad relating to education expenses	5%
236S Dividend in	Every Company making payment of dividend	On dividend in specie	12.5% for filers and 17.5 for non filers

Specie			(for power companies reduced rate of 7.5%)
236 U Tax on Insurance Premium paid by non-filers	An insurance company	On insurance premium from non-filers.	General insurance premium @4% and life insurance premium if exceeding Rs. 300,000/- per annum @ 1% No Advance Tax on Filers
236 V Advance tax on extraction of minerals	Provincial authority collecting royalty	from the lease-holder of mines or any person extracting minerals	5% for Non Filers and 0% for filers
236 X Advance Tax on Tobacco	Pakistan Tobacco Board	From Persons Purchasing Tobacco	5% of the purchase value-adjustable tax
236Y Advance tax on persons remitting amounts abroad through credit or debit or prepaid card	Every Banking Company	Persons remitting amounts abroad through credit or debit or prepaid card	1% for Filer and 3% for Non-Filer Division XXVII of Part-IV of First Schedule

FEDERAL SALES TAX LAW- OVER VIEW.

1. Every person making taxable supplies is required to charge sales tax while making supplies @ of 17% or at applicable rate as provided in the law.
2. Further Tax is chargeable @ 3% against supplies to unregistered persons not being the final consumer- This further tax shall not be chargeable in on certain persons and goods as exception provided under SRO 648(1)2013 dated 9th July 2013 as amended from time to time.
3. Sales Tax is charged on all goods except exemptions under section 13 of the Sales Tax Act 1990 as provided in the Sixth Schedule to the Sales Tax Act, 1990.
4. Input Tax Adjustment is allowed subject to certain conditions as laid down in Section 7 and 8 and Section 73 of the Sales Tax Act including the condition that the Payments above Rs.50,000 are made through banking channel.
5. Payment of Sales Tax is to be made on or before 15th of the Subsequent Month and File Sales Tax Return before 18th of the subsequent Month.
6. Sales Tax is payable in VAT mode on most of the items whereas different regimes also exist under the Federal Sales Tax Law e.g.;
   - Retail price tax regime i.e 3rd Schedule items where tax is paid at manufacturing stage at retail price which mostly include fast moving consumer goods.
   - Extra Tax Regime where 2% extra tax is charged by Importers and Manufacturers on specified goods under Chapter XIII of the Sales Tax Special Procedure Rules and such items in further chain are exempt from charging of sales tax.
   - Tax on Retailers has different mechanism where retailers have been categorized in Tier 1 and Tier 2. Tier 1 retailers pay sales tax under normal VAT Regime or have option to pay tax on Turnover @2% on all taxable and exempt items without input adjustments. Tier 2 retailers pay taxes on their electricity bills and not required to be registered.
   - Sector specific special procedures also exist where tax is paid on some other basis instead of sale price e.g Steel Sector and Marble Industry etc etc.
   - 05 major export oriented sectors (textile, carpets, leathers, sports and surgical goods) operate under zero rating/reduce tax regime and pay tax under S.R.O 1125(I)/2011, dated 31.12.2011 as amended from time to time.
7. Keep Proper Sales Tax Records as required under section 22 of the Sales Tax act 1990
   - Record of Supplies Made
   - Record of Goods Purchased
   - Records of Goods Imported
   - Records of Zero Rated and Exempt Supplies
   - Double Entry Sales Tax Accounts
   - Invoices
   - Record relating to gate passes inward/outward and transport receipts
   - Credit Notes/ Debit Notes
   - Bank Statements
   - Inventory Records

8. Make Sales Tax Withholding Compliances where applicable as per Sales Tax Special Procedure (withholding) Rules 2007.

SALES TAX WITHHILDING-FEDERAL SALES TAX LAW

UNDER SALE TAX SPECIAL PROCEDURE (WITHHILDING) RULES, 2007

WH Agent	From Whom	Rate
a)Federal Government and Provincial governments b)public sector organizations c) Autonomous bodies	a. Persons Making Taxable Supplies and Services Registered under Sales Tax Law other than wholesaler, dealer or distributor	1/5th of the Sales Tax Charged
	b. Persons Making Taxable Supplies and Services Registered under Sales Tax Law as wholesaler, dealer or distributor	1/10th of the Sales Tax Amount Charged
	c. Persons Making Taxable Supplies and Services Unregistered	Total amount of Sales Tax Chargeable
Companies,	a. Persons Making Taxable Supplies and Services Registered under Sales Tax Law other than wholesaler, dealer or distributor	1/5th of the Sales Tax Charged
Exporters	b. Persons Making Taxable Supplies and Services Registered under Sales Tax Law as wholesaler, dealer or distributor	1/10th of the Sales Tax Amount Charged
	b. Persons Making Taxable Supplies and Services Unregistered	1% of the value of taxable supplies
Recipients of Advertisement Services who are registered for Sales Tax	Persons providing advertisement services whether registered or unregistered providing from Pakistan or abroad	Whole amount of Sales Tax charged or chargeable at applicable rates

Exceptions

- Rule 5 of Sales Tax Special Procedure (Withholding) Rules covers the following areas excluded from the purview of Withholding
  - Electrical Energy
  - Natural Gas
  - POL products by PPEC, refineries/ Oils Marketing companies (OMCs) and dealers of motor spirit and high speed diesel.
  - registered persons paying sales tax under Chapter XI of the Sales Tax Special Procedure Rules, 2007, except those paying sales tax on ad valorem basis at standard rate
  - Vegetable ghee & cooking oil
  - Telecom services.
  - Goods Specified in the Third Schedule to the Sales Tax Act, 1990.
  - Supplies made by Commercial Importers who have paid value addition tax on such goods at the time of imports
  - Supplies made by an Active Tax Payer as defined under the Sales Tax Act, 1990 to **another registered person** with the exception of advertisement services.

PROVINCIAL SALES TAX ON SERVICES- OVER VIEW

- Prior to 2011 the sales tax on Goods and Service was being collected under the federal Sales Tax Act 1990. There were certain services taxable under the ICT, Provincial Ordinances and Federal Excise Laws on which sales tax was being collected by the Federal Government under the Provisions of the Sales Tax Act 1990.

- In 2010 through the 18th amendment in the Constitution of Pakistan, the right to levy and collect sales tax on services was entrusted to the Provinces.

- The province of Sindh promulgated the Sales Tax Act on Services 2011 and levied the sales tax on services as listed in the second schedule to the said Act.

- In 2012, The Province of Punjab followed the Sindh Province and promulgated Punjab Sales Tax on Services Act 2012 and levied sales tax on the services as listed in the second schedule to the said Act.

- KP Government also followed the same and promulgated KP Sales Tax on Services Act 2013 and levied sales tax on the services as listed in the second schedule to the said Act.

- Baluchistan Government also promulgated the Baluchistan Sales Tax on Services Act 2015 and levied sales tax on the services as listed in the second schedule to the said Act.

- Through the finance Act 2015 the Federal Government also enhanced the list of taxable services in Islamabad Capital Territory.

- All the provinces are collecting sales tax independently through their own Revenue Departments.

- In Islamabad Capital Territory, services are taxable as per separate law but collection is made by FBR under the Sales Tax Act, 1990.

- Persons Providing/Receiving Taxable Services under the ICT tax on Services Law are required to Pay Sales Tax on Services as listed in the First Schedule of the ICT (Tax on Services) Ordinance 2001 and provisions of Federal Sales Tax Law are applicable mutatis mutandis including Federal Sales Tax Withholding Rules.

- Persons Providing/Receiving Services in Punjab, Sindh, KPK and Baluchistan are required to pay Sales Tax on Services, as are Taxable under the Relevant Provincial Laws.

- Sales Tax registration is mandatory under the relevant laws where specified services are taxable and organization providing services to be considered as separate entity in the respective province.

- The Sales Tax is payable to the respective authority in the provinces whether service is originated or terminated in the respective province.

- Sales Tax Withholding is also Applicable under the Provincial Laws as per their own prescribed Rules and Sales Tax Withheld is required to be deposited to the Respective Revenue Department of the Province under which the sales tax is charged.

SALES TAX WITHHOLDING-PUNJAB SALES TAX LAW

UNDER PUNJAB SALES TAX ON SERVICES (WITHHOLDING) RULES 2015

Where sales tax is charged by the service provider under the Punjab Sales Tax on Services Act 2012, the withholding shall be applicable as per following table and Withholding Agent is required to pay the Sales Tax Withheld to Punjab Revenue Authority (PRA) through monthly Statement /Return to be filed through PRA Web Portal.

WH Agent	From Whom	Rate
i)Federal Government and Provincial governments, departments and offices ii) Autonomous bodies iii) Organizations funded fully or partially by Federal or Provincial Govt) v) Company which is resident in the Punjab or having place of business in the Punjab vi) Registered persons receiving Taxable Services from unregistered persons vii) Accounting offices responsible for making payments of bills received by an office or department of Federal, Provincial or Local Governments.	a. Persons providing taxable service and Registered under Punjab Sales Tax Law other than persons providing advertisement services and companies being the active tax payers.	Whole amount of Sales Tax on Services charged
	b. Persons providing taxable Services and not registered under the Punjab Sales Tax Law.	Whole amount of Sales Tax chargeable at applicable rate on the gross value of taxable services.
Recipient of Advertisement Services Registered for Sales Tax under the Federal Sales Tax Law or Punjab Sales Tax Law	Persons providing advertisement services whether registered or unregistered providing from Pakistan or abroad	Whole amount of Sales Tax charged in case of registered person OR chargeable at applicable rates to be applied on gross value of taxable services.

Exceptions;

Exception of withholding has been provided on the services relating to telecommunication, banking, courier and insurance. Further withholding shall not apply where the services, except advertisement services, are provided by Companies being active taxpayers and insurance services provided from out side the province.

SALES TAX WITHHOLDING-SINDH SALES TAX LAW

UNDER SINDH SALES TAX SPECIAL PROCDURE (WITHHOLDING) RULES 2014

Where sales tax is charged by the service provider under the Sindh Sales Tax on Services Act 2011, the withholding shall be applicable as per following table and Withholding Agent is required to pay the Sales Tax Withheld to Sindh Revenue Board (SRB) through monthly Statement /Return to be filed through SRB Web Portal.
Exception of withholding has been provided in the said rules for Telecommunication Services Banking Company, Financial Institution, Port, Airport, terminal operator and airport ground service provider:

WH Agent (Applicable In case WH Agent is resident of Sindh Province)	From Whom	Rate
a)Federal Government and Provincial governments, departments and offices b)public sector organizations c) Autonomous bodies d) Organizations who are funded by Federal or Provincial Govt. d) Companies e) Persons resident in Sindh registered with the Sind Revenue Board(SRB)	a. Persons providing taxable service and Registered under Sindh Sales Tax Law	1/5th of the Sales of Sales Tax on Services charged
	b. Persons providing Taxable Services and not registered under the Sindh Sales Tax Law	Whole amount of Sales Tax chargeable at applicable rate on the value of taxable services provided.
Recipient of Advertisement Services Registered for Sales Tax under the Federal Sales Tax Law or Sindh Sales Tax Law	Persons providing advertisement services whether registered or unregistered providing from Pakistan or abroad	Whole amount of Sales Tax charged or chargeable at applicable rates

Exceptions:

Exception of withholding has been provided in the said rules for Telecommunication Services Banking Company, Financial Institution, Port, Airport, terminal operator and airport ground service provider:

SALES TAX WITHHOLDING-KHYBER PAKHTUNKHAWA SALES TAX LAW

SALES TAX ON SERVICES SPECIAL PROCEDURE (WITHHOLDING) REGULATIONS 2015

Where sales tax is charged by the service provider under the Khyber Pakhtunkhawa Sales Tax on Services Act 2013, the withholding shall be applicable as per following table and Withholding Agent is required to pay the Sales Tax Withheld to Khyber Pakhtunkhawa Revenue Authority (KPRA) through monthly Statement /Return to be filed through KPRA Web Portal.

WH Agent	From Whom	Rate
a)Federal Government and Provincial governments, departments and offices b)public sector organizations c) Autonomous bodies d) Organizations who are funded by Federal or Provincial Govt. d) Companies e) Persons registered with the KP authority receiving taxable services from unregistered persons	a. Persons providing taxable service and Registered under Khyber Pakhtunkhawa Sales Tax Law	1/5th of the Sales of Sales Tax on Services charged
	b. Persons providing Taxable Services and not registered under the Khyber Pakhtunkhawa Sales Tax Law	Whole amount of Sales Tax chargeable at applicable rate on the value of taxable services provided.
Recipient of Advertisement Services Registered for Sales Tax under the Federal Sales Tax Law or Khyber Pakhtunkhawa Sales Tax Law	Persons providing advertisement services whether registered or unregistered providing from Pakistan or abroad	Whole amount of Sales Tax charged or chargeable at applicable rates

SALES TAX WITHHOLDING-BALOCHISTAN SALES TAX LAW

UNDER BALOCHISTAN SALES TAX SPECIAL PROCDURE (WITHHOLDING) RULES 2016

Where sales tax is charged by the service provider under the Baluchistan Sales Tax on Services Act, 2015, the withholding shall be applicable as per following table and Withholding Agent is required to pay the Sales Tax Withheld to Baluchistan Revenue Authority (BRA) through monthly Statement /Return to be filed through BRA Web Portal.

WH Agent	From Whom	Rate
a)Offices of Federal Government and Provincial governments, departments b)public sector organizations c) Autonomous bodies d) Organizations who are funded by Federal or Provincial Govt. d) Companies e) Persons resident in Baluchistan registered with the Balochistan Revenue Authority (BRA)	a. Persons providing taxable service and Registered under Balochistan Sales Tax Law	1/5th of the Sales of Sales Tax on Services charged
	b. Persons providing Taxable Services and not registered under the Balochistan Sales Tax Law	Whole amount of Sales Tax chargeable at applicable rate on the value of taxable services provided.
Recipient of Advertisement Services Registered for Sales Tax under the Federal Sales Tax Law or Balochistan Sales Tax Law	Persons providing advertisement services whether registered or unregistered providing from Pakistan or abroad	Whole amount of Sales Tax charged or chargeable at applicable rates

Exceptions:

Exception of withholding has been provided in the said rules for Telecommunication, Banks, and Financial Institutions, insurance, airport operator, Airport Ground Services, Terminal Operator and port operator

INCOME TAX RATES

The important tax rates after changes through Finance Act is given below:

Rates of tax for Individuals and AOPs

1st Schedule Part 1, Division I

Rate for AOP for Tax Year 2019 onward

Sr. No.	Taxable income	Tax Rate
1	Where the taxable income does not exceed Rs. 400,000	0%
2	*Where the taxable income exceeds Rs. 400,000 but does not exceed Rs. 1,200,000*	*5% of the amount exceeding Rs. 400,000*
3	*Where the taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000*	*Rs. 40,000 + 10% of the amount exceeding Rs. 1,200,000*
4	*Where the taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,600,000*	*Rs. 160,000 + 15% of the amount exceeding Rs. 2,400,000*
5	*Where the taxable income exceeds Rs. 3,600,000 but does not exceed Rs. 4,800,000*	*Rs. 340,000 + 20% of the amount exceeding Rs. 3,600,000*
6	*Where the taxable income exceeds Rs. 4,800,000 but does not exceed Rs. 6,000,000*	*Rs. 580,000 + 25% of the amount exceeding Rs. 4,800,000*
7	*Where the taxable income exceeds Rs. 6,000,000*	*Rs. 880,000 + 30% of the amount exceeding Rs. 6,000,000*

Rate for Individuals for Tax Year 2019 onward

Sr. No.	Taxable income	Tax Rate
1	*Where the taxable income does not exceed Rs. 400,000*	*0%*
2	*Where the taxable income exceeds Rs. 400,000 but does not exceed Rs. 800,000*	*Rs. 1,000/-*
3	*Where the taxable income exceeds Rs. 800,000 but does not exceed Rs. 1,200,000*	*Rs. 2,000/-*
4	*Where the taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000*	*5% of the amount exceeding Rs. 1,200,000*
5	*Where the taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 4,800,000*	*Rs. 60,000 + 10% of the amount exceeding Rs. 2,400,000*
6	*Where the taxable income exceeds Rs. 4,800,000*	*Rs. 300,000 + 15% of the amount exceeding Rs. 4,800,000*

In the above table if income marginally exceeds from 3rd slab then it has been provided that where the taxable income exceeds eight hundred thousand rupees the minimum tax payable shall be two thousand rupees.

Tax Rate for Individual and AOPs for TY 2018

Sr. No.	Taxable income	Tax Rate
1	Where the taxable income does not exceed Rs. 400,000	0%
2	Where the taxable income exceeds Rs. 400,000 but does not exceed Rs. 500,000	7% of the amount exceeding Rs. 400,000
3	Where the taxable income exceeds Rs. 500,000 but does not exceed Rs. 750,000	Rs. 7,000 + 10% of the amount exceeding Rs. 500,000
4	Where the taxable income exceeds Rs. 750,000 but does not exceed Rs. 1,500,000	Rs. 32,000 + 15% of the amount exceeding Rs. 750,000
5	Where the taxable income exceeds Rs. 1,500,000 but does not exceed Rs. 2,500,000	Rs. 144,500 + 20% of the amount exceeding Rs. 1,500,000
6	Where the taxable income exceeds Rs. 2,500,000 but does not exceed Rs. 4,000,000	Rs. 344,500 + 25% of the amount exceeding Rs. 2,500,000
7	Where the taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 6,000,000	Rs. 719,500 + 30% of the amount exceeding Rs. 4,000,000
8	Where the taxable income exceeds Rs. 6,000,000	Rs. 1,319,500 + 35% of the amount exceeding Rs. 6,000,000

In case of an AOP that is a professional firm prohibited from incorporating as company the rate in Slab No.8 will be 32% instead of 35%.

Tax Rate for Salaried Individual for TY 2018

Sr. No.	Taxable Income	Rate of Tax
1	up to Rs.400,000	0%
2	Rs.400,001 to Rs.500,000	2% of the amount exceeding Rs. 400,000
3	Rs.500,001 to Rs.750,000	Rs. 2,000 + 5% of the amount exceeding Rs. 500,000
4	Rs.750,001 to Rs.1,400,000	Rs. 14,500 + 10% of the amount exceeding Rs. 750,000
5	Rs.1,400,001 to Rs.1,500,000	Rs. 79,500 + 12.5% of the amount exceeding Rs. 1,400,000
6	Rs.1,500,001 to Rs.1,800,000	Rs. 92,000 + 15% of the amount exceeding Rs. 1,500,000
7	Rs.,1,800,001 to Rs.2,500,000	Rs. 137,000 + 17.5% of the amount exceeding Rs. 1,800,000
8	Rs.2,500,001 to Rs.3,000,000	Rs. 259,500 + 20% of the amount exceeding Rs. 2,500,000
9	Rs.3,000,001 to Rs.3,500,000	Rs. 359,500 + 22.5% of the amount exceeding Rs. 3,000,000
10	Rs.3,500,001 to Rs.4,000,000	Rs. 472,000 + 25% of the amount exceeding Rs. 3,500,000
11	Rs.4,000,001 to Rs.7,000,000	Rs. 597,000 + 27.5% of the amount exceeding Rs. 4,000,000
12	Rs.7,000,001 and more	Rs. 1,422,000 + 30% of the amount exceeding Rs. 7,000,000

(IB) 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 fifty percent

Rates of Tax for Companies — 1st Schedule Part 1, Division II

Nature of Company	Previous Rates	Amended Rates
• Companies other than banking companies	For TY 2013 35% For TY 2014 34% For TY 2015 33% For TY 2016 32% For TY 2017 31% For TY 2018 30%	*For TY2019 29%* *For TY2020 28%* *For TY2021 27%* *For TY2022 26%* *For TY2023 and onwards 25%*
• Banking Companies	35%	35%
• Small Company	25%	*For TY2019 24%* *For TY2020 23%* *For TY2021 22%* *For TY2022 21%* *For TY2023 and onwards 20%*

Rates of Super Tax — Part 1, Division IIA (Section 4B)

Super tax was levied through Finance Act 2015 and Tax Rates for coming years are tabulated below with ending in 2021.

Person	Previous	Amended Rate (%age of Income)			
		TY 2018	TY 2019	TY 2020	TY 2021
Banking company	*4%*	*0%*	*4%*	*3%*	*2%*
Person, other than a banking, having income equal to or Exceeding Rs.500 million	*3%*	*3%*	*2%*	*1%*	*0%*

Provided that in case of a banking company, super tax for tax year 2019 shall be payable, on estimate basis, by thirtieth day of June, 2018.

Rates of Dividend Tax — Part 1, Division III (Section 5)

S. No	Dividend declared by	Rate
a	Power projects of WAPDA & power generation project.	7.5%
b	Other than mentioned in (a) and (c)	15%
c (i)	In case of dividend received from mutual fund if the amount of dividend is above 2.5 million	12.5%
c (ii)	In case of dividend received from mutual fund if the amount of dividend is less than or equal to 2.5 million	10%
12.5% on Dividends received from Stock Funds if dividend receipts are less than capital gain.		
15% Dividend Received by a Company from collective investment Scheme, REIT Scheme or a mutual fund, other than a stock fund from TY2015 onwards.		
If the developmental RIET scheme with the object of development and construction of residential buildings is setup by 30th day of June *2020*, the tax imposed on Dividend Received by a Person from such Development REIT Scheme shall be reduced by 50% for three Years *from the date of setting up of said scheme*.		

Rates for Profit on Debt

Part 1, Division IIIA (Section 7B)

The rate of tax for profit on debt under section 7B amended as follows

S. No	Profit on Debt	Rates
1	Where profit on debt does not exceed Rs. 5,000,000	10%
2	Where profit on debt exceed Rs. 5,000,000 but does not exceed Rs. 25,000,000	12.5%
3	Where profit on debt exceed Rs. 25,000,000	15%

Royalty or Fee for Technical services To Non-Resident

Part 1, Division IV (Section 6)

The rate of tax imposed under section 6 on payment to non-residents shall be 15% of the gross amount of the royalty or fee for technical services *and 5% of the gross amount of the fee for offshore digital Services.*

Shipping or Air Transport Income of Non-Resident Person

Part 1, Division V (Section 7)

The rate of tax to be paid under section 7 shall be as follows:

S. No.	Period	Tax Rate
1	In case of shipping income	*8%*
2	In case of air transport income	*3%*

Income from Property

Part 1, Division VIA (Section 15)

The rate of tax to be paid under section 15 in case of individual and association of persons shall be as follows:

S. No.	Gross amount of rent	Rate of Tax
1	Where the gross amount of rent does not exceed Rs.200,000	*NIL*
2	Where the gross amount of rent exceeds Rs.200,000 but does not exceed Rs.600,000	5% of the gross amount exceeding Rs.200,000
3	Where the gross amount of rent exceeds Rs.600,000 but does not exceed Rs.1,000,000	Rs.20,000 plus 10% of the gross amount exceeding Rs.600,000
4	Where the gross amount of rent exceeds Rs.1,000,000 but does not exceed Rs.2,000,000	Rs.60,000 plus 15% of the gross amount exceeding Rs.1,000,000
5	Where the gross amount of rent exceeds Rs.2,000,000	Rs.210,000 plus 20% of the gross amount exceeding Rs.2,000,000

Capital Gains on Disposal of Securities

Part 1, Division VII (Section 37A)

The rate of tax to be paid under section 37A shall be as follows:

<table>
<tr><th rowspan="3">S. No.</th><th rowspan="3">Period</th><th colspan="4">TY 2018 and 2019</th></tr>
<tr><th colspan="2">Securities acquired before 01.07.2016</th><th colspan="2">Securities acquired after 01.07.2016</th></tr>
<tr><th>Filer</th><th>Non-Filer</th><th>Filer</th><th>Non-Filer</th></tr>
<tr><td>(1)</td><td>(2)</td><td>(3)</td><td>(4)</td><td>(5)</td><td>(6)</td></tr>
<tr><td>1</td><td>Where holding period of a security is less than twelve months.</td><td>15%</td><td>18%</td><td rowspan="3">15%</td><td rowspan="3">20%</td></tr>
<tr><td>2</td><td>Where holding period of a security is more than twelve or more but less than twenty-four months.</td><td>12.5%</td><td>16%</td></tr>
<tr><td>3</td><td>Where holding period of a security is twenty-four months or more but the security was acquired on or after Ist July,2013</td><td>7.5%</td><td>11%</td></tr>
</table>

4	Where the security was acquired before Ist July,2013	0%	0%	0%	0%
5	Future commodity contracts entered into by the members of Pakistan Mercantile Exchange	5%	5%	5%	5%

Provided that the rate of tax on cash settled derivatives traded on the stock exchange shall be 5% for the tax years *2018 to 2020.*

In case Capital Gain on disposal of Debt Securities, for companies, the rate shall be as applicable for companies under Division 1 of Part I of the First Schedule.

Provided further that a mutual fund or a collective investment scheme or a REIT scheme shall deduct Capital Gains Tax at the rates as specified below, on redemption of securities as prescribed, namely:-

Category	**Rate for Stock Funds**	**Rate for Others**
Individual and association of persons	10%	10%
Company	10%	25%

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

Provided further that no capital gain tax shall be deducted where holding period of the security is more than four years.

Capital Gains on disposal of immovable property — Part-1, Division VIII, Section 37(1A)

Sr.No.	Period	Rate
(1)	(2)	(3)
For immovable property allotted to persons mentioned in the proviso to sub-section *(1)* of section 236C; (a) a seller, if the seller is dependent of: (i) a Shaheed belonging to Pakistan Armed Forces; or (ii) a person who dies while in the service of the Pakistan Armed Forces or the Federal and Provincial Governments; and (b) the first sale of immovable property which has been acquired or allotted as an original allottees, duly certified by the official allotment authority		
1.	Immovable property is held irrespective of the holding period.	0%
For immovable property acquired on or after July 1, 2016, other than those mentioned against S. No. 1		
2.	Where holding period of immovable property is up to one year.	10%
3.	Where holding period of immovable property is more than one year but less than two years.	7.5%
4.	Where holding period of immovable property is more than two years but less than three years.	5%
5.	Where holding period of immovable property is more than three years.	0%
For immovable property acquired before July 1, 2016, other than those mentioned against S. No. 1		
6.	Where holding period of immovable property is up to three years.	5%
7.	Where holding period of immovable property is more than three years.	0%”]

Provided that gain arising on the disposal of immovable property by a person in a tax year to a Rental REIT Scheme shall be taxed at the rate of five percent up to thirtieth day of *June, 2019*, irrespective of the holding period.

Provided that rate of tax to be paid under sub-section (1A) of section 37 shall be reduced by fifty per cent on the first sale of immovable property acquired or allotted to ex-servicemen and serving personnel of Armed Forces or ex-employees or serving personnel of Federal and Provincial Governments, being original allottees of the immovable property, duly certified by the allotment authority"

Minimum tax

Part-1, Division IX, Section 113

S. No.	Person(s)	Rate Minimum Tax
(1)	(2)	(4)
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.);	0.5%
	(b) Pakistan International Airlines Corporation; and	
	(c) Poultry industry including poultry breeding, broiler production, egg production and poultry feed production.	
	(d) Dealers or distributors of fertilizer.	
2	(a) Distributors of pharmaceutical products, fast moving consumer goods and cigarettes;	0.2%
	(b) Petroleum agents and distributors who are registered under the Sales Tax Act, 1990;	
	(C) Rice mills and dealers; and	
	(d) Flour mills.	
3	Motorcycle dealers registered under the Sales Tax Act, 1990.	0.25%
4	In all other cases.	1.25%

Advance tax on Imports

Part II, Division II, (Section 148)

S. #.	Person(s)	Rates	
(1)	(2)	Filers (3)	Non-Filers (4)
1	(i) Industrial undertaking importing remeltable steel (PCT Heading 72.04) and directly reduced iron for its own use;	1% of import value as increased by customs-duty, sales tax and federal excise duty	1.5% of import value as increased by customs-duty, sales tax and federal excise duty
	(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 and importing items covered under SRO 1125(I)/2011, dated the 31st December, 2011		
	(v) Persons importing gold and		
	(vi) Persons importing cottons		

	(vii) *Persons Importing LNG*		
2	Persons importing pulses	2% of import value as increased by customs-duty, sales tax and federal excise duty	3% 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	4.5% of import value as increased by customs-duty, sales tax and federal excise duty
3A	*Persons importing coal*	*4%*	*6%*
4	Ship breakers on import of ships	4.50%	6.50%
5	Industrial undertakings not covered under S. Nos. 1 to 4	5.50%	8%
6	Companies not covered under S. Nos. 1 to 5	5.50%	8%
7	Persons not covered under S. Nos. 1 to 6	6%	9%

Advance Tax on dividend & Dividend in Specie — *Part III, Division I (Section 150 & 236S)*

The rate of tax under section 150 and 236S shall be

Rate		
S. No.	**Person(s)**	**Rate**
a)	In the case of dividends declared or distributed by purchaser of a power project privatized by WAPDA or on shares of a company set up for power generation or on shares of a company, supplying coal exclusively to power generation projects;	7.50%
b)	Filers other than mentioned in (a) above;	15%
c)	Non-filers other than mentioned in (a) above:	20%

Rate of Tax on Collective Investment Scheme, RIET Scheme or a Mutual Fund amended for TY 2019 as follows

	Stock Fund	Money market Fund, Income Fund or any other fund	
	Rate	**Rate for Filer**	**Rate for Non-Filer**
Individual	12.5%	12.5%	15%
Company	12.5%	*15%*	25%
AOP	12.5%	12.5%	15%

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

Provided that if Development of RIET Scheme with the objective of development of residential building is setup by *30th June 2020*, Tax on dividend received from such scheme shall be reduced by 50% for three years from the *date of setting up of the said Scheme*.

Provided also that the rate of tax on dividend received by an individual, from a Rental REIT Scheme shall be *7.5%*

Rate of Tax on Collective Investment Scheme, RIET Scheme or a Mutual Fund for tax year 2018

	Stock Fund	Money market Fund, Income Fund or any other fund	
		Filer	Non-Filer
Individual	10%	10%	15%
Company	10%	25%	25%
AOP	10%	10%	15%

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

Provided that if Development of RIET Scheme with the objective of development and construction of residential building is setup by 30th June 2018, Tax on dividend received from such scheme shall be reduced by 50% for three years from 30th June 2018.

Tax deduction from Profit on Debt

Part III, Division *IA* (Section 151)

S. No.	Person(s)	Rate
1	Filers	10%
2	Non-filers	17.5%

* Provided that for a non-filer, if the yield or profit paid is rupees five hundred thousand or less, the rate shall be 10%.

Withholding Tax Rates on Certain Payments to Non-Residents under Section 152

Part 1, Division IV (Section 6 & Section 152 (1) Part III, Division II (Section 152(1A)(1AA) Section 152(1AAA), 2A

Nature of Payment	Relevant Section	Rate
Royalty or Fee for technical services	Payment to non-residents u/s 152(1) & Section 6	15%
Payment to non-residents against contracts	From payments on execution of construction contract including supervisory activities & related services u/s 152(1A)	7% for Filer and 13% for Non-Filer
Insurance premium or Re-insurance to non-resident persons	The rate of tax to be deducted under sub-section (1AA) of the section 152.	5%
Advertisement services to non- resident media persons	The rate of tax to be deducted under sub-section (1AAA) of the section 152.	10%
Payments to non-residents	In other cases. not covered under Section 152 (1),(1A), (1AA) (1AAA)(2A)	20%

Withholding Tax Rates on Certain Payments to PE of Non-Residents	**Part III Division II (Section 152(2)**

Nature of Payment		**Rate**
Payments to a Permanent establishment of a non resident person for payments against sales of goods	The rate of tax to be deducted from a payment under clause (a) of Section 152 (2A) i. If the company is filer ii. If the company is non-filer iii. In any other case if the person is a filer iv. In any other case if the person is a non-filer	 4% 7% 4.5% 7.75%
Payments to a Permanent establishment of a non resident person for payments against services	The rate of tax to be deducted from a payment under clause (b) section 152(2A) i. In case of transport services ii. In case other than transport a) In case of company If the company is filer If the company is non-filer b) In any other case (other than company) If the person is filer If the person is non-filer	 2% 8% 14% 10% 17.5%
Payments to a Permanent establishment of a nonresident person for payments against contracts	• The rate of tax to be deducted from a payment referred to in clause (c) section 152 (2A) i. In case of sportspersons ii. In case : If the person is filer If the person is non-filer	 10% 7% 13%

Tax deduction at source tax on payments for goods , services and contracts	**Part III, Division III (Section 153)**

Nature of Payment	**Nature of Income**	**Previous**		**Amended applicable for TY 2019 onward**	
		Filers	**Non-Filers**	**Filers**	**Non-Filers**
Supplies (Section 153(1)(a)	In case of sale of rice, cotton seed oil or edible oil	1.5%	1.5%	1.5%	1.5%
	In case of sale of goods on amount by payable to companies.	4%.	7%	4%.	*8%*
	In case of supplies made by distributors of fast moving consumer goods-for companies	2%	2%	2%	2%
	In case of supplies made by distributors of fast moving consumer goods-other than companies	2.5%	2.5%	2.5%	2.5%
	In case of sale of goods -on payments to other taxpayers i.e other than companies	4.5%	7.75%	4.5%	*9%*

Services (Section 153(1)(b)	In the case of transport services	2%	2%	2%	2%
	In case of other services on amount payable to Companies	8%	14.5%	8%	14.5%
	In case of other services on payments to other tax payers i.e other than companies	10%	17.5%	10%	17.5%
	In Case of persons making payments to electronic and print media for advertising services (in case payment to a Company)	1.5%	12%	1.5%	12%
	In Case of persons making payments to electronic and print media for advertising services (in case payment to other that a company)	1.5%	15%	1.5%	15%
Contracts (Section 153(1) (c)	In case of contracts on payments to companies	7%	12%	7%	*14%*
	In case of contracts on payments to other tax payers i.e other than companies	7.5%	12.5%	7.5%	*15%*
	In case of contracts on payments to sportspersons	10%	10%	10%	10%

Deduction of tax on Exports — Part III, Division IV (Section 154)

- 1% of the proceeds of the export.
- 5% in case of indenting commission as per provisions of subsection 2 of section 154.
- 1% in case of services of stitching, dying, printing, embroidery, washing, sizing and weaving provided as per provisions of subsection 2 of section 153.

WHT on Income From Property — Part III, Division V (Section 155)

(a)	**The rate of tax to be deducted under section 155, against (payments to) individual/AOPs**		
	S.No.	Gross Amount of Rent	Rate of Tax
	(1)	Where the gross amount of rent does not exceed Rs.200,000.	Nil.
	(2)	Where the gross amount of rent exceeds Rs.200,000 but does not exceed Rs.600,000.	5% of the gross amount exceeding Rs.200,000.
	(3)	Where the gross amount of rent exceeds Rs.600,000 but does not exceed Rs.1,000,000	Rs.20,000 plus 10 per cent of the gross amount exceeding Rs,600,000
	(4)	Where the gross amount of rent exceeds Rs.1,000,000 but does not exceed Rs.2,000,000	Rs.60,000 plus 15 per cent of the gross amount exceeding Rs.1,000,000
	(5)	Where the gross amount of rent exceeds Rs. 2,000,000	Rs.210,000 plus 20 per cent of the gross amount exceeding Rs.2,000,000
(b)	The rate of tax to be deducted under section 155, against **(payment to) company**, shall be **15%** for filers and 17.5 % of the gross amount of rent for non-filers.		

In case of individual /AOP , the tax shall be charged as separate block of income as provided under section 15

Withholding tax on Prizes and Winnings — Part III, Division VI (Section 156)

Nature of Payment	Rates
• On a prize on prize bond or cross-word puzzle	15% of the gross amount paid for Filer and 25% of the gross amount for Non-Filer
• On winnings from a raffle, lottery, prize on winning a quiz, prizes offered by a company for promotion of sale	20% of the gross amount paid

Withholding Tax on Petroleum Products — Part III, Division VIA (Section 156A)

Rate
12% of the amount for filers
17.5% of the amount for non-filers

Rate of tax on Cash Withdrawal from Bank — Part IV Division VI (Section 231A)

The rate tax to be deducted under section 231A shall be

Cash Withdrawal From Bank	Rate
Aggregate amount of cash withdrawal from a bank account exceeding Rs. 50,000 in a day for filers	0.3%
Aggregate amount of cash withdrawal from a bank account exceeding Rs. 50,000 in a day for non-filers	0.6%

Advance Tax on Transactions in Bank — Part IV Division VIA (Section 231AA)

Advance Tax on Transaction in Bank	Rate
Aggregate amount of cash transaction through bank exceeding Rs. 25,000 in a day for filers	0.3%
Aggregate amount of cash transaction through bank exceeding Rs. 25,000 in a day for non-filers	0.6%

Withholding tax on Brokerage and Commission — Part IV, Division II (Section 233)

S. No.	Person(s)	Rates	
		Filer	Non-Filer
(1)	(2)	(3)	(4)
1	Advertising Agents	10%	15%
2	Life Insurance Agents where commission received is less than Rs.0.5million per annum	8%	16%
3	Persons not covered in 1 and 2 above	12%	15%

Rate of Collection of Tax by a Stock Exchange Registered in Pakistan — Part IV, Division IIA (Section 233A)

- 0.02% of the share purchase/sale value

Rate for Collection of Tax by NCCPL — Part IV, Division II B (Section 233AA)

10% of profit or mark-up or interest earned by the member, margin financier or securities lender.

Advance Tax on new registration or purchase of Motor Vehicles — Part IV Division VII (Section 231B

Tax rates for new registration of vehicles –Section 231B(1) or sales by manufacturers-Section 231B(3)

S.No.	Engine Capacity	Rate for Filers	Rate for Non-filers
1	Upto 850cc	*Rs. 7,500*	*Rs. 10,000*
2	851cc to 1000cc	*Rs. 15,000*	*Rs. 25,000*
3	1001cc to 1300cc	*Rs. 25,,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*

Advance Tax on transfer of Motor Vehicles — Part IV Division VII (Section 231B(2)

Tax rates for transfer of registration or ownership of motor vehicles –Section 231B(2)- applicable if transfer of vehicle is executed within five years from the date of first registration in Pakistan

S.No.	Engine Capacity	Rate For Filers	Rate for Non-filers
(1)	(2)	(3)	(4)
1	Upto 850cc	-	*Rs. 5,000*
2	851cc to 1000cc	*Rs. 5,000*	*Rs.15,000*
3	1001cc to 1300cc	*Rs. 7,500*	*Rs. 25,000*
4	1301cc to 1600cc	*Rs. 12,500*	*Rs. 65,000*
5	1601cc to 1800cc	*Rs. 18,750*	*Rs. 100,000*
6	1801cc to 2000cc	*Rs. 25,000*	*Rs. 135,000*
7	2001cc to 2500cc	*Rs. 37,500*	*Rs. 200,000*
8	2501cc to 3000cc	*Rs. 50,000*	*Rs. 270,000*
9	Above 3000cc	*Rs. 62,500*	*Rs. 300,000*

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

Advance Tax on Motor Vehicles – collected with Token Tax — Part IV, Division III (Section 234

(i.)Rate of collection of tax on Goods Transport Vehicles

	Rate for Filers	Rate for non- filer
In case of goods transport vehicle for laden weight	Rs.2.5/KG	Rs. 4/KG

(ii) In the case of passenger transport vehicles plying for hire with registered seating capacity of---

	Rates (Per Seat Per annum)	
	Filers	Non-filers
(a) Four or more persons but less than ten persons.	50`	100
(b) Ten or more persons but less than twenty persons.	100	200
(c) Twenty persons or more	300	500

(iii) Advance Tax on Private Motor Vehicle to be collected with Token Tax (if in Installment)- upto10 years

S. No.	**Engine Capacity**	**Rate for Filers**	**Rate for non-Filers**
1	upto 1000cc	*Rs.800*	*Rs.1,200*
2	1001cc to 1199cc	*Rs.1,500*	*Rs.4,000*
3	1200cc to 1299cc	*Rs.1,750*	*Rs.5,000*
4	1300cc to 1499cc	*Rs.2,500*	*Rs.7,500*
5	1500cc to 1599cc	*Rs.3,750*	*Rs.12,000*
6	1600cc to 1999cc	*Rs.4,500*	*Rs.15,000*
7	2000cc & above	*Rs.10,000*	*Rs.30,000*

(iv) Advance Tax on Private Motor Vehicle to be collected with Token Tax (if paid lumpsum)

S. No.	**Engine Capacity**	**Rate For Filers**	**Rate For Non-filers**
1	upto 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*

Collection of tax from CNG Stations — Part III, Division VIB (Section 234A)

The rate of tax under section 234A shall be 4% of the gas consumption charges for filers and 6% for non-filers.

Advance Tax on Electricity Consumption — Part IV, Division IV (Section 235)

- Rate of collection of tax under section 235 are slabs rates from Rs.80 to Rs.1500 upto the bill amount less than 20,000.
- Where the amount of electricity bill exceeds Rs. 20,000: 5% for industrial consumers and 12% for commercial consumers

Advance Tax on Domestic electricity Consumption (inserted through FA2015) — Part IV, Division XIX (Section 235A)

S. No.	**Bill Amount**	**Rate**
1	if the amount of monthly bill is Rs.75,000 or more	7.5%
2	if monthly bill is less than Rs.75,000.	0%

Advance tax from Telephone Users — Part IV Division V (Section 236)

Subscribers		**Rate**
(a)	in the case of a telephone subscriber (other than mobile phone subscriber) where the amount of monthly bill exceeds Rs.1000.	10% of the exceeding amount of bill
(b)	in the case of subscriber of internet, mobile telephone and pre-paid internet or telephone card	12.5% of the amount of bill or sales price of internet pre-paid card or prepaid telephone card or sale of units through any electronic medium or whatever form.

Advance tax at the time of sale by auction — Part IV Division VIII (Section 236A)

- 10% of the gross sale price of any property or goods sold by auction for filers and 15% for non-filers

Advance tax on Purchase of Air Ticket — Part IV Division IX (Section 236B)

- The rate of tax to be deducted under section236B shall be 5% of the gross amount of air ticket.

Advance Tax on Sale or Transfer of Immovable Property — Part IV Division X (Section 236C)

- **1%** of the gross amount of the consideration received for filers and 2% of the gross amount of the consideration received for non-filers.

Advance tax on functions and gatherings — Part IV, Division XI, Section 236 D

Amended through new table inserted as follows;

Sr. No	**Rate of Tax**	
(1)	**(2)**	**(3)**
1.	*5% of the bill ad valorem or Rs. 20,000/- per Function, whichever is higher*	*For Islamabad, Lahore, Multan, Faislabad, Rawalpindi, Gujranwala, Bahwalpur, Sargodha, Sahiwal, Shekhupura, Dera Ghazi Kahn, Karachi, Hyderabad, Sukkur, Thatta, Larkana, Mirpur Khas, Nawabshah, Peshawar, Mardan, Abbottabad, Kohat, Dera Ismail Khan, Quetta, Sibi, Loralai, Khuzdar, Dera Murad Jamali and Turbat.*
2.	*5% of the bill ad valorem or Rs. 10,000/- per Function, whichever is higher*	*For Cities other than those mentioned above";*

Advance tax on Cable Operators and other Electronic Media — Part IV, Division XIII (Section 236F)

1) The rate of tax to be collected in case of Cable Television Operator shall be as per following table;

License Category as provided in PEMRA Rules	Tax on License Fee	Tax on Renewal	License Category as provided in PEMRA Rules	Tax on License Fee	Tax on Renewal
H	Rs. 7,500	Rs. 10,000	B-4	Rs. 75,000	Rs. 100,000
H-1	Rs. 10,000	Rs. 15,000	B-5	Rs. 87,500	Rs. 150,000
H-II	Rs. 25,000	Rs. 30,000	B-6	Rs. 175,000	Rs. 200,000
R	Rs. 5,000	Rs.12,000	B-7	Rs. 262,500	Rs. 300,000
B	Rs. 5,000	Rs. 40,000	B-8	Rs. 437,500	Rs. 500,000
B-1	Rs. 30,000	Rs. 35,000	B-9	Rs. 700,000	Rs. 800,000
B-2	Rs. 40,000	Rs. 45,000	B-10	Rs. 875,500	Rs. 900,000
B-3	Rs. 50,000	Rs. 75,000			

2) The rate of tax to be collected in case of IPTV, FM Radio, MMDS, Mobile TV, Mobile Audio, Satellite TV Channel, and Landing Rights shall be 20% of the permission fee or renewal fee, as the case may be.
3) In addition to tax collected under paragraph (2) Pakistan Electronic Media Regulatory Authority shall collect tax at the rate of 50% of the permission fee or renewal fee, as the case may be, from every TV Channel on which foreign TV drama serial or play in any language , other than English, is screened or viewed.

Advance tax on sale to Distributors, Dealers or Wholesalers — Part IV, Division XIV (Section 236G)

Category of Salle	Rate of Tax	
	Filer	Non-Filer
Fertilizers	0.7%	1.4%
Other than Fertilizers	0.1%	0.2%

Advance tax on sale to Retailers — Part IV, Division XV (Section 236H)

Category of sales (sectors)	Filer	Non Filer
Electronics	1%	1%
Others (sugar, cement, iron and steel products, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector	0.5%	

Advance tax on sale of Certain Petroleum Products — Part IV, Division XVA (Section 236HA)

Inserted through Fiance Act 2018

- 0.5% of ex-depot sale price for Filers
- 1% of ex-depot sale price for Non-Filers

Collection of Advance Tax by Educational Institution — Part IV, Division XVI (Section 236I)

5% of the amount of Fee/Charges if the fee is above 200000 per annum and not applicable on scholarships.

Advance Tax on Dealers, Commission Agents and Arhatis etc. — Part IV, Division XVII (Section 236J)

- The rate of collection of tax will be as follows by every Market Committee

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

Advance Tax on purchase of immovable property — Part IV, Division XVIII (Section 236K)

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	2%
		Non-Filer	4%*

.

Advance Tax on international air ticket — Part IV, Division XX (Section 236L)

Sr.No.	**Type of Ticket**	**Rate**
1	First/Business/Club class	16,000 per person
2	Other excluding economy	12,000 per person
3	Economy	0%

Advance Tax on Banking Transactions Otherwise Than Through Cash — Part IV, Division XXI (Section 236P)

The rate of tax to be collected under section 236P shall be *0.4%* of the transaction for the non-filers.

Payment to a resident person for right to use machinery and equipment — Part IV, Division XXIII (Section 236Q)

Rate of collection of tax under section 236Q shall be 10% of the amount of the payment.

Collection of advance tax on education related expenses remitted abroad — Part IV, Division XXIV (Section 236R)

Rate of collection of tax under section 236R shall be 5% of the amount of total education related expenses.

Advance Tax on Insurance Premium — Part IV, Division XXV (Section 236U)

The rate of tax to be collected from **non-filers** under section 236U shall be as under;

Sr.No.	Type of Premium	Type of Premium (Proposed)	Rate
1	General Insurance Premium	General Insurance Premium	4%
2	Life Insurance Premium if exceeding Rs.0.2 million in aggregate	Life Insurance Premium if exceeding Rs.0.3 million in aggregate	1%
3	others	others	0%

Advance Tax on Extraction of Minerals — Part IV, Division XXVI (Section 236V)

The rate of tax to be collected under section 236V shall be 5% of the value of the minerals for non-filers and 0% for filers

Advance Tax on Amount Remitted abroad through credit, debit or prepaid cards — Part IV, Division XXVII (Section 236Y)

Inserted through Fiance Act 2018

- 1% of the gross amount remitted abroad for Filers
- 3% of the gross amount remitted abroad for Non-Filers

BUDGET 2018-19 AT A GLANCE

Budget 2018-19
Comparative Analysis with Previous Budget

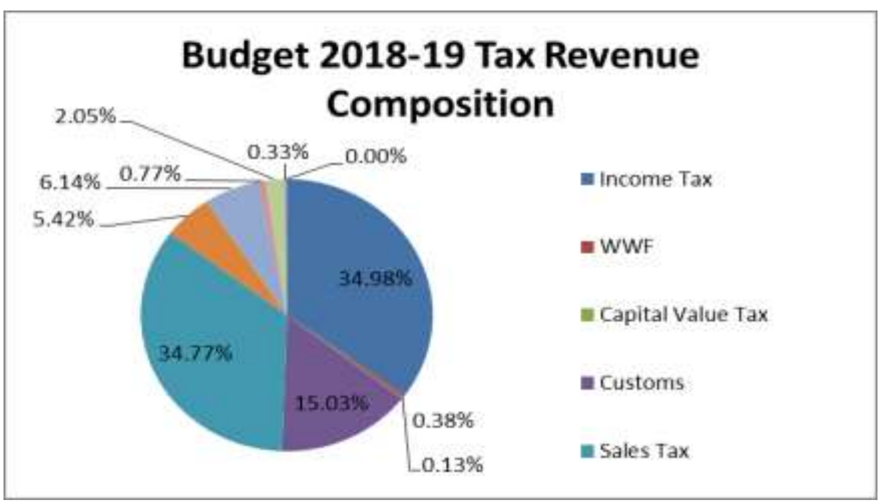
(Rupees in million)

	Budget Estimates 2017-18	Revised Estimates 2017-18	Budget Estimates 2018-19	% age Variance
A. TOTAL RESOURSES				
Tax Revenue Receipts *	4,330,463	4,147,305	4,888,645	17.88
Non-Tax Revenue Receipts	979,853	845,182	771,860	(8.68)
Capital Receipts	552,520	594,554	443,096	(25.47)
External Receipts	837,824	1,211,980	1,068,024	(11.88)
Privatization Proceeds	50,000	17,774	50,000	181.31
Gross Federal Resources	**6,750,660**	**6,816,795**	**7,221,625**	5.94
Less: Provincial share in federal taxes	2,384,243	2,316,080	2,590,066	11.83
Net Federal Resources	4,366,417	4,500,715	4,631,559	2.91
Cash balance built up by provinces	347,269	273,852	285,604	4.29
TOTAL RESOURCES	**4,713,686**	**4,774,568**	**4,917,163**	**2.99**
B. TOTAL EXPENDITURES				
Current Expenditure	3,763,710	4,298,280	4,780,358	11.22
Development Expenditures (PSDP)	1,340,071	1,062,759	1,152,105	8.41
TOTAL EXPENDITURES	**5,103,781**	**5,361,038**	**5,932,463**	**10.66**
Bank Borrowings (A-B)	**390,095**	**586,470**	**1,015,300**	**73.12**
Difference	-	-	-	
***Tax Revenue Receipts**				
Direct Taxes	1,594,910	1,563,000	1,735,000	11.00
Indirect Taxes	2,418,090	2,372,000	2,700,000	13.83
FBR Taxes	4,013,000	3,935,000	4,435,000	12.71
Other Taxes	317,463	212,305	453,645	113.68
	4,330,463	4,147,305	4,888,645	17.88

BREAKUP OF FEDERAL TAX REVENUE RECEIPTS

Rs.in million

	Budget 2017-18	Revised 2017-18	%age of T.Rev.	Budget 2018-19	%age of T.Rev.	%age Vs. Last Yr.
Direct Taxes						
Income Tax	1,577,557	1,540,423	37.14%	1,709,939	34.98%	11.00%
WWF	14,622	16,789	0.40%	18,636	0.38%	11.00%
Capital Value Tax	2,731	5,788	0.14%	6,425	0.13%	11.01%
	1,594,910	1,563,000	37.69%	1,735,000	35.49%	11.00%
Indirect Taxes						
Customs	581,371	600,000	14.47%	735,000	15.03%	22.50%
Sales Tax	1,605,200	1,547,000	37.30%	1,700,000	34.77%	9.89%
Federal Excise	231,519	225,000	5.43%	265,000	5.42%	17.78%
	2,418,090	2,372,000	57.19%	2,700,000	55.23%	13.83%
FBR TAXES	**4,013,000**	**3,935,000**	**94.88%**	**4,435,000**	**90.72%**	**12.71%**
Other Indirect Taxes						
Petroleum Levy	160,000	170,000	4.10%	300,000	6.14%	76.47%
ICT Taxes	4,373	4,235	0.10%	37,555	0.77%	786.78%
Gas Infrastructure Develop.Cess	110,000	15,000	0.36%	100,000	2.05%	566.67%
Natural Gas develop.surcharge	43,000	23,000	0.55%	16,000	0.33%	-30.43%
Airport Tax	90	70	0.00%	90	0.00%	28.57%
	317,463	212,305	5.12%	453,645	9.28%	113.68%
Total Tax Revenue Receipts	**4,330,463**	**4,147,305**	**100.00%**	**4,888,645**	**100.00%**	**17.88%**



BUDGET HIGHLIGHTS

BUDGET LAYOUT

The budget 2018-19 has the following salient features:

- The total outlay of budget 2018-19 is Rs 5,932.5 billion. This size is 16.2% higher than the size of budget estimates 2017-18.

- The resource availability during 2018-19 has been estimated at Rs 4,917.2 billion against Rs 4,713.7 billion in the budget estimates of 2017-18.

- The net revenue receipts for 2018-19 have been estimated at Rs 3,070.4 billion indicating an increase of 4.9% over the budget estimates of 2017-18.

- The provincial share in federal taxes is estimated at Rs 2,590.1 billion during2018-19, which is 8.6% higher than the budget estimates for 2017-18.

- The net capital receipts for 2018-19 have been estimated at Rs 443.1 billion against the budget estimates of Rs 552.5 billion in 2017-18 i.e. a decrease of 19.8%.

- The external receipts in 2018-19 are estimated at Rs 1,118 billion. This shows an increase of 33.4% over the budget estimates for 2017-18.

- The overall expenditure during 2018-19 has been estimated at Rs 5,932.5 billion, out of which the current expenditure is Rs 4,780.4 billion and development expenditure is Rs 1,152.1 billion.

- The share of current and development expenditure respectively in total budgetary outlay for 2018-19 is 80.6% and 19.4%.

- The expenditure on General Public Services is estimated at Rs 3,340.4 billion, which is 69.9% of the current expenditure.

- The development expenditure outside PSDP has been estimated at Rs 180.2 billion in the budget 2018-19, which is higher by 18.4% than budget estimates 2017-18.

- The size of Public Sector Development Program (PSDP) for 2018-19 is Rs 1,650 billion. Out of this, Rs 850 billion has been allocated to provinces. Federal PSDP has been estimated at Rs 800 billion, out of which Rs 420.4 billion for Federal Ministries/Divisions, Rs 246.1 billion for Corporations, Rs 5 billion for Pakistan Sustainable Development Goals (SDGs) and Community Development Program, Rs 8.5 billion for Earthquake Reconstruction and Rehabilitation Authority (ERRA), Rs 5 billion for Special Provision for Competition of CEPEC Projects, Rs 10 billion for FATA 10 year Plan, Rs 45 billion for Relief and Rehabilitation of IDPs, Rs 45 billion for Security Enhancement, Rs 10 billion for Prime Minister's Youth Program and Rs 5 billion for Gas Infrastructure Development Cess.

- To meet expenditures bank borrowings has been estimated for 2018-19 at Rs. 1015.3 billion, which is significant higher than revised estimates of 2017-18.

SALES TAX & FEDERAL EXCISE

The important budgetary measures pertaining to Sales Tax & Federal Excise are;:

- ❖ The amount of tax to qualify for automatic stay till disposal of appeal by the Commissioner (Appeals) is has been reduced from 25% to 10%.

- ❖ Restriction has been imposed that sales tax and federal excise audit of a registered person can be conducted only once in three years.

- ❖ Provisions for giving appeal effect under the Sales Tax Act, 1990 and the Federal Excise Act, 2005 has been introduced to facilitate the taxpayers by removing unnecessary disputes in quantification of tax liability pursuant to appeal order passed by Commissioner-IR (Appeals), Appellate Tribunal-IR, High Court or Supreme Court of Pakistan.

- ❖ The rate of further tax under section 3(1A) of Sales Tax Act, 1990 has been enhanced from 2% to 3%.

- ❖ Input tax paid on import of scrap of compressors has been disallowed by making necessary insertions in section 8 of the Sales Tax Act, 1990.

- ❖ Currently default surcharge is calculated @ KIBOR plus 3% per annum. The rate of default surcharge has been introduced at 12% per annum in the Sales Tax Act, 1990 and Federal Excise Act, 2005.

- ❖ Federal Excise Duty on cement has been increased from 1.25 per kg to Rs. 1.50 per kg. Last year it was increased from Rs.1 to 1.25.

- ❖ Zero rating has been restored on Stationery items under the Fifth Schedule to the Sales Tax Act, 1990.

- ❖ Exemption from sales tax on import of paper weighing 60 g/m2 by Federal or Provincial Governments and Nashiran-e-Quran registered with the Government for printing of Holy Quran as per quota determined by IOCO.

- ❖ Reduced rate of sales tax from 17% to 12% on import of LNG by M/s PSO and M/s PLL and on supply of RLNG by these companies to M/s SNGPL.

- ❖ Reduced rate of sales tax @ 3% on all fertilizers across the board and to provide for reduced rate from 10% to 5% on supply of natural gas to fertilizer plants for use as feed stock. Moreover, rate of sales tax on LNG imported by fertilizer manufacturers for use as feed stock is also being exempted

- ❖ Exemption from sales tax has been granted to Fans for Dairy Farms, Preparations for Making Animal Feed and Bovine Semen which are currently chargeable to sales tax at standard rate of 17% has been granted. Likewise, exemption from sales tax is also being provided to Fish Feed which is presently chargeable to sales tax @ 10%.

- ❖ Exemption has been granted to Karachi Shipyard Engineering Works Limited on import of machinery, equipment, raw materials, components etc.

- Exemption has been granted on import of 21 types of computer parts imported by manufacturers registered with and certified by Engineering Development Board for assembling and manufacturing of personal computers and laptops in accordance with quota determined by IOCO.

- Exemption has been granted on import of promotional and advertising materials for display at exhibitions.

- Exemption of sales tax on import has been granted to plant and machinery on one time basis for setting up of Special Economic Zone and for installation in that zone by zone enterprises to align exemption from sales tax with the provisions of SEZ Act, 2012.

- Exemption from sales tax on import of hearing aids at all types and kinds has been granted.

- Exemption from federal excise duty has been granted on commission paid by State Bank of Pakistan and its subsidiaries to banking companies for handling banking services of Federal or Provincial Governments.

- Sales tax on agriculture machinery reduced from 7% to 5%.

- Reduced rate of sales tax @ 5% has been introduced on import of 19 items of cinematographic equipment for revival of film industry for five years subject to limitations and conditions imposed under the Customs Act, 1969.

- Rate of sales tax has been reduced from 17% to 12% on import of lithium iron phosphate batteries (Li-Fe-PO4).

- Non-adjustable/non-refundable sales tax @ 5% on import of capital goods, whether or not locally manufactured, for transmission line projects under Standard Implementation Agreement under Policy Framework for Private Sector Transmission Line Projects, 2015 and Projects Specific Transmission Services Agreement has been introduced.

- SRO 1125(I)/2011, dated 31.12.2011 has been amended. The reduced rate on import and supply including retail sale of finished articles of leather/textile sector and finished fabric has been enhanced from 6% to 9%. The reduce rate on Imported finished goods of textile and leather sectors was available on all items, now items have been specified where facility of such reduced rate shall be available. Further it has been provided that supply of finished articles of textile and leather by retailers shall be 6% subject to the condition that such outlets are integrated through electronic fiscal devices with FBR online system. Enforced through SRO 777(1)2018 dated 21.06.2018 effective from 01-07-2018.

- Rate of sales tax for steel sector has been increased from Rs.10.5 per unit to Rs. 13 per unit of electricity consumed. Moreover, the rate of sales tax for other allied steel industries i.e. ship breakers and re-rollers is also being rationalized by amending the Sales Tax Special Procedures Rules, 2007. Enforced through SRO775 (I)/2018, dated 21.06.2018, effective from 01.07.2018.

- Waiver of the value addition tax @ 3% chargeable on import of LNG under Rule-58B of Sales Tax Special Procedure Rules, 2007. Enforced through SRO775 (I)/2018, dated 21.06.2018, effective from 01.07.2018.

- ❖ Exclusion from value addition tax on import of second hand worn clothing and footwear under Rule-58B has been provided. Enforced through SRO775 (I)/2018, dated 21.06.2018, effective from 01.07.2018.

- ❖ Foam, foam products and spring mattresses has been excluded from the list of specified goods under 58S under Chapter XIII where extra @ 2% was chargeable on importers and manufacturers and no tax on further chain. Enforced through SRO775 (I)/2018, dated 21.06.2018, effective from 01.07.2018.

- ❖ Zero rating on import of potato has been granted retrospectively on 200,000 metric tonnes imported during the period 5th May, 2014 to 31st July, 2014. Enforced through SRO 776(1)2018 dated 21.06.2018.

- ❖ SRO 962(I)/2015, dated 30.09.2015 has been rescinded to provide for standard rate of sales tax on import and supplies of furnace oil. Enforced through SRO 778(I)/2018, dated 21.06.2018, effective from 01.07.2018.

- ❖ IT services and IT enabled services under Islamabad Capital Territory (Tax on Services) Ordinance, 2001 shall be subject to reduced rate through amendment in SRO 495(1)/2016 dated 4^{th} July 2016. Enforced through amendment SRO 781(I)/2018, dated 21.06.2018, effective from 01.07.2018

CUSTOMS ACT

The budgetary measures proposed in the Customs Act are as under;

- ❖ Import of duty free paper weighing 60 g/m2 is allowed besides extending this facility to Nashir-e-Quran registered with the government.

- ❖ CD on raw materials / inputs (104 PCTs) withdrawn and (28 PCTs) reduced.

- ❖ Reduction of CD on Multi-ply and Aluminum foil from 20% to 18% for Liquid Food Packaging Industry.

- ❖ Reduction of CD on finished rooms (Pre-fabricated structures) from 20% to 10% for setting up of new hotels/motels.

- ❖ CD exempted on bovine semen, and preparations for making animal feed reduced from 10% to 5% and import of fans for corporate dairy farmers allowed at concessionary rate of 3%.

- ❖ Reduction of CD on growth promoters premix, vitamin premix, Vitamin B12 and Vitamin H2 for poultry sector from 10% to 5%.

- ❖ CD on input materials i.e., Optical fiber (20%), Cable filing compound (11%), Polybutylene (20%), Fiber reinforced plastic (20%) and Water blocking/ swellable tape (11%) reduced to 5% besides reduction of RD on Optical Fiber Cables from 20% to 10%.

- ❖ CD on specified equipment used in cinema industry reduced to 3%.

- ❖ Withdrawal of 11% CD on acrylic tow.

- ❖ Exemption of 3% CD on Micro Feeder Equipment used for food fortification.
- ❖ Exemption of 5% CD on Tasigna (an anti-cancer medicines).
- ❖ Reduction of CD on Acetic Acid from 20% to 16%.
- ❖ Exemption of 16% CD on charging stations for electric vehicles.
- ❖ Reduction of CD on plasters from 16% to 11%.
- ❖ Reduction of CD on film of ethylene from 20% to 16% for Liquid Food Packaging Industry.
- ❖ Reduction of CD on Carbon Black (rubber grade) from 20% to 16%.
- ❖ Reduction of concessionary rate of CD from 10% to 5% on silicon electrical steel sheets for manufacturing transformers.
- ❖ Exemption of 5% CD on specified LED parts and components for manufacturers of LED lights and Levy of 2% RD on LED bulb & Tubes, Energy Saving Bulbs & Tube to protect local industry.
- ❖ Exemption of 3% CD on tanned hides in wet state.
- ❖ Withdrawal of CD on two catalysts for use by PTA industry i.e. Hydrogen Bromide (11%) and Palladium-on-carbon (3%)
- ❖ Reduction of CD from 16% to 8% on Coils of aluminum alloys used in manufacturing of Aluminum beverage cans
- ❖ Reduction of CD on import of coal, across the Board, from 5% to 3%.
- ❖ Reduction of CD on import of Fire fighting vehicles from 30% to 10%
- ❖ Concessionary import of vintage or classic cars and jeeps at fix duty/taxes of US$ 5,000.
- ❖ Reduction of CD from 50% to 25% and Exemption of 15% RD on Electric Vehicles and CD on kits of electric vehicle reduced from 50% to 10%.
- ❖ Import of solar panels were exempted from the condition of 'local manufacturing' till 30th June 2018 which is extended till 30th June, 2019.
- ❖ Increase of CD on double-sided tape from 3% to 11%.
- ❖ To protect domestic manufacturers, increase of CD on rickshaw tyres from 11% to 20%.
- ❖ Increase of CD on Soya bean oil from Rs.9050/MT & Rs.10200/MT to Rs.12000/MT and Rs. 13,200/MT respectively.
- ❖ Increase of CD on aluminum auto parts scrap from 30% to 35%.

- Increase of CD on Di-octyl Terephthalate (DOTP) from 3% to 20%.
- Reduction of CD from 16% to 11% and levy of 5% RD on Medium Density Fiber.
- Reduction of CD on corrective glasses from 11% to 3%.
- Reduction of CD on Lithium iron phosphate battery (LiFePO4) from 11% to 8%.
- New PCT codes created for Radial tyres, CKD/SKD kits for home appliances, CKD / SKD of Mobile Phone, Semi-automatic washing machines, Petrol Generating sets, Kerosene based mineral oils, Relays, Fuses, Gear pumps and Turbo chargers for vehicles, Electric conductors, Light fittings with fixed/fitted LED/SMD, , Refrigerated out door cabinet designed for insertion of electric and electronic apparatus, Digital/Processed PrintingInks, DOTP (Di-Octyl Terephthalate) and Pigments and preparations based thereon.
- Levy of 30% RD on export of waste & scrap of copper
- Review of RD on non-essential and luxury items
- 10% RD levied on CKD/SKD kits of specified Home Appliance
- Levy of RD @ Rs.175/set on CKD/SKD kits of mobile phone
- Increase of additional customs duty from 1% to 2%

INCOME TAX

The highlights of proposed amendments in the income tax law are as under;

- The threshold of taxable income would be enhanced from Rs.400,000/- to Rs.1,200,000/-. with effect from 1st July, 2018 and the maximum tax rate for all individuals has been reduced to 15% and five taxable slabs for all individuals have been introduced including a nominal tax slab of Rs.1000/- for persons earning income exceeding Rs.400,000/- up to Rs.800,000/-and another nominal income tax slab of Rs.2000/- for persons earning income exceeding Rs.800,000/- up to Rs. 1,200,000/-.

- The corporate tax rates shall be reduced from 30% in Tax Year 2018 to 25% in Tax Year 2023.The corporate tax rate will be 29% in Tax Year 2019 and will be reduced by 1% each yearto bring it to 25% in Tax Year 2023. Similarly the corporate rate for small companies has also be reduced 1% each year to bring it to 20% in year 2023.

- The highest tax rate for AOP's has been reduced from 35% to 30% and the existing seven slabs have been reduced to six slabs-

- A new section 227C has been added putting restrictions on purchase/registration of motor vehicle and purchase of immovable property exceeding rupees 5million.
- The rate of super tax under section 4B of the Income Tax Ordinance, 2001 is 4% for banking companies and 3% for persons other than banking companies having income of Rs.500 Million and above. The rate of super tax for both banking as well as non-banking persons shall be reduced by 1% for each successive year starting from the financial year 2018-19. For banking company the super tax for TY shall be 0 if Super Tax on estimated basis is deposited before 30th day of June 2018.

- Previously under section 5A of the Income Tax Ordinance, 2001 public companies are obliged to distribute at least 40% of their after tax profits through cash or issuance of bonus shares within six months of the end of the financial year, failing which such companies are subjected to tax @ 7.5% of their accounting profit (before tax). Now the condition of distributing 40% of after tax profit has been reduced to 20% and the applicable tax rate on accounting profit in case of failure to distribute such dividend has been reduced from 7.5% to 5%.

- Tax credit under section 65B is available to companies for the purpose of extension, expansion, balancing, modernization and replacement of plant & machinery at the rate of 10% of the amount invested. Further, tax credit under section 65D is available to companies setting up a new industrial undertaking for a period of five years. Tax credit under section 65E is available to companies for the purchase and installation of plant & machinery through at least 70% new equity. The above tax credits can be availed by companies making investments up to 30.6.2019. Such tax credits have been extended for two more years' up to 30th June, 2021.

- The concept of alternative dispute resolution was introduced to provide an avenue for the expeditious settlement of disputes between FBR and taxpayers and to reduce the high pendency of cases at various appellate forums. Previously, the recommendation of the Alternative Dispute resolution committee is not binding upon the taxpayer or FBR, therefore it has not been effective in mitigating the hardship of taxpayers who are still compelled to go through a protracted litigation process. Now it has been amended to make the mechanism of ADRC effective, the decision of the ADRC committee has been made binding upon both the taxpayer as well as the department pursuant to withdrawal of appeals by the taxpayer as well as the department. The composition of the members of ADRC shall also be changed to enable retired High Court Justices and tax professionals to be included in the Committee in addition to representatives of FBR. Remuneration for the members of the ADRC shall be as prescribed under the Income Tax Rules, 2002.

- Previously, a person is automatically selected for audit under section 214D of the Ordinance if return of income is filed after the due date specified under the law or after the extended time allowed by the Board or the Commissioner. Section 214D relating to automatic selection for audit has been omitted. Simultaneously, a penalty has been introduced whereby late filer of income tax returns from TY2018 shall not be entitled to have their names placed on the active taxpayers list nor will such late filers be entitled to claim brought forward losses for the tax year for which return is filed late.

- In order to facilitate taxpayers who may be subjected to audit repetitively, FBR in its audit policy has announced that a taxpayer shall not be selected for audit by the Board more than once in three years through computer ballot. However, under section 177 of the Ordinance the Commissioner may also select a case for audit in successive tax years on the basis of reasons to be recorded in writing. In order to facilitate taxpayers who have been subjected to audit repeatedly the powers of a Commissioner to select a case for audit under section 177 of the Ordinance have been curtailed to once in three years except with the prior approval of the Board in exceptional circumstances.

- Under section 236P of the Ordinance banks are obliged to collect advance tax at the rate of 0.6% from non-filers on non-cash banking transactions (such as transfer of funds through demand draft, pay order, cash deposit receipt cheques/clearing, online transfers, direct debit, telegraphic transfers etc.) which are in excess of Rs.50,000/- per day. This rate has temporarily been reduced to 0.4% and is extended periodically pursuant to the recommendation of the ECC of the Cabinet. In order to provide certainty and to allay concerns regarding likelihood of restoration of 0.6% tax, such rate of tax for non-filers has been reduced to 0.4% on a permanent basis.

- Previously, the receipt of bonus shares was included in the definition of income and withholding tax under section 236M and 236N of the Income Tax Ordinance, 2001 was chargeable @ 5% on the issuance of bonus shares to shareholders. Now the withholding tax on issuance of bonus shares has been withdrawn and receipt of bonus shares have been ousted from the definition of income under the Income Tax Ordinance, 2001.

- A resident person, other than a company, is allowed a tax credit for acquiring new shares offered by a public company listed on the stock exchange, sukuks offered by a listed company or upon payment of life insurance premium to a life insurance company. Such tax credit is limited to the extent of 20% of taxable income for the year, total cost of acquiring shares/sukuks or 1.5 Million Rupees whichever is less. Now the limit of 1.5 Million Rupees has been increased to 2 Million Rupees.

- Previously under section 140 of the Income Tax Ordinance, 2001 taxpayers have the option of preventing recovery of tax through attachment of bank accounts etc, if 25% of the tax due is paid by the taxpayer during the pendency of appeal before the Commissioner (Appeals). Now the minimum threshold of payment of tax to preclude recovery of tax during pendency of first appeal has been reduced from 25% to 10% of the tax payable.

- At present tax is deducted by withholding agents under section 153 of the Income Tax Ordinance, 2001 if payments for services exceeds Rs.10,000 and if payments for supply of goods exceeds Rs.25,000/- as provided in SRO586(1)91 dated 30th June 1991. In order to provide relief to withholding agents the minimum threshold of tax deduction on goods and services has been enhanced to Rs.30,000/- in the case of payments for provision of services and to Rs.75,000/-in the case of payments for supply of goods as exception has been provided under subsection (1) of Section 153 of the Ordinance.

- Individuals and AOP's become liable to act as withholding agents under section 153 of the Income Tax Ordinance, 2001 if their annual turnover exceeds Rs.50 Million per annum. Such persons are not prepared to discharge their obligations as a withholding tax agent immediately upon crossing the 50 Million threshold for turnover during the currency of a tax year. Now the persons crossing the threshold of turnover of Rs. 50 Million during a Tax Year shall be obliged to discharge their obligations as a withholding tax agent in the succeeding tax year.

- The existing penalty, under section 182 of the Ordinance for failure to file withholding tax statements within the due date is Rs. 2,500 per day subject to a minimum penalty of Rs.10,000/-. Now the withholding tax agents who have deposited tax within the due date but have failed to file their withholding tax statements, the minimum penalty for failure to file such withholding tax statements have been reduced from Rs.10,000/- to Rs.5000/- and only the proposed minimum penalty of Rs.5000/- may be imposed if withholding tax statement is filed within three months of the due date. However existing penalty of Rs. 2,500/- per day (from the due date of filing of withholding tax statement) would apply if the statement is filed after a period of three months from the due date.

- Companies qualifying as large trading houses upon fulfillment of certain conditions specified in clause (57) of Part-IV of the Second Schedule have the facility of reduced rate of minimum tax @ 0.5% up to the Tax Year 2019. The facility of reduced rate of minimum tax has been extended for another two years i.e. up to 30th June, 2021.

- Persons conducting various businesses/transactions within the territory of Pakistan and filing their income tax returns in the territories of AJ&K and Gilgit–Baltistan are subjected to higher withholding tax rates applicable to non-filers as their names do not appear in the Active Taxpayers list being maintained by FBR. Now the persons appearing on the Active Taxpayers List maintained by the Inland Revenue Department in AJ&K and the Gilgit–Baltistan Council Board of Revenue shall be treated as filers under the Income Tax Ordinance, 2001.

- The Advance tax under section 236K of the Ordinance is collected from the purchaser of property at the time of transfer of such property. In cases where payments for purchase of property are made in installments the purchaser has to bear the entire burden of collection of such advance tax at the time of transfer or property. Now advance tax on purchase of property shall be collected in piecemeal with each installment.

- Tax is required to be deducted at the rate of 12.5% from a filer upon payment of dividend by a REIT Scheme. In order to promote REIT schemes in Pakistan the rate of withholding tax on payment of dividend by a rental REIT Scheme to a filer has been reduced from 12.5% to 7.5%.

- Income derived from mutual funds is exempt from income tax if not less than ninety percent of the accounting income of that year is distributed amongst shareholders. However, mutual funds are subjected to withholding tax @ 5% on issuance of bonus shares. Such funds have now been exempted from withholding tax on issuance of bonus shares.

- Non-profit organizations, trusts and welfare institutions are entitled to 100% tax credit on their income from certainly specified heads under section 100C of the Income Tax Ordinance, 2001. One of the incomes that qualifies for credit under section 100C is profit on debt from scheduled banks. Resultantly, non-profit organizations are incentivized to keep their investments in scheduled banks instead of opting for microfinance banks. In order to promote microfinance banks, profit on debt derived by non-profit organizations from micro-finance banks shall also qualify as income eligible for 100% credit under section 100C of the Income Tax Ordinance, 2001.

- The tax collected by the Stock Exchange from its members @ 0.02% on the purchase and sale of shares under section 233A of the Ordinance is currently treated as final tax. The tax on commission earned by members of the stock exchange has now been made adjustable.

- In order to encourage and promote film-making in Pakistan, 50% tax rebate shall be allowed to foreign film makers making films in Pakistan and a 50% tax reduction in income tax liability shall be allowed to companies deriving income from film making for a period of five years.

- Various allowances being given to Armed Forces Personnel i.e Kit allowance, Ration Allowance, Special Messing Allowance, SSG Allowance, Northern Areas Compensatory Allowance, Special pay for Northern Areas and Height Allowance are being exempted from tax.

- Pakistan Mortgage Refinance Company Limited (PMRC) is a key initiative of the State Bank of Pakistan and has been established for promoting affordable housing finance for the middle and low income groups. It aims at expansion of the primary residential mortgage market by issuing bonds and sukuks to raise funds. In order to encourage this initiative aimed towards provision of affordable housing finance for middle and low income groups the income of Pakistan Mortgage Refinance Company has been exempted under clause (66) of Part-I of the Second Schedule to the Income Tax Ordinance, 2001. Exemption has also been accorded to income and gains derived by investors from PMRC bonds issued to refinance the residential mortgage market. Exemption has also been accorded to capital gains tax on the resale of PMRC bonds by the investors to encourage its marketing/increase its attractiveness

- Tax collected @ 5.5% (from companies) and 6% (from persons other than companies) on coal imported by commercial importers/large trading houses constitutes final tax. In order to reduce the direct cost of manufacturing businesses utilizing coal, the tax rate on import of coal by manufacturers as well as commercial importers has been reduced to 4% for filers and 6% for non-filers.

- Previously unabsorbed depreciation losses can be carried forward indefinitely until they are completely absorbed /adjusted against business income. This tax regime leads to payment of less or nil tax liability for many years. The set off of brought forward depreciation losses have now been limited to the extent of fifty per cent of the business income for a Tax Year except in instances where the taxable income is up to Rs. 10 million. Hence taxpayers will still be entitled to carry forward unabsorbed depreciation losses indefinitely, however, such carry forward will be staggered over a greater number of years.

- Banks issuing credit /debit cards will be obliged to collect 1% advance tax from filers and 3% advance tax from non-filers in respect of credit/debit card transactions resulting in outward flow of remittances from Pakistan.

- At present the tax collected under section 148 of the Income Tax Ordinance, 2001 from commercial importers at the import stage is final tax, therefore, commercial importers are not required compute their taxable income. This leads to under-invoicing, domestic transfer pricing and evasion of tax. Tax collected from commercial importers at the import stage shall now constitute minimum tax instead of final tax, therefore, commercial importers shall be required to file their normal returns of income depicting their taxable income(s).

- Withholding tax rates have been increased for non-filers in the case of supplies/sale of goods and contracts under section 153 of the Ordinance. For sales/supplies, the rate of tax for non-filers has been increased from 7% to 8% in the case of companies and from 7.75% to 9% in the case of persons not being companies. For contracts, the rate of tax for non-filers has been increased from 12% to 14% in the case of companies and from 12.5% to 15% in the case of persons not being companies.

- Marriage halls, banquet halls, commercial lawns etc. are mandated to collect 5% of the bill in respect of functions under section 236D of the Ordinance. Marriage halls are now required to collect either 5% of the bill or Rs.20,000/- per function in major cities and Rs.10,000/- per function in the remaining cities, whichever is higher.

- No gain or loss is taken to arise on the disposal of an asset by reason of a gift of the asset under sections 37 and 79 of the Ordinance i.e. it is treated as a non-recognition event, therefore, no liability for capital gains tax arises. Such non-recognition shall now be restricted to gifts given to "relatives" of an individual as defined in section 85(5) of the Income Tax Ordinance, 2001.

- Tax deducted on payments to resident persons for rendering or providing of services under section 153(1)(b) of the Ordinance constitutes minimum tax whereas tax deducted on similar payments being made to permanent establishments of non-resident persons does not constitute minimum tax. Now the tax deductible on services rendered /provided by permanent establishments of non-resident persons shall also be treated as minimum tax.

- At present, OMC's selling petroleum products to a petrol pump operator deduct tax @ 12% from filers and 17.5% from non-filers on commission or discount allowed to a petrol pump operator. As the prices of high speed diesel are to be deregulated tax on dealers margin shall now be collected on ex-depot sale price of HSD (excluding dealers margin) at the rate of 0.5% from a filer and 1% from a non-filer.

- Cognizance of concealed income earned/arising in Pakistan can be taken within five years from the end of the financial year in which the return of income is filed in terms of the time limit delineated under section 122 of the Income Tax Ordinance, 2001. An amendment has been made in section 111(2) of the Income Tax Ordinance, 2001 whereby concealed income earned/arising from outside Pakistan may be taxed in the tax year prior to the year of discovery of such unexplained income or asset.

- Prior to the promulgation of the Income Tax (Amendment) Ordinance, 2008 a person was not required to explain the nature as well as the source of any amount of foreign exchange which is remitted from outside Pakistan through normal banking channels and subsequently encashed into Pakistani Rupees by any scheduled bank . An amendment has been made in section 111(4) of the Ordinance whereby persons would be required to explain the source of investment if the amount of foreign remittances in a year exceeds Rs.10 million.

- A new section 116A has been inserted whereby it has been made mandatory for resident individuals to furnish a foreign income and assets statement along with return of income if such individual earns foreign income equivalent to or exceeding USD 10,000/- or is the owner of foreign assets having a value equivalent to or exceeding USD 100,000-. The foreign income and assets statement shall contain particulars/details regarding total foreign assets and liabilities (as on the last day of the Tax Year) as well as details of foreign assets transferred to another person during the tax year and consideration received in lieu of such transfer. Complete particulars of foreign income earned and the expenditures incurred for earning such income shall also be furnished through this statement.

- If an individual meets the conditions stipulated in section 116A of the Income Tax Ordinance,2001 with respect to earning of foreign income or ownership of foreign assets, such individual shall mandatorily be required to file return of Income Tax along with foreign income and assets statement in terms of section 114(2)(f) of the Ordinance.

- Through the Income Tax (Amendment) Ordinance, 2018 a proviso has been added in sub-section (5) of section 114 whereby the time limit for issuance of a notice calling for return shall not apply if the Commissioner is satisfied on the basis of reasons to be recorded in writing that a person who failed to furnish his return has foreign income or owns foreign assets.

- A person who fails to furnish Foreign Income and Assets statement within the due date shall also ,be subject to levy of penalty of 2% of the foreign income or value of the foreign assets for each year of default under section 182 of the Income Tax Ordinance, 2001.

- Non-filers shall be prohibited from purchasing property having declared value exceeding Rs.4 million.

- Non-filers shall not be permitted to purchase new motor vehicles manufactured in Pakistan or new imported vehicles.

- Notice to furnish a return of income under section 114(4) of the Income Tax Ordinance, 2001 can be issued for one or more of the last ten completed tax years to a person who has not filed return of income for any of the last five tax years. However, Previously best judgment assessment under section 121 of the Ordinance can only be made for the last five years .Necessary amendment has been made whereby best judgment assessment under section 121, in the aforementioned instance can be made within two years from the end of the tax year in which notice to file return of income has been issued.

- Necessary amendment has been made in section 218 of the Income Tax Ordinance, 2001 to grant legal sanctity to service of notices through electronic mode.

- In cases where a company is a member of an association of persons, the company has to file a separate return in respect of its share of income in the AOP. However, tax is deducted in the name of the AOP and the company is unable to take credit of tax deducted against income declared by the company. Amendment has been made to enable companies to take credit of tax deducted in the name of the AOP in the same proportion as the share of the company in the profits of the AOP. Further Builders and Developers have now specifically been included in the ambit of withholding tax agents for the purpose of section 153 of the Ordinance regardless of the quantum of their turnover

- Capital gains on sale of immovable property by a dependent of a Shaheed belonging to Pakistan Armed Forces as well as dependent of a person who dies in service of Pakistan Armed Forces or Federal or Provincial Government is taxed at the rate of 0% irrespective of the holding period. However, zero percent rate is applicable to persons mentioned in sub-section (4) of section 236C which was omitted through the Presidential Order dated 31.08.2016. Necessary amendment has been made to ensure grant of exemption to dependents of the above persons as originally intended.

- At present, a taxpayer can file a lower estimate of advance tax u/s 147 without furnishing any basis of such lower estimate. Provisions of law have been streamlined so that a lower estimate is accompanied by an estimate of the turnover of the remaining quarters, reasons for any projected decline in turnover, documentary evidence of any claim of expenses resulting in lowering of estimate and computation of estimated taxable income. In case the estimate is not supported with adequate basis, the Commissioner shall have the mandate to reject the lower estimate and the taxpayer shall be required to pay advance tax on the basis of his turnover for the quarter.

- In order to streamline computation of advance tax where the taxpayer has not paid advance tax and his turnover for the quarter is not known, turnover for the quarter shall be taken to be 10% higher than one-fourth of the turnover for the year.

- Banking companies are required to pay advance tax in 12 monthly installments but lower estimate is not allowable as per the Seventh Schedule. The existing provision of law has been clarified by technical amendments in the Seventh Schedule. Furthermore, banks are required to pay advance tax in 12 “equal” installments, however, banks interpret the term “equal” to imply that the amount of advance tax paid in the first month shall also be paid in all subsequent months. An enabling provision has been provided in law for collection of advance tax from banks on the basis of their actual income.

- As per section 104, a foreign-source loss of a person shall be carried forward and adjusted only against foreign income of the person. Resident banks having foreign branches adjust their foreign-source loss against their Pakistan-source income. Banks are allowed provisions for advances and off balance sheet items but where such deductions in respect of foreign branches results in loss, such loss can only be adjusted against foreign source income. Necessary amendment in line with section 104 has been introduced in Rule 1(c) of the Seventh Schedule to the Ordinance so that provisions for advances and off balance sheet items of foreign branches of resident banks cannot be claimed as a deduction against their income.

- During the last three to four years Pakistan has become signatory to various international tax agreements. The primary purpose of these agreements is to prevent profit shifting from Pakistan and safeguard our tax base. Through these agreements data would be exchanged between various tax jurisdictions. International tax organizations such as OECD, UN and CATA would facilitate jurisdictions in plugging anti-abuse measures in the domestic tax laws through their recommendations. Obligations on part of the signatories to adopt these measures are commonly known as BEPS Action Points (Base Erosion and Profit Shifting). Out of a total of 15 actions proposed by OECD, five have already been implemented by Pakistan. Four actions are required to be implemented through administrative measures and assistance by international tax auditors in audit. The following six anti-abuse provisions shall now be implemented:-

- Splitting of contracts (Avoiding tax by splitting the composite contracts into number of contracts).
- Offshore indirect transfers (Taxation of gain arising on transfer of assets located in Pakistan and transferred to non-residents outside Pakistan through sale of shares indirectly).
- Taxation of Offshore digital services (Availing current loopholes in tax legislation to avoid payment of tax in Pakistan by non-residents whereas residents are taxable).
- Abuse of treaty provisions (Designing a tax avoidance scheme by introducing a new entity with no economic substance in jurisdictions with which Pakistan has favorable treaties).
- Re-characterization of income (The provision of law is already in the Ordinance and is to be streamlined in accordance with international best practices to plug tax avoidance loopholes).
- Controlled Foreign Companies Rules (Taxing passive income parked outside Pakistan by domestic multinational companies for tax deferral).

TMRAC

TARIQ MIAN RAMZAN ARSHAD & CO.
COST & MANAGEMENT ACCOUNTANTS

SERVICES AT TMRAC

Registrations\Licensing\Incorporations

- Registration of Businesses
- Incorporation of Companies & Firms
- Approval from Board of Investment
- Registration and Establishment of Branch Office of Foreign Companies
- Licensing/Approval from Government Regulators.
- Registration with Tax Departments

Corporate & Tax Advisory

- Corporate Consultancy
- Income Tax Consultancy
- Sales Tax (VAT) Consultancy
- Federal Excise and Customs

Audits & Assurance

- Financial Audit
- Cost Audit
- Internal Audit
- Performance Management Audits
- Investigative and Forensic Audits

Management Consulting

- Preparation of Business Plans & Feasibilities
- Accounting Services
- Payroll Management Services
- Agreements and negotiations

TMRC

TMR CONSULTING (PVT.) LIMITED
ERP, Financial, HR, IT & Management Consultants

SERVICES AT TMR Consulting

Information Technology

- Development/Implementation of ERPs
- Accounting Systems
- Development of Web portals
- Automation of Systems

Management Consulting & Outsourcing

- Development of Accounting, Procurement, Human Resource, Internal Controls Policies, Procedures and Manuals
- Specialized Field Services
- Recruitment of Human Capital
- Training & Development.

Microsoft Solutions/Products

Value Added Reseller and Implementing Partner

- Microsoft Dynamics AX
- Microsoft Dynamics GP
- Microsoft Dynamics CRM
- Microsoft Sharepoint
- Office 365
- Windows Licensing

Affordable
Scalable
Easy to Understand
Familiar

Peachtree by Sage

Microsoft Dynamics Partner

QuickBooks

HEAD OFFICE
Executive Center, Office No. 2, 2nd Floor, Plot No. 24, I-8, Markaz, Islamabad.Ph: +92 51 4938396, 4938395,
E-mail: tmrc@tmrc.com.pk