



HIGHLIGHTS ON  
**FINANCE**  
**BILL**  
**2013**

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## **Highlights on the Finance Bill, 2013**

This document summarizes significant changes proposed to be brought to statute vide the Finance Bill, 2013 (the Bill) relating to Income Tax, Sales Tax & Federal Excise Duty, Customs and Income Support Levy.

Effective date of applicability of these changes will be July 1, 2013, unless otherwise mentioned.

Nothing contained in this document shall be construed as our advice in general or on a given case, accordingly, for ascertaining any effect of these changes in general or particular, the wordings in the Bill should carefully be examined, taking into consideration the applicable laws and regulations, and precise advice should be sought before taking any decision based on, or acting up on any of the contents hereof.

### **Table of contents**

Section 1:	Budget at a Glance
Section 2:	Overview of the Economy
Section 3:	Salient Features
Section 4:	Income Tax
Section 5:	Sales Tax & Federal Excise Duty
Section 6:	Customs
Section 7:	Income Support Levy
<b>ANNEX</b>	Applicable Rates for Withholding (Final/ Advance/ Minimum) Tax

June 13, 2013

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## SECTION I BUDGET AT A GLANCE

SOURCES OF FUNDS	2013-14	2012-13	Change
	Rupees in Billion		%
Net Revenue Receipts*	1,918	1,775	8.1
Net Capital Receipts	507	478	6.1
External Receipts	169	386	-56.2
Provincial Surplus	23	80	-71.3
Bank Borrowings	974	484	101.2
<b>Total</b>	<b>3,591</b>	<b>3,203</b>	<b>12.1</b>

2013-14: Net Revenue Receipts\* (27%), Net Capital Receipts (15%), External Receipts (12%), Provincial Surplus (5%), Bank Borrowings (41%).

2012-13: Net Revenue Receipts\* (56%), Net Capital Receipts (15%), External Receipts (12%), Provincial Surplus (14%), Bank Borrowings (3%).

APPLICATION OF FUNDS	2013-14	2012-13	Change
	Rupees in Billion		%
General Public Service including Debt Servicing	2,202	2,067	6.5
Defense Affairs and Services	627	545	15.0
Development Expenditure	762	591	28.9
<b>Total</b>	<b>3,591</b>	<b>3,203</b>	<b>12.1</b>

2013-14: General Public Service including Debt Servicing (61%), Defense Affairs and Services (17%), Development Expenditure (21%).

2012-13: General Public Service including Debt Servicing (65%), Defense Affairs and Services (18%), Development Expenditure (17%).

*NET REVENUE RECEIPTS	2013-14	2012-13	Change
	Rupees in Billion		%
Tax Revenue	2,598	2504	3.8
Non-tax Revenue	822	730	12.6
Gross Revenue Receipts	<b>3,420</b>	<b>3,234</b>	<b>5.8</b>
Less: Provincial Share in Taxes	1,502	1459	2.9

2013-14: Tax Revenue (77%), Non-tax Revenue (24%).

2012-13: Tax Revenue (76%), Non-tax Revenue (23%).

## **SECTION 2 OVERVIEW OF THE ECONOMY**

The outgoing year marked yet another year of gloomy economic performance as the key economic indicators missed the targets set in the fiscal budget for the year 2012-13.

During fiscal year 2012-13, major factors that adversely affected the economy were energy crises and war on terror. Actual production of electricity remained far below the demand and the reported generating capacity of 20,000 MW due to ever rising circular debt. During FY12 and FY13 the power shortage became so severe that it wiped out 2% from our GDP. Investment which is the mirror image of the economy nose-dived to 14.2% if compared with 2008 when it was hovering around 19.21% (based on year 2005-06).

Following is a synopsis of Pakistan economy during the fiscal year 2012-13:

- GDP growth for 2012-13 has been estimated at 3.6 percent compared to 4.4 percent growth in fiscal year 2012 (base on year 2005-06).
- Fiscal deficit declined to 4.6 percent in the current fiscal year compared to 6.4 percent in the fiscal year 2011-12.
- Inflation declined to 7.8 percent as compared to 10.8 percent in the previous fiscal year.
- Imports declined by 0.9 percent compared to 0.2 percent rise in exports during the first ten months of the current fiscal year, leading to contraction in trade deficit by 2.5 percent.
- Foreign Currency Reserves stood at US\$ 11.5 billion in April 2011-12 compared to US\$ 15.4 billion at the end of the previous fiscal year representing a decline of 20.1 percent. Further, the value of Rupee also depreciated against US\$ by 4.0 percent in the first 10 months of 2012-13 compared to 3.4 percent in the same period of prior fiscal year.
- As at end-March 2013, public debt reached at Rs.13,626 billion, representing an increase of Rs.959 billion or 8.0 percent over the debt stock at the end of last fiscal year. The Credit Rating of the country remained at B-.
- During the first ten months of current fiscal year, foreign direct investment (FDI) increased by 29.7 percent in contrast to a decline of 36.7 percent during the same period last year.
- National savings were 13.5 percent of GDP in 2012-13 compared to 11.0 percent in 2007-08. Domestic savings have decreased from 9.1 percent of GDP in 2007-08 to 8.7 percent of GDP in 2012-13.
- Capital market indicated better performance with KSE – 100 Index increasing by 30.7 percent compared to 16 percent as of the end of April 2011-12.

Summary of key performance indicators are as follows:

Description	2010-11	2011-12	2012-13P
Gross Domestic Product (GDP) – Growth %	3.7	4.4	3.6
Total Investment – Growth %	9.8	16.1	8.7
Consumer Price Index (CPI) %	13.7	11.0	7.8
Total Public Debt to GDP Ratio	58.5P	63.0P	59.5M
Foreign Exchange Reserves – US\$ billion	18.2	15.4	12.3M
Depreciation in Rupee Value against US\$ %	2.2	5.2	4.0M
International Credit Rating – S&P	B-	B-	B-
KSE – 100 Index	28.5	10.4	30.7

P = Provisional; M = March 2012;

## GROWTH

- During the last five years, the economy of Pakistan grew on average by 2.9% per annum. GDP growth for 2012-13 has been estimated at 3.6 percent compared to 4.4 percent growth in fiscal year 2012 (base on year 2005-06).
- The GDP growth for 2012-13 was targeted at 4.4 percent on the back of 4.0 percent growth in Agriculture, 2.5 percent growth in LSM and 4.6 percent in Services sectors. However, heavy rains in Sindh and Punjab province damaged the crops which affected performance of agriculture and other related sectors.
- The Agriculture sector recorded a growth of 3.3 percent against the previous year's growth rate of 3.5 percent. Large Scale Manufacturing sector grew by 2.8 percent as compared to the growth of 1.2 percent in the last year. Services sector recorded a growth of 3.7 percent as compared to 5.3 percent in 2011-12.
- Total consumption expenditures declined to 87.7 percent of GDP in 2012-13 compared to 88.86 percent in the outgoing year. The share of investment in GDP growth was marginal at 0.21 percent while Net exports contributed 1.74 percent. Domestic demand continued to be the most significant driving force for economic growth, with private consumption being the major contributor for sustaining aggregate demand.

Description	2010-11 Growth %	2011-12 Growth %	2012-13 P Growth %
Gross Domestic Product (GDP)	3.7	4.4	3.6
Agriculture	2	3.5	3.3
Manufacturing	2.5	2.1	3.5
Services Sector	3.9	5.3	3.7

P = Provisional

## INVESTMENT & SAVING

- Investment has been hard hit by domestic and international factors during the last few years. Total investment has decreased from 18.79 percent of GDP in 2006-07 to 14.22 percent of GDP in 2012-13. Fixed investment has declined to 12.6 percent of GDP in 2012-13 from 17.61 percent of GDP in 2007-08. Private investment recorded a contraction of 8.7 percent in 2012-13 compared to 12.8 percent of GDP in 2007-08.
- Public investment as a percent of GDP also decreased to 3.9 percent in 2012-13 against the 4.8 percent in 2007-08.
- National savings are 13.5 percent of GDP in 2012-13 as compared to 15.2 percent in 2005-06. Domestic savings have also declined from 13.4 percent of GDP in 2005-06 to 8.7 percent of GDP in 2012-13. Net foreign resource inflows are financing the saving investment gap.
- Foreign direct investments stood at US\$ 853.5 million in first ten months of 2012-13 as against 658.3 million last year, representing a growth of 29.7 percent.

Description	2010-11	2011-12	2012-13 P
Total Investment - % of GDP	14.1	14.9	14.2
Fixed Investment - % of GDP	12.5	13.3	12.6
Public Investment - % of GDP	3.2	3.7	3.9
Private Investment - % of GDP	9.3	9.6	8.7
National Saving - % of GDP	14.2	12.8	13.5

P = Provisional

## CAPITAL MARKETS

- Karachi Stock Market remained in record high trajectory during 2012-13, with the KSE-100 Index setting new records by each passing day and trading at above 20,300 level in mid May 2013 for the first time in its history. Major factors behind such rise were the decline in inflation from 10.8% to 7.8% and consequent ease of monetary policy resulting in decline in discount rate by 250 basis points during the year. This also represents investors' expectations from the new governments for better governance.
- During July-March 2012-13 foreign investors were the net buyer showing a net inflow of US \$227.67 million.
- The aggregate market capitalization at end of March 2013 stood at Rs. 4,446.90 billion. KSE 100 index open at 13,801.41 points on July 01, 2012 and closed at 18,043.31 during the mentioned period showing a gain of 30.73 percent.
- The number of companies listed on all three Stock Exchanges reduced to 1224 compared to 1268 during the previous year. Some of the relevant statistics related to the Karachi Stock Exchange are as follows:

Description	2010-11 Growth %	2011-12 Growth %	2012-13 M Growth %
KSE – 100 Index	28.5	10.4	30.7
Aggregate Market Capitalization	21.4	6.2	32.0
Paid up Capital	3.7	13.4	3.4
Turnover of Shares	-34.8	36.0	-9.1
Funds Mobilized (Rs. Billion)	-72.2	115.1	21.1

M = March 2012

## INFLATION

- The Consumer Price Index (CPI) on average basis recorded as 7.8 percent during Jul-Apr 2012-13 as compared to 10.8 percent during the same period previous year. With slow growth in food and energy prices, inflation is expected to average 8.0 percent by end of 2012-13.
- The two broad component of CPI, food and non-food inflation declined and stood at 6.6 percent and 8.5 percent respectively, due to better supply position compared to 11.1 percent and 10.7 percent respectively during the previous period.
- Food inflation stood low because of improved supply of food related items like potatoes tomatoes onion and vegetables.
- Non-food inflation sub indices of house rent, electricity tariff rates, education expenses, communication cost, fuel prices, clothing, foot ware and cigarette prices recorded increase during the current fiscal period. Also, petroleum products prices moved in line with international fuel prices and induced a hike in prices of diesel, petrol, gas, CNG and transportation which ultimately got reflected into a higher living cost and acceleration in inflation.
- Core inflation which is non-food non-energy is estimated at 9.9 percent.

Description	2010-11	2011-12	2012-13 P
CPI (Consumer Price Index)	13.8	10.8A	7.8A
Food Inflation	18.8	11.1A	6.6A
Non-food Inflation	10.8	10.7A	8.5A
SPI (Sensitive Price Index)	18.1	8.5A	4.3A
WPI (Wholesale Price Index)	21.0	11.2A	7.9A

P = Provisional; A= April 2012

## BALANCE OF PAYMENTS & RESERVES

- Pakistan's overall external account balance posted a deficit of US\$ 2.12 billion during Jul-April 2012-13 compared to a deficit of US\$ 2.54 billion in the corresponding period last year. This relative improvement in the external account was entirely due to improvement in the current account, which posted a lower deficit of US\$ 1.42 billion during Jul- April 2012-13 against a deficit of US\$ 3.35 billion in the corresponding period last year. The improvement in the current account was due to combination of Coalition Support Fund (CSF) inflows, steady growth in worker's remittances, improvement in trade balance and services account as it fell to \$619 million against \$2.4 billion last year.
- The capital and financial account remained under stress during Jul-April, 2012-13 due to less foreign investment.
- Trade account deficit contracted by 2.5 percent in Jul-April 2012-13 as imports declined 0.9 percent during Jul-April, 2012-13 compared to same period last year, whereas, export remained stagnant (only 0.15 percent growth) compared to last year during the period under review. The decline in import bill was primarily caused by the fall in imports of fertilizer, food & transport group and oil prices, whereas, the contraction in export growth was on account of decline in textile exports.
- Credit of US\$ 1.8 billion on account of CSF helped services account showed nominal deficit of US\$ 0.6 billion during July-April 2012-13 against a deficit of US\$ 2.4 billion during the corresponding period last year.
- During July-April 2012-13, worker's remittances grew by 6.4 percent.
- Pakistan's foreign exchange reserves declined to \$ 12.3 billion as of March 2013 as compared to \$ 15.4 billion as of June 2012. This was mainly due to repayment of IMF loan and debt servicing.
- The exchange rate averaged at Rs. 96.50/US\$ during July-April 2012-13, whereas it averaged at Rs. 88.70/US\$ during July-April 2011-12. The Pak Rupee depreciated by 4.0 percent during July-April 2012-13 over the depreciation of 5.4 percent in July-April 2011-12.
- Some of the relevant statistics related to balance of payments and foreign exchange reserves are as follows:

Description	2010-11	2011-12	2012-13 P
	Growth %	Growth %	Growth %
Exports	28.9	-2.8	0.0
Imports	14.9	11.9	-1.9
Workers' Remittances	25.8	17.7	6.3
Foreign Direct Investment (FDI) US\$ million	1,293	658	854
Foreign Exchange Reserves – US\$ billion	18.2 A	16.5A	12.3

P = Provisional;

## PUBLIC DEBT

- As at end-March 2013, public debt reached at Rs.13,626 billion, an increase of Rs.959 billion or 8 percent higher than the debt stock at the end of last fiscal year.
- Public debt to GDP ratio reached at 59.5 percent of GDP by end-March 2013 compared to 59.8 percent during the same period last year. Similarly the ratio of interest payment to the GDP has also increased by over 100 basis points.
- The primary source of increase in public debt during July-March, 2012-13 was increase in domestic debt that positioned at Rs.8,796 billion represented an increase of Rs.1,159 billion, whereas, external debt posed at Rs.4,831 billion represented a decrease of Rs.200 billion as compared to end-June 2012. The decline in external debt during July- March, 2012-2013 is mainly attributed to repayments against IMF loans, translational gain on account of US Dollar appreciation against other major currencies and marginal fresh disbursements.

- During July-March, 2012-13, the Government of Pakistan issued fresh/rollover guarantees aggregating to Rs.111 billion or 0.5 percent of GDP. The outstanding stock of government guarantees as at end-March, 2012-13 is positioned at Rs.609 billion compared to Rs. 487 billion at March 2012.
- During July - March, 2012-13, public debt servicing reached at Rs.936 billion against the annual budgeted estimate of Rs.1,142 billion. Public debt servicing consumed nearly 44 percent of total revenues during July-March, 2012-13 against a ratio of 41 percent during the same period last year.

Description	2010-11 %	2011-12 %	2012-13P %
Domestic Currency Debt – Growth	29.3	26.9	15.2
Foreign Currency Debt – Growth	10.0	7.4	-4.0
Foreign Currency Debt to Total Public Debt Ratio	43.8	39.7	35.5
Total Public Debt to GDP Ratio	58.5	63.0	59.5
Depreciation in the Value of Rupee against US\$	2.2	5.2	4.0
Domestic Interest Payment as a ratio of GDP	4.7	5.1	4.1
International Credit Rating – S&P	B-	B-	B-
New Guarantees issued as a percentage of GDP	0.1	0.71	0.5

P = Provisional

### TAXATION EXEMPTIONS

- Total Taxation exemptions for fiscal year 2011-12 and 2012-13 have been estimated at Rs. 205.9 billion and Rs. 239.5 billion respectively representing an increase of 16.3 percent compared to 5.9% in the previous year, mainly due to increase in exemptions related to Sales Tax by 54.1 percent.
- Exemptions in Income Tax contribute 18.4 percent to total exemptions whereas exemptions in Customs account for 6.9 percent.
- Income Tax exemptions to Independent Power Producers account for 59.0 percent compared to 67.4 percent in the previous year, whereas, specific exemptions account for 18.2 percent. Capital Gains exemptions have been increased to 4.9 percent compared to 3.0 percent in the previous year.
- Partial exemption has been awarded to sugar which account for 32.0 percent to total Sales Tax exemptions.
- Exemption of customs duties are mainly given on raw materials & components, plant & machinery imported by industries, particularly export oriented sectors. Some of these exemptions are due to international contractual obligations.

Description	2010-11	2011-12 P	2012-13 P
Income Tax	46.5	69.6	82.4
Sales Tax	33.8	24.3	37.4
Custom Duties	94.9	112.0	119.7
<b>Total</b>	<b>175.2</b>	<b>205.9</b>	<b>239.5</b>

P = Provisional

## **SECTION 3      SALIENT FEATURES**

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### **Income Tax**

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#### **Relief measures**

1. It has been proposed to insert a proviso relating to a relief of 1%, reducing the tax rate for companies other than a banking company from existing 35% to 34% applicable to tax year 2014;
2. The time period of eligibility period to avail tax exemption by an enterprise operating in Special Economic Zones has been proposed to be increased from existing 5 years to 10 years;
3. It has been sought to enhance relaxation on income tax at import stage based on engine capacity from 25% to 100% of tax upon import of hybrid cars;
4. Relaxation from the provisions of section 148 is sought to be given to such industrial undertakings which opt to pay tax liability for the current tax year on the basis of determined tax liability for preceding two tax years, whichever is the higher; and
5. It has been proposed to maintain the rate of tax on dividend received by a banking company from Money Market Funds and Income Funds at 25% for tax year 2014 and onwards.

#### **Revenue measures**

##### 1. Direct measures:

Certain direct measures have been adopted in the proposals to increase the Revenue Exchequer on account of income tax. These measures include:

- (i) The basic exemption limit for individuals and association of persons has not been increased this time against despite a considerable increase in inflation and loss of buying power;
- (ii) Increased burden on the easiest to access class of tax payers – the salaried class. This is expected to adversely affect annual income brackets up to approx 1.79 Million and those exceeding Rs. 5.77 Million with the proposed changes to tax slabs as well as increase in maximum rate of taxation to 30% from existing 20%;
- (iii) Total tax burden for non-salaried individuals and association of persons has also been focused as the next in line revenue measure by increasing the highest rate from existing 25% to proposed 35%;
- (iv) It has been proposed to bring inter-corporate dividends under the ambit of final tax regime;
- (v) Taxpayers other than industrial undertakings and companies are proposed to be depositing tax under section 148 at 5.5% of value of imported goods as against the prevailing general rate of 5%;
- (vi) Likewise, non-corporate taxpayers will also be required to burden from discriminatory rates of withholding taxes on account of payments for sales of goods, rendering of services and contracts;
- (vii) The Bill seeks to increase the rate for deduction of tax at source on prize on prize bonds or cross-word puzzles from existing rate of 10% to a proposed rate of 15%;
- (viii) Withdrawal of certain tax exemptions and concessions has also been proposed to increase tax revenues. These withdrawals include:
  - (a) Free or concessional passage provided by transporters including airlines to its employees (including the members of their household and dependents);

- (b) Withdrawal of exemption available to universities or other educational institutions established solely for educational purposes and not for purposes of profit;
  - (c) Withdrawal of exemption on dividend in specie derived in the form of shares in a company;
  - (d) Withdrawal of tax concession on lying allowance received by specified officials of Pakistan Armed Forces, Pakistani Airlines or Civil Aviation Authority, Pakistan Armed Forces and submarine allowance received by the officers of the Pakistan Navy;
  - (e) It has also been sought to withdraw tax concession of 75% available to full time teachers or researchers;
  - (f) It is sought to completely withdraw the present exemption of profit on debt on DSCs, SSCs, Savings Accounts or Post Office Savings Accounts, or TFCs requiring tax to be deducted from profit on debt on these instruments and accounts irrespective of the quantum of investment; and
- (ix) The Bill seeks to reduce the prevailing rate of initial allowance for plant and machinery from existing 50% to 25%, bringing it at par with the allowance on buildings.

2. Indirect measures:

- (i) It appears that revenue measures are sought in the budget by way of implications of enhancements in the scope of collection of advance tax from numerous activities including both types of business and non-business activities. These measures include efforts to increase collections from advance tax:
  - (a) persons registered under the Sales Tax Act, 1990 are proposed to be made obliged to deduct withholding tax under section 153;
  - (b) Despite the proposal to omit section 153A on collection of withholding tax from distributors, dealers and wholesalers, 13 sectors have now been proposed where advance tax is required to be collected from the supply chain partners – 0.1% from distributors, dealers and wholesalers and 0.5% from retailers;
  - (c) A virtually unconditional mandate has been proposed to be enforced upon private educational institutions, boutiques, beauty parlours, hospitals, clinics, maternity homes to withhold advance tax from property rentals;
  - (d) Individuals or association of persons also been sought to withhold advance tax where annual rentals on property is Rs. 1.5 Million or above;
  - (e) Rates of taxation on property and withholding of advance tax there-from has been sought to be increased significantly reaching the highest level at 17.5% as against the existing maximum of 10%;
  - (f) NCCPL proposed to collect advance tax from margin financiers, trading financiers and lenders providing any margin financing, margin trading or securities lending;
  - (g) The concept of lump sum (one-off) payment of advance tax on motor vehicles has been sought to be introduced;
  - (h) Private larger scale functions of almost every type are proposed to be brought under the ambit of advance tax collections at 10% of total Bill including expenditure on food;
  - (i) It has been proposed to make persons responsible for censoring or certifying a foreign-produced film, a TV drama serial or a play, for screening and viewing to collect advance tax at specified rates;
  - (j) The Bills seeks to require PEMRA to collect advance tax upon grant and renewal of licenses to cable TV operators and other electronic media activities being regulated by PEMRA;
  - (k) Educational institutions are being required to collect advance tax at 5% on the gross amount of fee where the annual fee exceed Rs. 200,000;

- (l) Advance tax on dealers, commission agents & arhatis etc. is also sought to be collected through market committees at the time of issuance or renewal of licenses;
  - (m) It has been sought to increase the rate of advance tax on cash withdrawals exceeding Rs. 50,000 per day from existing 0.2% to a proposed rate of 0.3%;
  - (n) Rates for collection of advance tax have been proposed to drastically increase from a minimum increment of 33.33% up to 492.59% depending upon the engine capacities; and
  - (o) It is intended to enhance the existing rate of collection of advance tax at the time of sale by public auction from prevailing 5% of the gross sale price to a proposed rate of 10%.
- (ii) Measures have also been taken to increase collections from minimum tax. These measures include:
- (a) Rate of minimum tax increased from existing 0.5% to 1%; and
  - (b) Minimum tax imposed on builders and land developers based on their sales or bookings during the year at Rs. 25 per sq. ft for builders and Rs. 50 per sq. yd for developers.

### **Regulatory measures**

It has been sought to enforce legal requirements upon banks endeavoring to override the provisions of statues regulating the business of banking in Pakistan to make it obligatory upon banks to provide information of their account holders and customers to be used only for tax purposes.

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## **Sales Tax & Federal Excise**

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### **Sales tax**

1. The Bill seek to enhance the rate of sales tax from existing 16% to 17% w.e.f. June 13, 2013;
2. It has been proposed to charge further tax @ 2% on taxable supplies made to an unregistered person w.e.f. June 13, 2013;
3. It has been sought to withdraw sales tax exemption previously available on supplies against International Tenders and on milk preparations obtained by replacing one or more constituent of milk by another substance w.e.f. June 13, 2013;
4. The Bill seeks to broaden the purview of chargeability of sales tax on retail price by including certain items in the listing of items under Third Schedule to the Sales Tax Act, 1990;
5. It has been proposed to disallow input tax adjustment in cases where either discrepancies are indicated by CREST or input tax on purchases is not verifiable in the supply chain;
6. Certain zero-rated items of non-export oriented sector have now been exempted from sales tax;
7. The Bill seeks to charge sales tax @ 5% in addition to the standard rate on non-registered commercial and industrial consumers of electricity and gas having monthly Bill in excess of Rs.15,000;
8. It has been sought to exclude certain finished consumer goods from the list of items chargeable to sales tax at the rate of 2%; and
9. The Bill seeks to incentivize Inland Revenue officers/ officials in detection of cases involving concealment or evasion of taxes and duties as well as the informer subject to fulfillment of certain conditions.

### **Federal Excise Duty**

1. It has been sought to enhance the rate of federal excise duty on aerated beverages to 9% from the existing 6%;
2. The Bill seeks to replace the three tier structure of chargeability of FED on cigarettes with a two tier specific rate structure;
3. It has been proposed to levy FED at the rate of 40 paisas per kg on imported seeds, Rs.1/ per kg on locally produced oil and 10% ad.val. on motor vehicles of cylinder capacity of 1800cc or above;
4. It has been sought to withdraw exemption of federal excise duty previously available on services provided by Asset Management Companies and hydraulic cement;
5. The Bill seeks to broaden the purview of chargeability of federal excise duty on financial services by making all kinds of financial services falling under specific PCT heading chargeable @ 16%; and
6. It has been sought to include the services provided by Asset Management Companies under conditional exemptions.

### **Common amendments proposed in Sales tax and Federal excise duty**

1. The Bill seeks to propose a uniform time period of allowing the Commissioner Appeals to grant stay of 30 days in appropriate cases under the Sales Tax Act, 1990 and Federal Excise Act, 2005; and
2. It has been proposed to harmonize the provisions of rectification of mistake in line with the Income Tax Ordinance, 2001 for Sales Tax Act, 1990 as well as the Federal Excise Act, 2005.

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**Customs**

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1. Relaxation from levies on import of Hybrid Electric Vehicles (HEVs) has further been enhanced up to 100% instead of existing 25%;
2. Duty free import of bio re-absorbable vascular scaffold (heart stents) for the benefit of heart patients;
3. Exemption of customs duty and sales tax on energy saving tubes currently chargeable at 20%;
4. Reduction of customs duty on office and school supplies to 20% from existing 25%;
5. Grant of duty free status to solar submersible pumps presently charged at 20%;
6. Reduction of duty on water treatment and purifying machinery and equipment to 15% from existing 20%;
7. Increase in rate of duty on betel nuts to 10% from existing 5%; and
8. Enhancement of duty on betel leaves to Rs. 300/ kg from existing Rs. 200/ kg.

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**Income Support Levy Act 2013**

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The Bill proposes to introduce Income Support Levy from the tax year 2013 in respect of net movable assets in excess of Rs. one million, held by a person on the last date of the tax year. The rate of levy is sought to be 0.5%.

## SECTION 4 INCOME TAX

### 1. INDIVIDUALS AND ASSOCIATION OF PERSONS

#### Setoff of losses with salary income

[Section 56]

The Bill seeks to propose that loss suffered by a person in a year from any source of income could not be set off from his income from salary.

#### Deduction of tax at source from salary

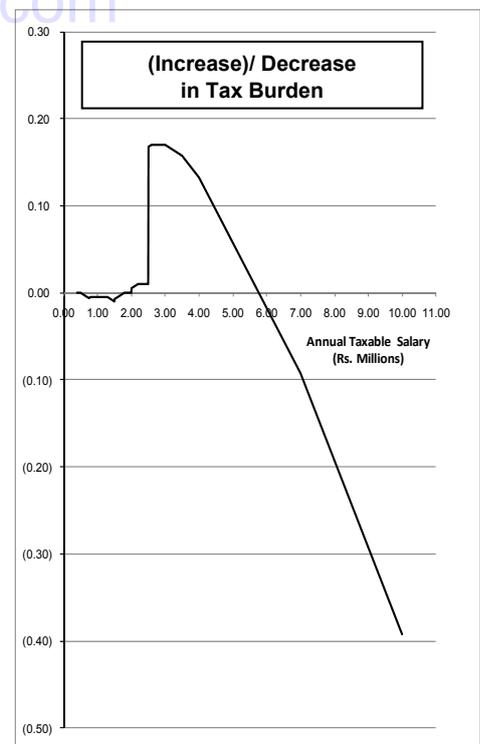
[Section 149]

The Bill seeks to withdraw a great relief available to the salaried class whereby employers are presently empowered to consider and adjust tax deductible from salary upon obtaining documentary evidence on account of taxes withheld from their employees under other heads and tax credits admissible under section 61, 62, 63 and 64 during the tax year. This proposed amendment will push the salaried class back to the vicious circle of tax refunds.

#### Tax rates for salaried individuals

The proposed changes to the tax slabs together with increased maximum rates to 30% from existing 20% (reproduced below) are expected to adversely affect annual income brackets up to approx 1.79Million and those exceeding Rs. 5.77 Million.

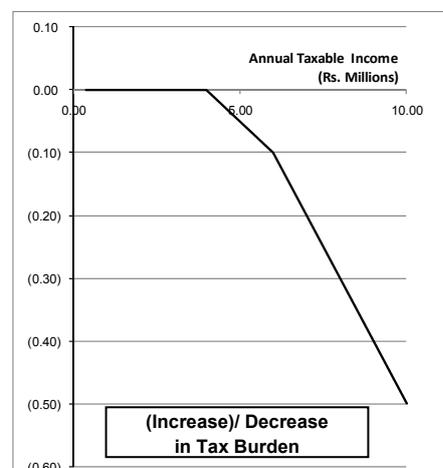
Taxable Income (Rs.)		Rate of Tax	
From	To		
Up to 400,000			0.00%
400,001	500,000		5.00% of the amount exceeding Rs. 400,000
500,001	800,000	5,000	7.5% of the amount exceeding Rs. 500,000
800,001	1,300,000	27,500	10% of the amount exceeding Rs. 800,000
1,300,001	1,800,000	77,500	12.5% of the amount exceeding Rs. 1,300,000
1,800,001	2,200,000	140,000	15% of the amount exceeding Rs. 1,800,000
2,200,001	2,600,000	200,000	17.5% of the amount exceeding Rs. 2,200,000
2,600,001	3,000,000	270,000	20% of the amount exceeding Rs. 2,600,000
3,000,001	3,500,000	350,000	22.5% of the amount exceeding Rs. 3,000,000
3,500,001	4,000,000	462,500	25% of the amount exceeding Rs. 3,500,000
4,000,001	7,000,000	587,500	27.5% of the amount exceeding Rs. 4,000,000
Above 7,000,000		1,412,500	30% of the amount exceeding Rs. 7,000,000



**Tax rates for non-salaried individuals and Association of Persons (AOPs)** – Just like the salaried class of taxpayers, changes proposed to the tax slabs for non-salaried individuals and AOPs

together with increased maximum rates (reproduced next) is yet again expected to adversely affect annual income brackets above Rs. 4.0 Million.

Taxable Income (Rs.)		Rate of Tax	
From	To		
Up to 400,000			0.00%
400,001	750,000	10.00% of the amount exceeding Rs. 400,000	
750,001	1,500,000	35,000	15% of the amount exceeding Rs. 750,000
1,500,001	2,500,000	147,500	20% of the amount exceeding Rs. 1,500,000
2,500,001	4,000,000	347,500	25% of the amount exceeding Rs. 2,500,000
4,000,001	6,000,000	722,500	30% of the amount exceeding Rs. 4,000,000
Above 6,000,000		1,322,500	35% of the amount exceeding Rs. 6,000,000



## 2. GROUP TAXATION

**[Section 59AA]**

Holding companies and subsidiary companies of 100% owned group have an option to be taxed as one fiscal unit after compliance with the conditions as per section 59AA of the Ordinance. It has now been sought to clarify that this option shall be available to such group companies that comply with the requirements of group designation rules or regulations as may be specified by the SECP.

## 3. GROUP RELIEF

**[Section 59B]**

Subsidiary companies may surrender current year's assessed loss from business income in favor of holding company or its subsidiary or between other subsidiaries of the holding company, subject to specified conditions. The Bill now seeks to add a clarification that companies in the group shall comply with the requirements of group designation rules or regulations as may be specified by the SECP.

## 4. SCOPE OF THE TERM 'COMPANY'

**[Section 80(2)(b)]**

It has been proposed to extend the scope of the term 'company' to include a non-profit organization, an entity and a body of persons established or constituted by or under any law for the time being in force.

## 5. UNEXPLAINED INCOME OR ASSETS

**[Section 111]**

Unexplained income or assets are liable to be included in a person's income chargeable to tax in the tax year to which such amount relates to the extent it is not adequately explained. The Bill now seeks to add a restrictive proviso that in case a taxpayer relies upon agricultural income as explanation, such explanation shall be accepted to the extent of agricultural income worked-back on the basis of agricultural income tax paid under the relevant provincial law.

## 6. MINIMUM TAX ON THE INCOME OF CERTAIN PERSONS

**[Section 113]**

It has once again been sought to increase the rate of minimum tax from existing 0.5% to 1%. Moreover, a corrective amendment has also been proposed to do away with the anomaly regarding including the missing reference to clause (1) of Division I of the First Schedule being applicable for individuals and association of persons.

**7. MINIMUM TAX ON BUILDERS**

**[Section 113A]**

It has been proposed to abolish minimum tax on retailers and levy a new type of minimum tax on income of builders arising from construction and sale of residential, commercial or other buildings. The builders will be required to pay minimum tax at the rate of Rs. 25 per square foot actually sold or booked for sale during a year.

**8. MINIMUM TAX ON LAND DEVELOPERS**

**[Section 113B]**

It has also been proposed to levy minimum tax on income of land developers arising from development and sale of residential, commercial or other plots. The said developers will be required to pay minimum tax at the rate of Rs. 50 per square yard actually sold or booked for sale during a year.

**9. RETURN OF INCOME**

**[Section 114]**

**Persons required to file a return of income irrespective of income threshold**

- a. It has now been sought to decrease the threshold from Rs. 1 Million to Rs. 500,000 for the amount of annual Bill in case of holders of commercial or industrial connection of electricity;
- b. Persons registered with certain bodies will also be required to file a return of income irrespective of type and quantum of their income. This is proposed to apply to persons registered with:
  - Chamber of Commerce and Industry;
  - trade or business associations;
  - market committees; and
  - professional bodies, including Pakistan Engineering Council, Pakistan Medical and Dental Council, Pakistan Bar Council or any Provincial Bar Council, Institute of Chartered Accountants of Pakistan or Institute of Cost and Management Accountants of Pakistan.

**Filing of return upon notice from Commissioner**

The Commissioner is empowered to require a person who, in his opinion, was required to file a return of income during the current or last five years. However, the Commissioner was required to serve a notice of minimum 30 days in this regard. The Bill now seeks to remove this minimum 30 days notice period for compliance.

**Revised return**

Taxpayers had the option to voluntarily file a revised return of income along with deposit of the amount of tax involved and submission of revised accounts, furnishing the reasons for revision and ensuring that declared income is higher than or the loss declared is lower than an order under section 121, 122, 122A, 122C, 129, 132, 133 or 221. It has now been sought to include an additional condition that no return of income could be revised by the taxpayer unless the Commission accords a written approval to this effect.

**Persons not required to furnish a return of income**

**[Section 115]**

Salaried individuals with income up to Rs. 500,000 and no other source of income are presently not required to file a return of income for cases where the employer has filed Annual Statement of Deduction of Income Tax from Salary. With the corresponding omissions proposed regarding Annual Statement of Deduction of Income Tax from Salary by the employers, the Bill now proposes to abolish this relaxation.

**Wealth statement**

**[Section 116]**

Presently only such resident individual taxpayers whose' last declared or assessed income or the declared income for the year is Rs. 1 Million or more are required to furnish a wealth statement along with wealth reconciliation statement. It has now been proposed to abolish this relaxation, making it compulsory for all resident individuals filing a return of income, to file wealth statement and wealth reconciliation statement irrespective of any income threshold.

The Bill also seeks to introduce a requirement to furnish revised wealth reconciliation and disclosure of reasons at time of filing revised wealth statement.

It has also been sought to make corrective amendment, clarifying that association of persons are not required to file a wealth statement.

Individual taxpayers falling under final tax regime are presently required to file wealth statement only in cases where the amount of tax paid is Rs. 35,000 or more. It is now sought to remove this limit, making it compulsory for all cases of individuals falling under final tax regime.

**10. METHOD OF FURNISHING RETURNS AND OTHER DOCUMENTS**

**[Section 118]**

It has been sought to make various procedural changes to the method of submission of returns and documents; including:

- Omission of the need to submit employer's certificate under section 115 to make it aligned to the changes proposed to section 115;
- Insertion of a new sub-section (2A) to complement the omission of proviso to section 115;
- Omission of annual statement of deduction of income tax from salary, filed by the employer of an individual from sub-section (3) and (3)(a);

**11. INVESTMENT TAX ON INCOME**

**[Section 120A]**

It has been sought to omit section 120A, which empowers FBR to make a scheme for payment of investment tax in respect of undisclosed income, representing any amount or investment made in movable or immovable assets.

**12. PROVISIONAL ASSESSMENT**

**[Section 122C]**

Presently the provisional assessment order is treated as the final assessment order after the expiry of 60 days from the date of service of order of provisional assessment. Moreover, it is provided that the provisional assessment shall not be of any effect where compliance is made by the taxpayer within 60 days. It has now been sought to reduce timeframe under section 122C from 60 days to 45 days.

**13. APPOINTMENT OF THE APPELLATE TRIBUNAL**

**[Section 130]**

It has been proposed to change certain eligibility criteria for appointment as member of Appellate Tribunal.

**14. PAYMENTS TO NON-RESIDENTS**

**[Section 152]**

It has been sought to adopt the definition of 'prescribed person' from section 153(7) of the Ordinance for the purpose of withholding tax from payments to permanent establishment in Pakistan of a non-resident person.

**15. PAYMENTS FOR GOODS, SERVICES AND CONTRACTS**

**[Section 153]**

The Bill seeks to include a person registered under the Sales Tax Act, 1990 under the purview of withholding agents.

**16. PAYMENT TO TRADERS AND DISTRIBUTORS**

**[Section 153A]**

It has been sought to do away with one of the most controversial amendments ever brought to income tax statutes, though held in abeyance presently – withholding of tax by manufacturers the time of sale to distributors, dealers and wholesalers has finally been proposed to be omitted.

**17. INCOME FROM PROPERTY**

**[Section 155, First Schedule Part I Div VI & Part III Div V]**

Charitable institutions are covered under the purview of non-profit organizations under section 2(36) of the Ordinance. It appears a measure to add clarity by including charitable institutions in the list of prescribed persons obliged to withhold income tax on payment of rent besides non-profit organizations already mentioned under this section.

The Bill also seeks to include the following new class of payers of rent under the purview of persons obliged to withhold tax:

Class of Payers	Condition
Private educational institutions, boutiques, beauty parlours, hospitals, clinics, maternity homes	None
Individuals or association of persons	Annual rent of Rs. 1.5 Million and above

It has further been intended to increase the number of slabs for taxing income from property and collection of withholding tax there-from. The proposed rates under the revised slabs for **individuals and association of persons** are depicted below:

Gross amount of rent (Rs.)		Rate of Tax	
From	To		
Up to 150,000		0.00%	
150,001	400,000	5% of the amount exceeding Rs. 150,000	
400,001	1,000,000	12,500	7.5% of the amount exceeding Rs. 400,000
1,000,001	2,000,000	57,500	10% of the amount exceeding Rs. 1 Million
2,000,001	3,000,000	157,500	12.5% of the amount exceeding Rs. 2 Million
3,000,001	4,000,000	282,500	15% of the amount exceeding Rs. 3 Million
Above 4,000,000		432,500	17.5% of the amount exceeding Rs. 4 Million

Likewise, the proposed slabs for taxation of income from property for **a company** and withholding of tax there-from are reflected as under:

Gross amount of rent (Rs.)		Rate of Tax	
From	To		
Up to 400,000		5% of the gross amount of rent	
400,001	1,000,000	20,000	7.5% of the amount exceeding Rs. 400,000
1,000,001	2,000,000	65,000	10% of the amount exceeding Rs. 1 Million
2,000,001	3,000,000	165,000	12.5% of the amount exceeding Rs. 2 Million
3,000,001	4,000,000	290,000	15% of the amount exceeding Rs. 3 Million
Above 4,000,000		440,000	17.5% of the amount exceeding Rs. 4 Million

## 18. CERTIFICATE OF COLLECTION OR DEDUCTION OF TAX

[Section 164]

Every person collecting tax or deducting tax from a payment is required to furnish a certificate setting out the amount of tax collected or deducted to the person from whom the tax has been collected or deducted. This certificate is presently construed as sufficient evidence of the collection or deduction for the purposes of allowing credit for tax collected or deducted under section 168.

It has now been sought to disregard this certificate as a sufficient evidence for allowing credit of tax collected or deducted from a taxpayer and appears to provide an enabling step towards further investigations that would tantamount to delays in processing tax refunds.

## 19. STATEMENTS

[Section 165]

It has been sought to add an explanation after sub-section (1) section 165, which although seems not relevant to section 165 however appears to cater as an overriding proviso to anything otherwise provided in statues governing the banking sector in Pakistan as required to enable the enunciations of the proposed section 165A. The explanation is reproduced below:

**Explanation.-** For the removal of doubt, it is clarified that this sub-section overrides all conflicting provisions contained in the Protection of Economic Reforms Act, 1992 (XII of 1992), the Banking Companies Ordinance, 1962 (LVII of 1962), the Foreign Exchange Regulation Act, 1947 (VII of 1947) and the regulations made under the State Bank of Pakistan Act, 1956 (XXXIII of 1956), if any, on the subject, in so far as divulgence of information under section 165 is concerned.

It has been proposed to abolish the requirement to furnish annual statement in respect employees where income exceeds Rs. 300,000 but does not exceed Rs. 350,000 in a tax year.

## 20. FURNISHING OF INFORMATION BY BANKS

[Section 165A]

A new section 165A is sought to be introduced, making it compulsory for the Banks to submit regular reports to the Federal Board of Revenue. The proposed section is reproduced below:

- (1) Notwithstanding anything contained in any law for the time being in force including but not limited to the Banking Companies Ordinance, 1962 (LVII of 1962), the Protection of Economic Reforms Act, 1992 (XII of 1992), the Foreign Exchange Regulation Act, 1947 (VII of 1947) and the regulations made under the State Bank of Pakistan Act, 1956 (XXXIII of 1956), if any, on the subject, every banking company shall make arrangements to provide to the Board in the prescribed form and manner,-
  - (a) online access to its central database containing details of its account holders and all transactions made in their accounts;
  - (b) a list containing particulars of deposits aggregating rupees one million or more made during the preceding calendar month;
  - (c) a list of payments made by any person against bills raised in respect of a credit card issued to that person, aggregating to rupees one hundred thousand or more during the preceding calendar month
  - (d) a consolidated list of loans written off exceeding rupees one million during a calendar year; and
  - (e) a copy of each Currency Transactions Report and Suspicious Transactions Report generated and submitted by it to the Financial Monitoring Unit under the Anti-Money Laundering Act, 2010 (VII of 2010).
- (2) Each banking company shall also make arrangements to nominate a senior officer at the head office to coordinate with the Board for provision of any information and documents in addition to those listed in sub-section (1), as may be required by the Board.

- (3) The banking companies and their officers shall not be liable to any civil, criminal or disciplinary proceedings against them for furnishing information required under this Ordinance.
- (4) Subject to section 216, all information received under this section shall be used only for tax purposes and kept confidential.

**21. TAX COLLECTED OR DEDUCTED AS A FINAL TAX** **[Section 169]**

Inter-corporate dividends are currently covered under normal tax regime of income tax, whereby the recipient companies are entitled to deduct their usual business expenditure and pay tax on usual taxable profits.

Now it has been proposed to bring inter-corporate dividends under the ambit of final tax regime for recipient companies.

**22. ADDITIONAL PAYMENT FOR DELAYED REFUNDS** **[Section 171]**

For the purpose of compensation for delayed payments, it has been sought to include an explanation to section 171 clarifying that refund becomes due from the date of refund order and not from the date the assessment of income treated to have been made by the Commissioner under section 120 upon filing of return.

**23. REPRESENTATIVES** **[Section 172]**

An explanation is sought to be made regarding business connection from the perspective of non-resident person that it includes transfer of an asset or business in Pakistan by a non-resident.

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**24. AUDIT** **[Section 177]**

The Bill seeks to add a declaration by way of explanation that powers of the Commissioner under section 177 are independent of the powers of the Board under section 214C and nothing contained in section 214C restricts the powers of the Commissioner to call for the record or documents including books of accounts of a taxpayer for audit and to conduct audit under section 177.

**25. ASSISTANCE TO COMMISSIONER** **[Section 178]**

Presently officers of Customs, Federal Excise, Sales Tax, Provincial Excise and Taxation, District Coordination Officer, District Officers including District Officer-Revenue, the Police and the Civil Armed Forces is empowered and required to assist the Commissioner in the discharge of the Commissioner's functions under this Ordinance. It is now proposed to relieve officers of Federal Excise and Sales Tax from this assistance.

**26. TAXPAYER'S REGISTRATION** **[Section 181]**

A proviso is proposed to be inserted that FBR may allow the use of CNICs issued by NADRA in place of NTN.

**27. DISPLAYING OF NATIONAL TAX NUMBER** **[Section 181C]**

Presently the requirement to display NTN at every place of business has been covered under rule (83) to the Income Tax Rules, 2002. The Bill now seeks to include this requirement by including a new section 181C.

## **28. OFFENCES AND PENALTIES**

**[Section 182]**

It has also been sought to amend certain penalties as well as to introduce new penalties against identified non-compliances and offences.

## **29. SELECTION FOR AUDIT BY THE BOARD**

**[Section 214C]**

As expected consequent to the recent order passed by the Hon'able High Court, it is now proposed to include a new subsection to legally empower FBR to keep the balloting parameters confidential.

An explanation, conceptually replica to the one proposed to be introduced to section 177 has also been proposed to be included to this section to avoid any confusion between powers of the Commissioner and FBR.

## **30. OTHER ADMINISTRATIVE CHANGES**

### **Reward to Inland Revenue officers and officials**

**[Section 227A]**

With a view to incentivize tax officials, indulging them to prefer enforcement of compliances over the traditional behavior leading to leakage of Revenue, a new section is proposed to be introduced. The proposal relates to cash reward to be sanctioned for meritorious conduct to the officers and officials of Inland Revenue and to the informer, providing credible information leading to detection of concealment or evasion of income tax and other taxes.

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### **Directorate-General of Law and Directorate-General of Research & Development**

**[Section 230B & 230C]**

It has been proposed to create two new Directorate-General with functions to be specified by the FBR under notification in the official Gazette.

## **31. COLLECTION OF TAX BY NCCPL**

**[Section 233AA and First Schedule Part IV Div IIA & Div IIB]**

NCCPL is empowered to collect advance tax from the members of Stock Exchange registered in Pakistan, in respect of margin financing in share business at specified rates. It has now been proposed to empower NCCPL to collect advance tax from margin financiers, trading financiers and lenders providing of any margin financing, margin trading or securities lending under Securities (Leveraged Markets and Pledging) Rules, 2011.

Moreover, it has also been sought to omit existing S. No. (iv) of Division IIA of Part IV of First Schedule to the Ordinance and propose a new Division IIB to this keeping rate of collection by NCCPL at existing 10%.

## **32. TAX ON MOTOR VEHICLES**

**[Section 234 & First Schedule Part IV Div III]**

It is intended to clarify the missing reference to Division III in Part IV of the First Schedule to the Ordinance. Moreover, it has also been proposed to include payment of advance tax in lump sum based on the following rates included for lump sum payments in the said Division:

Engine capacity	Amount of Lump Sum Tax
Up to 1000cc	Rs. 7,500
1001cc to 1199cc	Rs. 12,500
1200cc to 1299cc	Rs. 17,500
1300cc to 1599cc	Rs. 30,000
1600cc to 1999cc	Rs. 40,000
2000cc and above	Rs. 80,000

Moreover, the tax collection under section 234 is proposed to be treated as advance tax, adjustable from the tax liability.

### 33. ADVANCE TAX ON FUNCTIONS AND GATHERINGS

**[Section 236D & First Schedule Part IV Div XI]**

Expanding the purview of collections through advance taxes, it has been proposed to collect advance tax at 10% on the total amount of the Bill from a person arranging or holding almost every type of function in a marriage hall, marquee, hotel, restaurant, commercial lawn, club, a community place or any other place used for such purpose.

However, where the food, service or any other facility is provided by any other person, advance tax at 10% is proposed to be collected on the payment for such food, service or facility from the person arranging or holding the function. The responsibility to collect this advance tax is proposed to rest with the owner, lease-holder, operator or a manager of a marriage hall, marquee, hotel, restaurant, commercial lawn, club, community place or other place used for such purpose.

### 34. ADVANCE TAX ON FOREIGN-PRODUCED FILMS, TV PLAYS AND SERIALS

**[Section 236E & First Schedule Part IV Div XII]**

It has been proposed to make persons responsible for censoring or certifying a foreign-produced film, a TV drama serial or a play, for screening and viewing to collect advance tax are reproduced below:

Censoring or certifying of –	Amount of Advance Tax
Foreign-produced film	Rs. 1,000,000/-
Foreign-produced TV drama serial	Rs.100,000/-per episode
Foreign-produced TV play (single episode)	Rs. 100,000

### 35. ADVANCE TAX ON CABLE OPERATORS AND OTHER ELECTRONIC MEDIA

**[Section 236F & First Schedule Part IV Div XIII]**

The Bill seeks to require Pakistan Electronic Media Regulatory Authority collect advance tax at the time of issuance of license for distribution services or renewal of the license granted under Pakistan Electronic Media Regulatory Authority Ordinance, 2002 (XIII of 2002) and Pakistan Electronic Media Regulatory Authority Rules, 2009. The proposed rates for collection of advance tax are as follows:

License Category	Tax on License Fee	Tax on Renewals
<b>Cable Television Operators</b>		
H to B-10	Rs.7,500 to Rs.875,500	Rs.10,000 to Rs.900,000
<b>IPTV</b>	Rs.100,000	Rs.1,000,000
<b>FM Radio</b>	Rs.100,000	Rs.100,000
<b>MMDS</b>	Rs.200,000	Rs.100,000
<b>Mobile TV</b>	Rs.100,000	Rs.50,000
<b>Satellite TV Stations</b>		
News or Current	Rs.1,000,000	Rs.2,000,000
Sports	Rs.1,000,000	Rs.1,000,000
Regional Language	Rs.700,000	Rs.700,000
Health or Agro	Rs.300,000	Rs.300,000
Education	Rs.300,000	Rs.300,000
Entertainment	Rs.1,000,000	Rs.1,000,000
Specialized subject station	Rs.500,000	Rs.200,000
<b>Landing Rights per Channel</b>		
News/Current Affairs	Rs.1,000,000	Rs.5,000,000
Sports	Rs.500,000	Rs.2,500,000
Educational	Rs.200,000	Rs.1,000,000
Entertainment	Rs.200,000	Rs.2,000,000
Children	Rs.350,000	Rs.1,500,000

### 36. ADVANCE TAX ON SALES TO DISTRIBUTORS, DEALERS AND WHOLESALERS

#### [Section 236G & First Schedule Part IV Div XIV]

Manufacturers and commercial importers of following items are proposed to be made liable to collect advance tax at the time of sale to distributors, dealers and wholesalers at 0.1% of gross amount of sales. The following items have been proposed under the purview of this collection of advance tax:

- |                            |               |
|----------------------------|---------------|
| - Electronics;             | - Cigarettes; |
| - Sugar;                   | - Glass;      |
| - Cement;                  | - Textile;    |
| - Iron and steel products; | - Beverages;  |
| - Fertilizer;              | - Paint; or   |
| - Motorcycles;             | - Foam sector |
| - Pesticides;              |               |

Credit of this advance tax will be allowed in computing the tax due by the distributor, dealer or wholesaler on taxable income for the tax year in which the tax was collected.

### 37. ADVANCE TAX ON SALES TO RETAILERS [Section 236H & First Schedule Part IV Div XV]

Manufacturers, distributors, dealers, wholesalers and commercial importers of the above items (i.e. items as per proposed section 236G) are sought to be made responsible to collect advance tax at

the time of sale to retailers at 0.5% of gross amount of sales. Credit of this advance tax will be allowed in computing the tax due by the retailer on taxable income for the tax year in which the tax was collected.

### **38. COLLECTION OF ADVANCE TAX BY EDUCATIONAL INSTITUTIONS**

#### **[Section 236I & First Schedule Part IV Div XVI]**

It has further been proposed to collect advance tax at 5% on the amount of fee paid to an educational institution. Fee means tuition fee and all charges, by whatever called, and tax is required to be collected in the same manner the fee is charged. It is however suggested advance tax under this section shall not be collected where annual fee does not exceed two hundred thousand rupees.

It appears that the intention of this collection is limited to cases where students are minor (i.e. below the age 18 years), since it has also been proposed that tax collected under this section shall be adjustable against the tax liability of either of the parents or guardian making payment of the fee. Conversely, an ambiguity arises whether or not those students (generally advanced/ professional level students) who bear their fee themselves be able to claim this advance tax in their return of income.

### **39. ADVANCE TAX ON DEALERS, COMMISSION AGENTS & ARHATIS ETC.**

#### **[Section 236J & First Schedule Part IV Div XVII]**

It has been proposed to require market committees to collect advance tax from dealers, commission agents or arhatis, etc. at the following rates at the time of issuance or renewal of licenses:

<b>Group</b>	<b>Amount of tax</b>
Group or Class A	Rs. 10,000
Group or Class B	Rs. 7,500
Group or Class C	Rs. 5,000
Any other category	Rs. 5,000

A definition of 'market committee' has also been proposed to include any committee or body formed under any provincial or local law made for the purposes of establishing, regulating or organizing agricultural, livestock and other commodity markets.

### **40. RATES OF TAX**

#### **[First Schedule Part I]**

#### **Rates of tax for companies**

#### **[Division II]**

It has been proposed to insert a proviso relating to a relief of 1%, reducing the tax rate for companies other than a banking company from existing 35% to 34% to applicable to tax year 2014.

### **41. RATE OF COLLECTION OR DEDUCTION OF WITHHOLDING TAX**

#### **Imports**

#### **[First Schedule Part II]**

It has been sought to introduce discriminatory rates for imports by taxpayers other than industrial undertakings and companies. Now these taxpayers will be depositing tax under section 148 at 5.5% of value of imported goods as against the prevailing rate of 5%.

**Payments for goods or services**

**[First Schedule Part III Div III]**

It has further been proposed to adopt discriminatory rates for deduction of tax at source for payments against goods or services based on the status of recipient as under:

Type of Transaction	Status of Recipient	
	<i>Company</i>	<i>Others</i>
Sales of goods	3.5%	4%
Rendering of services (other transport services)	6%	7%
Contracts	6%	6.5%

**Prizes and winnings**

**[First Schedule Part III Div VI]**

The Bill seeks to increase the rate for deduction of tax at source on a prize on prize bonds or cross-word puzzles from existing rate of 10% to a proposed rate of 15%.

**Cash withdrawal from a bank**

**[First Schedule Part IV Div VI]**

It has been sought to increase the rate of advance tax on cash withdrawals exceeding Rs. 50,000 per day from existing 0.2% to a proposed rate of 0.3%.

**Purchase of motor cars and jeeps**

**[First Schedule Part IV Div VII]**

It has been proposed to enhance rates of collection of advance tax under section 231B at the time of registration of a new locally manufactured motor vehicle as under:

Engine capacity	Amount of tax		Proposed Increase (%)
	<i>Existing</i>	<i>Proposed</i>	
Up to 850cc	Rs. 7,500	Rs.10,000	33.33%
851cc to 1000cc	Rs.10,500	Rs.20,000	90.48%
1001cc to 1300cc	Rs.16,875	Rs.30,000	77.78%
1301cc to 1600cc	Rs.25,000	Rs.50,000	100.00%
1601cc to 1800cc	Rs. 22,500	Rs.75,000	233.33%
1801cc to 2000cc	Rs. 16,875	Rs.100,000	492.59%
Above 2000cc	Rs.50,000	Rs.150,000	200.00%

**Sale by auction**

**[First Schedule Part IV Div VIII]**

The existing rate of collection of advance tax at the time of sale by public auction is 5% of the gross sale price. It is now intended to enhance this rate to 10%.

**42. EXEMPTION FROM TOTAL INCOME**

**[Second Schedule Part I]**

**Exemptions proposed to be extended**

***Special Economic Zones***

**[Clause 126E]**

The time period of eligibility period to avail tax exemption by a zone enterprise has been proposed to be increased from existing 5 years to 10 years.

### Exemptions proposed to be withdrawn

- a. *Perquisites received by virtue of employment*** **[Clause 53A(i)]**  
Free or concessional passage provided by transporters including airlines to its employees (including the members of their household and dependents) are now proposed to be taxed.
- b. *Income of universities or other non-for-profit educational institutions*** **[Clause 92]**  
It has been sought to withdraw the exemption available to universities or other educational institutions established solely for educational purposes and not for purposes of profit.
- c. *Dividend in specie*** **[Clause 103B]**  
Any dividend in specie derived in the form of shares in a company, as defined in the Companies Ordinance, 1984 was currently exempt from tax. It has now been sought to omit this exemption.

### 43. REDUCTION IN TAX RATES

**[Second Schedule Part II]**

#### **Hybrid cars (Hybrid Electric Vehicles)**

**[Clause 126E]**

Certain relaxations from taxes were introduced recently vide SRO 607(I)/2012 on import of hybrid cars, including relaxation of 75% taxes on import. It is now sought to enhance relaxation on income tax at import stage based on engine capacity as under:

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

### 44. REDUCTION IN TAX LIABILITY

**[Second Schedule Part III]**

- a. *Flying allowance and submarine allowance*** **[Clause 1]**  
It has been sought to withdraw the concessional rate of taxation at 2.5% on flying allowance received by pilots, flight engineers, navigators of Pakistan Armed Forces, Pakistani Airlines or Civil Aviation Authority, Junior Commissioned Officers or other ranks of Pakistan Armed Forces and submarine allowance received by the officers of the Pakistan Navy.
- b. *Full time teachers or researchers*** **[Clause 2]**  
The tax payable by a full time teacher or a researcher, employed in a non profit education or research institution duly recognized by Higher Education Commission, a Board of Education or a University recognized by the Higher Education Commission, including government training and research institution, is currently reduced by an amount equal to 75% of tax payable on income from salary. It has now been proposed to withdraw this concession.
- c. *Distribution of cigarettes manufactured in Pakistan*** **[Clause 7]**  
Presently where a company engaged in distribution of cigarettes manufactured in Pakistan is required to pay minimum tax under section 113, the amount of this minimum tax is being reduced by 80%. It is now intended to broaden the scope of this concession to all type of taxpayers meeting the given criteria.

**45. EXEMPTION FROM SPECIFIC PROVISIONS**

**[Second Schedule Part IV]**

**a. Nature of tax collectible at import stage on foreign produced films, etc. [Clause 56A]**

The Bills proposes to treat tax collectible upon import of foreign produced films, TV plays and serials as advance tax.

**b. Profit on debt on DSCs, SSCs, etc. [Clause 59(iv)(a)]**

No income tax on profit on debt is presently required to be withheld on DSCs, SSCs, Savings Accounts or Post Office Savings Accounts, or TFCs in case such deposits do not exceed Rs.150,000. It is now being proposed to withdraw this exemption, requiring tax to be deducted from profit on debt on these instruments and accounts irrespective of the quantum of investment.

**c. Income from Hajj operations [Clause 72A]**

It has been sought to extend exemption from the purview of clause (l) of section 21, sections 113 and 152 in case of a non-resident Hajj Group Operator in respect of Hajj operations provided that following tax per Haji has been paid:

Tax Year	Rate of tax per Haji
2013	Rs. 3,500
2014	Rs. 5,000

[www.imranghazi.com](http://www.imranghazi.com)

**d. Exemption from tax at import stage to industrial undertakings [Clause 72B]**

A new clause is sought to be introduced, extending relaxation from the provisions of section 148 to such industrial undertakings which opt to pay tax liability for the current tax year on the basis of determined tax liability for preceding two tax years, whichever is the higher.

**46. INITIAL ALLOWANCE**

**[Third Schedule Part II Clause 1]**

The Bill seeks to reduce the prevailing rate of initial allowance on plant and machinery from existing 50% to 25%, bringing it at par with the allowance on buildings.

**47. BANKING COMPANIES**

**[Seventh Schedule Rule 6]**

It appears that the Bill seeks to propose an amendment to the Third Proviso to Rule 6 instead of the indicated second Proviso. It has been proposed to maintain the rate of tax on dividend received from Money Market Funds and Income Funds at 25% for tax year 2014 and onwards.

## **SECTION 5 SALES TAX & FEDERAL EXCISE DUTY**

### **1. SALES TAX ACT, 1990**

#### **Definitions**

##### **Computerized Risk based Evaluation of Sales Tax (CREST) [Section 2(5AC)]**

The Bill seeks to introduce the definition of Computerized Risk based Evaluation of Sales Tax (CREST) that is to be utilized for cross matching and analyzing of sales tax returns.

##### **Supply chain [Section 2(33)]**

It has been sought to introduce the definition of supply chain meaning the series of transactions between buyers & sellers from the stage of first purchase or import to the stage of final supply.

##### **Time of supply [Section 2(44)]**

The Bill seeks to propose a changeover wherein time of supply would be earlier of the time when either the goods are made available to the recipient of the supply or the payment is received by the supplier, which previously was at the time only when the goods were delivered or made available to the recipient of the supply.

It has been further proposed that receipt of any advance payment in respect of taxable supply shall be accounted for in the return of the tax period in which such payment is received.

##### **Scope of tax [Section 3]**

The Bill seeks to enhance the rate of sales tax to 17% from existing 16%.

It has also been sought to charge further tax at the rate of 2% of the value in addition to the proposed rate of 17% in case of taxable supplies made to an unregistered person, unless the same are exempted from chargeability of further tax as specified by the Federal Government in the Official Gazette.

Moreover the Board may levy and collect tax on the following instead of levying and collecting tax on taxable supplies:

- a. production capacity of plants, machinery, undertaking, establishments or installations producing or manufacturing such goods; or
- b. fixed basis, as it may deem fit, from any person who is in a position to collect such tax due to the nature of the business.

##### **Tax credit not allowed [Section 8]**

Pursuant to the proposed inclusion of the definitions of CREST & supply chain in the Sales Tax Act, 1990, the Bill proposes to introduce a new clause by emphasizing the disallowance of tax credit in respect of purchases wherein discrepancies have been indicated in CREST or input tax is not verifiable in the supply chain.

**Deregistration, black listing and suspension of registration**

**[Section 21]**

The Bill proposes to discourage carrying out business with persons where there is any indication that the said persons might be deregistered, suspended or black listed by emphasizing that even if the buyer makes payments through banking channel and complies with other payment procedures as well, claiming of input tax credit, refund, adjustment or deduction against the said supplies shall not be allowed.

It has also been sought to empower the Board, Commissioner or any officer authorized by the board in this respect that they may, after recording reasons in writing, block the refunds or input tax adjustments of a person believed to be engaged in issuing fake or flying invoices, claiming fraudulent input tax or refunds.

It is further proposed that the said authorities may also direct the concerned Commissioner for investigation and appropriate legal action as deemed appropriate.

**Posting of Inland Revenue Officer**

**[Section 40B]**

The Bill seeks to empower the Chief Commissioner as well for posting of the Inland Revenue Officer at the premises of the registered person for the purpose of monitoring production, sale of taxable goods & stock position which previously rested only with the Board.

**Monitoring or tracking by electronic or other means**

**[Section 40C]**

It has been proposed to introduce a new clause empowering the Board to monitor or track records by electronic or other means.

Moreover, it is further sought that the board may also restrict the movement/ sale of taxable goods from the premises of the registered person unless the same comply with the conditions as prescribed by the Board.

**Appeals**

**[Section 45B]**

The Bill seeks to empower the Commissioner Inland Revenue Appeals to allow stay against recovery of tax, for a maximum period of 30 days, if deemed appropriate for the tax payer.

**Rectification of mistake**

**[Section 57]**

The Bill proposes to harmonize the concept of rectification of mistake in line with Income Tax Ordinance 2001 as under:

- a. allowing the Commissioner to pass a rectification order in writing within a maximum period of 5 years from the date of the order sought to be rectified to rectify any mistake apparent from the records either on his own motion or brought to his notice by the tax payer; and
- b. allowing the Appellate Forums to pass a rectification order in writing within a maximum period of 5 years from the date of the order sought to be rectified to rectify any mistake apparent from the records either on its own motion or brought to its notice by the Commissioner.

It is further sought that the tax payer would be given reasonable opportunity of being heard before passing of an order having an adverse effect to the tax payer.

**Reward to Inland Revenue Officers and Officials**

**[Section 72C]**

The Bill seeks to incentivize the tax officials/ officers in respect of their performance to detect cases of concealment or evasion of sales tax and other taxes.

It has also been sought to incentivize informer as well for providing credible information leading to such detection only after realization of the taxes involved in such cases.

It is further proposed that the Board may, by notification in the Official Gazette, prescribe the procedure for distribution of rewards either on individual performance or on collective basis for the concerned officials.

**Certain transactions not admissible**

**[Section 73]**

The Bill proposes to insert a clause requiring the registered person to provide details of change in bank account either through the sales tax registration form or the change in particulars in registration data base.

**Sales tax at retail price**

**[Third Schedule]**

The Bill proposes to include the following items within the purview of sales tax chargeable at retail price under Third Schedule of the Sales Tax Act, 1990:

S No.	Description	Heading/ Sub-Heading No.
22.	Finished or made-up articles of textile and leather, including garments, footwear, and bed ware, sold in retail packing;	Respective headings
23.	Household electrical goods, including air conditioners, refrigerators, deep freezers, televisions, recorders and players, electric bulbs, tube-lights, fans, electric irons, washing machines and telephone sets;	Respective headings
24.	Household gas appliances, including cooking range, ovens, geysers and gas heaters;	Respective headings
25.	Foam or spring mattresses, and other foam products for household use	Respective headings
26.	Auto parts and accessories sold in retail packing	Respective headings
27.	Lubricating oils, brake fluid, transmission fluid, and other vehicular fluids and maintenance products in retail packing	Respective headings
28.	Tyres and tubes	Respective headings
29.	Storage batteries	Respective headings
30.	Arms and ammunition	Respective headings
31.	Paints, distempers, enamels, pigments, colours, varnishes, gums, resins, dyes, glazes, thinners, blacks, cellulose lacquers and polishes sold in retail packing	Respective headings
32.	Fertilizers	Respective headings
33.	Cement sold in retail packing	Respective headings
34.	Tiles sold in retail packing	Respective headings
35.	Biscuits, confectionary, chocolates, toffees and candies	Respective headings
36.	Other goods and products sold in retail packing	Respective headings

**Exemptions**

**[Sixth Schedule]**

**Exemptions withdrawn**

It has been sought to withdraw the following exemptions from levy of sales tax with effect from June 13, 2013:

**[Table I – Imports or Supplies]**

S No.	Description	Heading/ Sub-Heading No.
25.	Milk preparations obtained by replacing one or more of the constituents of milk by another substance, whether or not packed for retail sale.	1901.1000, 1901.9020 and 1901.9090

**[Table II – Local Supplies]**

S No.	Description	Heading/ Sub-Heading No.
12.	Supplies against international tender	Respective headings

## 2. SALES TAX SPECIAL PROCEDURES RULES, 2007

Effective June 13, 2013, SRO 510(I)/2013 brings the following changes to the Sales Tax Special Procedure Rules, 2007 –

### **Chapter IVA Special Procedure for Collection and Payment of Extra Tax on Supplies of Electric Power and Natural Gas consumed by Unregistered and Inactive Persons**

#### **Application**

**[Rule 18A]**

The provisions of this Chapter shall apply to the supplies of electric power and natural gas consumed by persons having industrial or commercial connections.

#### **Mode and manner of collection**

**[Rule 18B]**

- (1) Every person supplying electric power or natural gas, shall charge and collect extra tax at the rate notified by the Federal Government, from every consumer having an industrial or commercial connection, where the Bill for a month is in excess of rupees fifteen thousand, and the consumer either has not provided his sales tax registration number to the supplier or his name is not shown as active on the Active Taxpayers List (ATL) maintained by the Federal Board of Revenue.
- (2) The amount of extra tax shall be shown separately in the Bill or invoice for electric power or natural gas issued by the supplier.
- (3) The supplier shall collect and pay the amount of extra tax in the manner prescribed in Chapters III and IV, as the case may be.

#### **Conditions and limitations**

**[18C]**

- (1) The amount of extra tax shall not be adjustable by the supplier or the consumer in their returns, and shall be paid in full by the supplier into the Treasury.
- (2) Where a person claims that he has a sales tax registration number, the supplier of electric power or natural gas, as the case may be, shall require him to produce the sales tax registration certificate, and shall verify from the Active Taxpayers List maintained by the Federal Board of Revenue that the person is actually registered and is appearing as active thereon. The supplier shall also confirm that the name, address and other particulars appearing on the registration certificate or Active Taxpayers List, as the case may be, are the same as that of the electric power or natural gas connection.
- (3) A person having multiple places of business shall ensure that all such places of business are properly declared and entered on his registration certificate and Active Taxpayers List.
- (4) After a person produces sales tax registration certificate in his name, and he is verified as active on the Active Taxpayer List, the supplier shall incorporate the sales tax registration number in his billing system so that it is printed on future bills. Thereafter, the supplier shall stop charging and collecting the extra tax from such person.
- (5) The supplier shall again start charging and collecting extra tax from the consumer from the month in which he is de-registered from sales tax or he does not remain active on the Active Taxpayers List.

## **SALES TAX RULES, 2006**

Effective July 01, 2013, S.R.O. 506(1)/2013 brings the following changes to the Sales Tax Rules, 2006 –

Rule 5	Application for registration	The Bill seeks to simplify the procedure for selection of the jurisdiction at the time of registration of a person as follows:
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- a. in case of a corporate or non-corporate person having a single manufacturing unit or business premises, the RTO or LTU, as applicable in whose jurisdiction the manufacturing unit or business premises is located;
- b. in case of a corporate or non-corporate person having multiple manufacturing units or business premises, the RTO or LTU, as applicable in whose jurisdiction the manufacturing units or business premises is located.

Chapter VII A - Supplies  
against International Tender

Pursuant to the withdrawal of sales tax exemption previously available for supplies against International Tender, it has been sought to remove the Special procedure relating to supplies against International Tender.

### 3. OTHER SALES TAX NOTIFICATIONS (SROs)

#### *Original SROs Promulgated*

SRO	Promulgation	Effective Date																																																			
501(I)/2013	Granting of sales tax exemption on the import and supplies of the following items by inclusion under Sixth Schedule of the Sales Tax Act, 1990:	June 13, 2013																																																			
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">S.#</th> <th style="text-align: center;">Description of goods</th> <th style="text-align: center;">PCT headings</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1.</td> <td>Uncooked poultry meat</td> <td style="text-align: center;">02.07</td> </tr> <tr> <td style="text-align: center;">2.</td> <td>Milk and cream</td> <td style="text-align: center;">04.01 and 04.02</td> </tr> <tr> <td style="text-align: center;">3.</td> <td>Flavored Milk</td> <td style="text-align: center;">0402.9900 and 22.02</td> </tr> <tr> <td style="text-align: center;">4.</td> <td>Yogurt</td> <td style="text-align: center;">0403.1000</td> </tr> <tr> <td style="text-align: center;">5.</td> <td>Whey</td> <td style="text-align: center;">04.04</td> </tr> <tr> <td style="text-align: center;">6.</td> <td>Butter</td> <td style="text-align: center;">0405.1000</td> </tr> <tr> <td style="text-align: center;">7.</td> <td>Desi ghee</td> <td style="text-align: center;">0405.9000</td> </tr> <tr> <td style="text-align: center;">8.</td> <td>Cheese</td> <td style="text-align: center;">0406.1010</td> </tr> <tr> <td style="text-align: center;">9.</td> <td>Processed cheese not grated or powdered</td> <td style="text-align: center;">0406.3000</td> </tr> <tr> <td style="text-align: center;">10.</td> <td>Cotton seed</td> <td style="text-align: center;">1207.2000</td> </tr> <tr> <td style="text-align: center;">11.</td> <td>Frozen, prepared or preserved sausages and similar products of poultry meat or meat offal</td> <td style="text-align: center;">1601.0000</td> </tr> <tr> <td style="text-align: center;">12.</td> <td>Meat and similar products of prepared frozen or preserved meat or meat offal of all types including poultry meat and fish 1604.3000).</td> <td style="text-align: center;">1602.3200,1602.3900, 1602.5000,1604.1100, 1604.1200,1604.1300, 1604.1400,1604.1500, 1604.1600,1604.1900, 1604.2010, 604.2020, 1604.2090,</td> </tr> <tr> <td style="text-align: center;">13.</td> <td>Preparations for infant use, put up for retail sale</td> <td style="text-align: center;">1901.1000</td> </tr> <tr> <td style="text-align: center;">14.</td> <td>Fat filled milk</td> <td style="text-align: center;">1901.9090</td> </tr> <tr> <td style="text-align: center;">15.</td> <td>Soya bean meal</td> <td style="text-align: center;">2304.0000</td> </tr> <tr> <td style="text-align: center;">16.</td> <td>Oil cake and other solid residues, whether or not ground or in the form of pellets</td> <td style="text-align: center;">2306.1000</td> </tr> </tbody> </table>	S.#	Description of goods	PCT headings	1.	Uncooked poultry meat	02.07	2.	Milk and cream	04.01 and 04.02	3.	Flavored Milk	0402.9900 and 22.02	4.	Yogurt	0403.1000	5.	Whey	04.04	6.	Butter	0405.1000	7.	Desi ghee	0405.9000	8.	Cheese	0406.1010	9.	Processed cheese not grated or powdered	0406.3000	10.	Cotton seed	1207.2000	11.	Frozen, prepared or preserved sausages and similar products of poultry meat or meat offal	1601.0000	12.	Meat and similar products of prepared frozen or preserved meat or meat offal of all types including poultry meat and fish 1604.3000).	1602.3200,1602.3900, 1602.5000,1604.1100, 1604.1200,1604.1300, 1604.1400,1604.1500, 1604.1600,1604.1900, 1604.2010, 604.2020, 1604.2090,	13.	Preparations for infant use, put up for retail sale	1901.1000	14.	Fat filled milk	1901.9090	15.	Soya bean meal	2304.0000	16.	Oil cake and other solid residues, whether or not ground or in the form of pellets	2306.1000	
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17.	Colours in sets (Poster colours)	3213.1000
18.	Writing, drawing and marking inks	3215.9010 and 3215.9090
19.	Erasers	4016.9210 and 4016.9290
20.	Exercise books	4820.2000
21.	Directly reduced iron	72.03
22.	Pencil sharpeners	8214.1000
23.	Energy saver lamps	8539.3910
24.	Sewing machines of the household type	8452.1010 and 8452.1090
25.	Purpose built taxis, whether in CBU or CKD condition which are built on girder chassis and having following features, namely:- (a) Attack resistance central division along with payment tray; (b) Wheelchair compartment with folding ramp; and (c) Taximeter and two-way radio system.	8703.3226 and 8703.3227
26.	Bicycles	87.12
27.	Wheelchairs	8713.1000 and 8713.9000
28.	Vessels for breaking up	89.08
29.	Other drawing, marking out or mathematical calculating instruments (geometry box)	9017.2000
30.	Pens and ball pens	96.08
31.	Pencils including colour pencils	96.09
32.	Compost (non-chemical fertilizer) produced and supplied locally	
33.	Construction materials to Gawadar Export Processing Zone's investors and to Export Processing Zone Gawadar for development of Zone's infrastructure.	

509(I)/2013

It has been proposed to charge sales tax at the rate of 5% on supplies of electric power & natural gas to persons having industrial or commercial connections wherein Bill exceeds Rs.15,000 and neither have sales tax registration number nor are appearing on the active tax payers list.

June 13, 2013

**SROs Amended**

Amending SRO	Amended SRO	Amendment	Effective Date														
502(I)/2013	549(I)/2008	<p>It has been proposed that the following items that were previously chargeable to Sales Tax @ 0% have now been excluded:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">S.#</th> <th style="text-align: center;">Description</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2.</td> <td>i. cotton seeds (PCT Heading 1207.2000); and ii. Oil Cake and other solid residues, whether or not ground or in the form of pellets (PCT Heading 2306.1000)</td> </tr> <tr> <td style="text-align: center;">5.</td> <td>Compost (non-chemical fertilizer)</td> </tr> <tr> <td style="text-align: center;">8.</td> <td>Every Saver lamps PCT Heading 8539.3910</td> </tr> <tr> <td style="text-align: center;">9.</td> <td>Construction materials to Gawadar Export Processing Zone's Investors and to Export Processing Zone Gawadar for development of zone's infrastructure</td> </tr> <tr> <td style="text-align: center;">10.</td> <td>Wheel Chair</td> </tr> <tr> <td style="text-align: center;">11.</td> <td>Cotton seed oil</td> </tr> </tbody> </table>	S.#	Description	2.	i. cotton seeds (PCT Heading 1207.2000); and ii. Oil Cake and other solid residues, whether or not ground or in the form of pellets (PCT Heading 2306.1000)	5.	Compost (non-chemical fertilizer)	8.	Every Saver lamps PCT Heading 8539.3910	9.	Construction materials to Gawadar Export Processing Zone's Investors and to Export Processing Zone Gawadar for development of zone's infrastructure	10.	Wheel Chair	11.	Cotton seed oil	June 13, 2013
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503(I)/2013	993(I)/2006	<p>It has been proposed to omit the specified item related to allowing composite repayment cum duty draw-back of sales tax and federal excise duty to a registered person on the export from Pakistan of vegetable ghee, cooking oil and margarine at specified rates.</p>	June 13, 2013														
504(I)/2013	1125(I)/2011	<p>The Bill seeks to amend the description of certain specific items as below that are chargeable to sales tax at the rate of 2% if supplied within the five sectors (i.e. textile including jute sector, carpet sector, leather sector, sport &amp; surgical goods sector):</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">S.#</th> <th style="text-align: center;">Description</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1.</td> <td>Leathers and articles thereof, excluding finished articles of leather and artificial leather; (PCT Heading chapter 41 &amp; heading 64.06);</td> </tr> <tr> <td style="text-align: center;">2.</td> <td>Textile &amp; articles thereof, excluding:                             <ol style="list-style-type: none"> <li>a. finished articles of textiles &amp; textile made ups;</li> <li>b. mono-filament of more than 67 decitex;</li> <li>c. sun shading</li> <li>d. fishing net of nylon or other material</li> <li>e. rope of polyethylene or nylon; and</li> <li>f. tyre cod fabric</li> </ol> </td> </tr> <tr> <td style="text-align: center;">3.</td> <td>Carpet, excluding those in finished condition</td> </tr> <tr> <td style="text-align: center;">6.</td> <td>Sports goods excluding those in finished condition;</td> </tr> <tr> <td style="text-align: center;">7.</td> <td>Surgical goods excluding those in finished condition;</td> </tr> <tr> <td style="text-align: center;">56.</td> <td>Other coloring matter</td> </tr> </tbody> </table>	S.#	Description	1.	Leathers and articles thereof, excluding finished articles of leather and artificial leather; (PCT Heading chapter 41 & heading 64.06);	2.	Textile & articles thereof, excluding: <ol style="list-style-type: none"> <li>a. finished articles of textiles &amp; textile made ups;</li> <li>b. mono-filament of more than 67 decitex;</li> <li>c. sun shading</li> <li>d. fishing net of nylon or other material</li> <li>e. rope of polyethylene or nylon; and</li> <li>f. tyre cod fabric</li> </ol>	3.	Carpet, excluding those in finished condition	6.	Sports goods excluding those in finished condition;	7.	Surgical goods excluding those in finished condition;	56.	Other coloring matter	
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**SROs Rescinded**

Rescinding SRO	Rescinded SRO	Effect	Effective Date
500(I)/2013	646(I)/2005	Withdrawal of chargeability of sales tax at the rate of zero percent on the supply of items by M/s. BOC Pakistan Ltd, to M/s. PTA Limited, Port Qasim falling under various headings of the Customs Act, 1969.	June 13, 2013
	172(I)/2006	Withdrawal of sales tax exemption available to members of Pakistan Film Producers association (PFPA) on import of specified items falling under various heading of the Customs Act, 1969.	June 13, 2013
	863(I)/2007	Withdrawal of chargeability of sales tax at the rate of zero percent on raw materials, sub components, components, sub-assemblies & assemblies imported or purchased locally for the manufacture of goods falling under various headings of the Customs Act, 1969, subject to fulfillment of certain conditions.	June 13, 2013
	160(I)/2010	Withdrawal of exemption available for the whole amount of default surcharge and penalties payable by a registered person located in specified districts of KPK subject to the condition that the outstanding principal amount of sales tax or federal excise duty is paid by or before 30 <sup>th</sup> June 2010.	June 13, 2013
	161(I)/2010	Withdrawal of exemption available for the whole amount of additional duty and penalties payable by a registered person located in FATA subject to the condition that the outstanding principal amount of the central excise duty is paid by or before 30 <sup>th</sup> June 2010.	June 13, 2013
	162(I)/2010	Withdrawal of the exemption available for the central excise duty on goods produced or services rendered in specified FATA locations for the period of January 01, 2010 – June 30, 2010.	June 13, 2013
	163(I)/2010	Withdrawal of the exemption available for the federal excise duty on goods produced or services rendered in specified areas of KPK for the period of January 01, 2010 – June 30, 2010.	June 13, 2013
	164(I)/2010	Withdrawal of the sales tax exemption available on supply of electricity by Peshawar Electric Supply Company or any other registered electric supply to manufacturing units having industrial connection whether registered or not located in the specified districts of KPK but not applicable to cement, sugar, beverages and cigarette sectors.	June 13, 2013
	117(I)/2011	Withdrawal of sales tax chargeable at concessional rate (50% of normal rate) on goods produced or manufactured in such areas where Sales Tax Act 1990 is not applicable and supplied made to a person in	June 13, 2013

specified areas of KPK where Sales Tax Act 1990 is applicable.

June 13, 2013

180(I)/2011      Withdrawal of sales tax chargeable at concessional rate (50% of normal rate) on goods supplied other than sugar, cement, beverages and cigarettes by the registered persons located in specified areas of KPK.

#### 4. FEDERAL EXCISE ACT, 2005

##### **Duties Specified in the First Schedule to be levied** **[Section 3]**

The Bill seeks to charge further duty at the rate of 2% on the excisable goods and services, if supplied to an unregistered person.

##### **Appeals to Commissioner Appeals** **[Section 33]**

The Bill seeks to empower the Commissioner Inland Revenue Appeals to allow stay against recovery of duty, for a maximum period of 30 days, if deemed appropriate for the tax payer.

##### **Reward to Inland Revenue Officers and Officials** **[Section 42C]**

The Bill seeks to incentivize the tax officials/ officers in respect of their performance to detect cases of concealment or evasion of excise duty and other taxes.

It has also been sought to incentivize informer as well for providing credible information leading to such detection only after realization of the duties and taxes involved in such cases.

It is further proposed that the Board may, by notification in the Official Gazette, prescribe the procedure for distribution of rewards either on individual performance or on collective basis for the concerned officials.

##### **Monitoring or tracking by electronic or other means** **[Section 45A]**

It has been proposed to introduce a new clause empowering the Board to monitor or track records by electronic or other means.

Moreover, it is further sought that the board may also restrict the movement/ sale of taxable goods from the premises of the registered person unless the same comply with the conditions prescribed by board.

##### **Changes to the description of goods and/ or rate of duty**

The Bill seeks to propose following changes to the rates of the Federal Excise Duty.

**[Table I to First Schedule to the Act]**

Sr.	Description of goods	Rate of FED (% of Retail Price)	
		Existing	Proposed
4.	Aerated water	6%	9%
5.	Aerated water, containing added sugar or other sweetening matter or flavored	6%	9%
6.	Aerated water, if manufactured wholly from juices or pulp vegetable, food grains or fruits and which do not contain any other ingredient, indigenous or imported, other than sugar, coloring materials, preservatives or additives in quantities prescribed under the West Pakistan Pure Food Rules, 1965	6%	9%

**[Table I to First Schedule to the Act]**

Existing			Proposed	
Sr.	Description of goods	Rate of FED	Description of goods	Rate of FED
9.	Locally produced cigarettes if their retail price exceeds twenty two rupees and eighty six paise per ten cigarettes.	Sixty-Five per cent of the retail price.	Locally produced cigarettes if their on-pack printed retail price exceeds rupees two thousand two hundred & eighty six per thousand cigarettes.	Rupees Two thousand three hundred and twenty five per thousand cigarette
10.	Locally produced cigarettes if their retail price exceeds thirteen rupees and thirty six paise per ten cigarettes but does not exceed twenty two rupees and eighty six paise per ten cigarettes.	Seven rupees and two paisas per ten cigarettes plus 70% per incremental rupee or part thereof.	Locally produced cigarettes if their on-pack printed retail price does not exceed rupees two thousand two hundred & eighty six per thousand cigarettes.	Rupees eight hundred and eighty per thousand cigarette

### Changes to the Description of Services and/ or Rate of Duty

The Bill also seeks to propose following changes to the description of services as under:

**[Table II to First Schedule to the Act]**

Existing			Proposed	
Sr.	Description of Services	Rate of FED	Description of Services	Rate of FED
8.	Services provided by banking companies or non banking financial companies.	16% of the charges	Services provided or rendered by banking companies, insurance companies, cooperative financing societies, modarbas, mushrika, leasing companies, foreign exchange dealers, non-banking financial institutions, asset management companies and other persons dealing in any such services	16% of the charges

### Abolishment of Duty

The Bill seeks to abolish the whole amount of Federal Excise Duty leviable on certain goods by omitting the following entries from the First Schedule.

**[Table I to First Schedule to the Act]**

Sr.	Description	Heading/ Sub-Heading No.	Rate of FED
11.	Locally produced cigarettes if their retail price does not exceed thirteen rupees and thirty six paise per ten cigarettes	24.02	Seven rupees and two paisas per ten cigarettes

The Bill seeks to abolish the whole amount of Federal Excise Duty leviable on certain services by omitting the following entries from the First Schedule.

**[Table II to First Schedule to the Act]**

Sr.	Description	Heading/ Sub-Heading No.	Rate of FED
7.	Services provided or rendered in respect of insurance to a policy holder by an insurer including a re-insurer in case where direct insurance services has been provided	9813.1000	
	(i) Goods insurance	9813.1100	
	(ii) Fire insurance	9813.1200	16% of gross premium paid
	(iii) Theft insurance	9813.1300	
	(iv) Marine insurance	9813.1400	
	(v) Other insurance	9813.1500	

**Table II to Third Schedule to the Act]**

Sr.	Description	Heading/ Sub-Heading No.
8.	Services provided by asset management companies with effect from July 01, 2007	Respective Headings

### Abolishment of conditional exemptions

The Bill seeks to abolish following conditional exemptions

**[Table I to Third Schedule to the Act]**

Sr.	Description of Goods	Heading/ Sub-Heading No.
5.	Hydraulic cement imported or purchased locally by petroleum or energy sector companies or projects subject to the same conditions and procedures as are applicable for the purposes of exemption of custom duty	2523.9000
7.	Lubricating oil if supplied to Pakistan Navy for consumption in its vessels	Respective headings
8.	Transformer oil if used in the manufacture of transformers supplied against international tenders to a project financed out of funds provided by the international loan or aid giving agencies	Respective headings

### Excisable goods

The Bill seeks to insert the following new entries

**[Table I to First Schedule to the Act]**

Sr.	Description of Goods	Rate of FED
54.	Oil seeds	40 paisa per kg
55.	Motor cars, SUVs and other motor vehicles of cylinder capacity of 1800 cc or above, principally and designed for the transport of persons (other than those of headings 87.02), including station wagons and racing cars of cylinder capacity of 1800 cc or above.	10 % ad. Val.

## 5. FEDERAL EXCISE SROs

### *Original SROs Promulgated*

SRO	Promulgation	Effective Date
507(I)/2013	The Bill seeks to levy fixed amount of federal excise duty at the rate of Rs.1/- per kilogram of locally produced oil purchased by a manufacturer of vegetable ghee and cooking oil, in lieu of the federal excise duty payable @ 16% on vegetable ghee and cooking oil produced or manufactured from locally produced oil, which shall be paid by the producer or manufacturer of vegetable ghee and cooking oil along with his monthly return for the period in which the locally produced oil is purchased.  It is further sought that duty payable at the aforementioned rate on the stocks of locally produced oil purchased before the 12th June, 2013 and lying in premises of vegetable ghee and cooking oil producer or manufacturer on the said date, shall be paid along with the return filed for June, 2013.	June 13, 2013
508(I)/2013	It has been proposed to levy fixed amount of federal excise duty of 40 paisa per kilogram on oilseeds, at the import stage, in lieu of federal excise duty payable at production or manufacturing stage of vegetable ghee or cooking oil.	June 13, 2013

## **SECTION 6 CUSTOMS**

### **1. CUSTOMS ACT, 1969**

#### **Goods declaration**

**[Section 2 (1a)]**

The Bill seeks to include section 121 under the definition of goods declaration for Transshipment of goods without payment of duty manifested at the time of importation as for transshipment to some other customs-station or foreign destination.

#### **Directorate General of Input Output Co-efficient Organization**

**[Section 3DDD]**

The Bill proposes to insert new sections namely 3DDD to establish new Directorates General for Input Output Co-efficient Organization.

#### **Provision of security and accommodation at Customs-ports, etc**

**[Section 14A]**

It has been sought to substitute section 14A of the Customs Act, 1969 so as to bind the persons including port authorities managing or owning customs ports, land customs station or a container freight station to provide adequate security, residential accommodation to Customs staff and to entertain the delay and detention certificates issued by authorized Customs Officers and to refund demurrage charges where the delay is not due to the fault of the importer or exporter.

#### **False statement, error, etc**

**[Section 32 (4)]**

The Bill seeks to empower the appropriate officers of Customs consider the representation made by importer who have not been levied or has been short-levied or has been erroneously refunded the amount of customs duty and shall determine any amount payable by him under this Act.

#### **Provisional determination of liability**

**[Section 81 (4)]**

The Bill proposes to remove the facility of post-dated cheque for payment of additional amount on the basis of provisional assessment.

#### **Power of adjudication**

**[Section 179 (1)]**

It has been sought to include a new proviso under clause (vi) enhancing the jurisdiction and powers of the officers of Customs to determine the FOB value and to double their respective monetary limits.

#### **Reference to High Court**

**[Section 196 (1)]**

The Bill seeks to empower Director of Valuation along with other authorized officers to prefer an appeal to the High Court stating any question of law arising out of an order passed by the Appellate Tribunal.

#### **First Schedule**

The following amendments in the schedule are proposed:

<b>PCT Code</b>	<b>Description</b>	<b>Proposed Rate</b>	<b>Existing Rate</b>
0802.8000	Areca nuts	10%	5%
1404.9020	Betel leaves	Rs.300/Kg	Rs. 200/Kg
3926.1000	Office or school supplies	20%	25%
8421.2100	For filtering or purifying water	15%	20%
8539.3920	Energy saving tube	0%	20%

**2. CUSTOMS NOTIFICATIONS** (Effective from June 13, 2013)

**[SRO 496(I)/2013]**

Exclusion of the following vehicles from the exemptions of customs duty available on import of components by OEMs of the automotive sector which was earlier granted in-case of assembly or manufacture under a firm contract through SRO 656(I)/2006.

Item description	Heading/sub-heading
Auto Rickshaw	8703.2115
3-Wheeler cargo Loader	8704.3150
Vehicles	87.11

Following additional facilities have also been categorized in the already prescribed list of required minimum in-house assembling/ manufacturing facilities for assemblers/ manufacturers of vehicles:

- a) Cars and light commercial vehicles (LCVs)
- b) Heavy commercial vehicles (HCVs)
- c) Tractors
- d) Motorcycle/ Motorcycle rickshaw
- e) Stroke auto rickshaw

**[SRO 497(I)/2013]**

It has been sought to withdraw the exemption available to the following items vide SRO 567(I)/2006.

S No.	HS Code	Description	Proposed Rate	Existing Rate
24	4804.1900	Uncoated Kraft paper and paper board in rolls or sheets	20%	5%
	4804.1900	Virgin craft liner	20%	0%
	4804.1900	Virgin white top craft	20%	0%
	4805.1100	Semi – chemical fluting paper	20%	0%
28	7219.9090	Flat rolled products of stainless steel, of a width of 600 mm or more	5%	0%
29	7226.1900	Silicon electrical steel sheet	5%	0%
48	8528.7211	LCD Panels in CBU form	30%	20%
	8528.7212	Plasma display panels in CBU form	30%	20%

**[SRO 499(I)/2013]**

This SRO substitutes SRO 607(I)/2012 and further extends the exemption from customs duty, sales tax and withholding tax on import of Hybrid Electric Vehicles (HEVs) falling under PCT Code 87.03, specified in accordance with the engine capacity to the extent as specified:

S. No.	Engine Capacity	Extent of Exemption
1	Up to 1200 CC	100%
2	From 1201 CC to 1800 CC	50%
3	From 1801 CC to 2500 CC	25%

## **SECTION 7      INCOME SUPPORT LEVY ACT 2013**

The Bill seeks to propose a legislation to provide for charge and collection of Income Support Levy for running an income support fund for the economically distressed persons and their families.

### **1. SIGNIFICANT DEFINITIONS**

**[Section 2]**

The proposed Act seeks to lay down the following significant definitions:

- i. Net Moveable Wealth means the amount by which the aggregate value of the moveable assets belonging to a person as declared in the wealth statement for the relevant tax year is in excess of the aggregate value of all the liabilities owed by that person on the closing date of the tax year. However, the intention of proposed law is to consider only such liabilities which were incurred to acquire moveable assets.

The Bill also seeks to propose the method of calculating the liability to be allowed while determining the net movable wealth by apportioning total liability in the ratio of gross value of movable assets to gross value of both movable and immovable assets.

- ii. Person means an individual.

### **2. CHARGE OF LEVY**

**[Section 3]**

The proposed legislation seeks to introduce the levy from the tax year 2013 in respect of net movable assets held by a person on the last date of the tax year at the specified rates.

### **3. TIME AND MANNER OF PAYMENT OF LEVY**

**[Section 4]**

It has been sought that a person liable to pay the levy shall pay the same along with wealth statement.

### **4. ASSESSMENT OF LEVY**

**[Section 5]**

The proposed law seeks to empower an officer of Inland Revenue to determine the levy payable and to serve upon the person a notice of demand specifying the sum payable and the time within which it shall be paid. It is implied that such a notice would be served in case of any default to pay the levy in a manner compliant to the pronouncements of the proposed Act.

### **5. DEFAULT SURCHARGE**

**[Section 6]**

It has also been sought to impose a surcharge at the rate of 16% in case of a failure to pay or pay an amount less than levy as per the proposed legislation.

### **6. RECOVERY OF LEVY, APPEALS, REVISIONS AND RECTIFICATIONS**

**[Section 7 & 8]**

It has been sought to rely upon the provisions of the Income Tax Ordinance, 2001 to administer and enforce collection of levy as well as to handle the process of appeals, revisions and rectifications in the matter of levy.

### **7. RATE OF LEVY**

**[Section 9]**

The rate of levy is proposed at 0.5% on net movable wealth in excess of Rs. 1 Million.

### **8. POWER TO MAKE RULES**

**[Section 10]**

It has also been sought to empower FBR to make rules under this proposed Act by notification in the official Gazette.

**ANNEX APPLICABLE RATES FOR WITHHOLDING (FINAL/ ADVANCE/ MINIMUM) TAX**

**[First Schedule & Corresponding Sections]**

	Nature of Payment	Tax Rate	Advance/ Final/ Minimum Tax
<b>Cases of residents &amp; permanent establishment of non-residents</b>	<b>Dividend paid to:</b>		
	- Power Companies (dividends distributed by power generation companies & purchaser of power projects privatized by WAPDA)	7.50%	<b>Final Tax</b>
	- Other cases	10%	
	Dividends received by a banking companies from its asset management company	20%	
	Dividends received from Money market Funds & Income Funds	25%	
	<b>Imports</b>		
	- General	5.5%	<b>Final Tax (General)</b> <b>Advance Tax</b> in the case of: - an industrial undertaking importing goods as Raw material or plant & machinery for own use; - fertilizer imported by the manufacturer of fertilizer - import of motor vehicles in CBU condition by the manufacturer of motor vehicles - Option available for commercial importer for NTR by declaring 60% or more of tax collected as tax expense. <b>Minimum Tax</b> in case of Import of edible oil packing material.
	- Companies and Industrial undertakings	5%	
	<b>Profit on debt:</b>		
	- Profit on debt from Debt instruments, Government securities including Treasury Bills and Pakistan Investment Bonds	10%	<b>Advance tax</b> for companies, <b>Final Tax</b> for cases other than companies
	- Others		
	<b>Payments for goods other than imported goods</b> in case of:		
	- sale of rice, cotton seed, edible oil	1.50%	<b>Advance Tax</b> in case of listed companies and companies engaged in manufacturing. Option available for NTR by declaring 70% or more of tax deducted as tax expense. <b>Final Tax</b> for other cases.
	- sale of any other goods by companies	3.5%	
	- sale of any other goods by others	4%	
- Rice sold by Rice Exporters Association of Pakistan to Utility Stores Corporation	1%	<b>Final Tax</b>	
- Sale by distributors of cigarettes and pharmaceutical products	1%	<b>Final Tax</b>	
<b>Payments for services</b>			
- Transports Services	2%	<b>Minimum Tax</b>	
- To companies	6%	<b>Advance Tax</b>	
- To others	6.5%	<b>Minimum Tax</b>	
<b>Payment on account of execution of contract</b>			
- To companies	6%	<b>Advance Tax</b> in case of listed companies <b>Final Tax</b> in other cases	
- To others	6.5%		
<b>Exports</b>			
- Payments by export houses for services rendered for stitching, dying, printing, embroidery, washing, sizing & weaving	0.50%	<b>Final Tax</b> Option available to exporters for NTR by declaring 50% or more of tax collected as tax expense	
- At the time of realization of proceeds on export of goods [Exemption to cooking oil or vegetable ghee exported to Afghanistan if tax u/s 148 is paid.]	1%		
<b>Indenting commission</b> on realization of proceeds on account of commission to indenting agent	5%		
<b>Inland back to back LC</b>			
- by exporter on sale of goods under inland back to back LC or any other arrangement as may be prescribed by FBR.	1%	<b>Final Tax</b>	
<b>Export of goods by units located in EPZ</b>	1%		
<b>Payment for a firm contract</b> (direct exporter or export registered under DTRE rules 2001)	1%		
<b>Rental of property income</b>	various as per slabs	<b>Advance Tax</b>	
<b>Purchase of Air Domestic Tickets</b>	5%	<b>Advance Tax</b>	

**ANNEX APPLICABLE RATES FOR WITHHOLDING (FINAL/ ADVANCE/ MINIMUM) TAX**

**[First Schedule & Corresponding Sections]**

Nature of Payment		Tax Rate		Advance/ Final/ Minimum Tax	
<b>Cases of residents &amp; permanent establishment of non-residents</b>	<b>Prizes and winnings:</b>				
	- Prize on prize bonds and cross-word puzzle		15%	<b>Final Tax</b>	
	- Winnings from a raffle, lottery, prize on winning a quiz or prizes related to companies' sales promotion schemes		20%		
	<b>Petrol Pump Operators</b>		10% on Commission	<b>Final Tax</b>	
	<b>Withdrawal of balance under pension fund</b>				
	- Withdrawal before retirement age		Avg. rate of tax for 3 preceding years or rate applicable for the year, whichever is lower	<b>Final Tax</b> (as Separate Block of Income)	
	- Withdrawal in excess of 50% of accumulated balance at or after the retirement age				
	<b>Cash withdrawals from banks</b> (daily limit Rs. 50,000/-)		0.3%	<b>Advance Tax</b>	
	<b>Tax on purchase of locally manufactured Motor Vehicles</b> – Exemption is available to Federal, Provincial and Local Govts., Foreign Diplomatic Mission in Pakistan		Various rates based on engine capacity	<b>Advance Tax</b>	
	<b>Tax on motor vehicle</b> (to be collected with motor vehicle tax)		Various rates	<b>Final tax</b> (for owner of goods transport vehicles & <b>Advance Tax</b> (in other cases)	
	<b>Brokerage and commission</b>				
	- General		10%	<b>Final Tax</b>	
	- In case of advertising agent		5%		
	<b>Collection of tax by NCCPL from members of stock exchanges</b>			<b>Advance Tax</b>	
	- on purchase/sale of shares in lieu of the commission earned		0.01%		
	- in respect of trading of shares		0.01%		
	- in respect of financing of carryover trade, margin financing, margin trading or securities lending in shares business		10%		
	<b>CNG Station</b> - on the amount of gas Bill of a CNG station		4%	<b>Final Tax</b>	
	<b>Tax on electricity Bills</b>		Various rates	- <b>Minimum Tax</b> (for Non-corporate tax payers up to Bill amount of 30K) - <b>Advance Tax</b> (for other cases)	
	<b>Telephone Bills</b>				
- Mobile phone Bills and prepaid telephone cards		10%	<b>Advance Tax</b>		
- General (Landline bills exceeding Rs. 1,000)		10%			
<b>Capital gain from sale of securities –</b>	<b>for Insurance</b>	Years	Less Than 6 Months	Less than 12 months	<b>Advance Tax</b>
		2012	10%	8%	
		2013	12.5%	8.5%	
		2014	15%	9%	
	2015	17.5%	9%		
	<b>Other than Insurance</b>	2012	10%	8%	
		2013	10%	8%	
		2014	10%	8%	
2015		17.5%	9.5%		
<b>Sale by public auction and tender</b>		10%	<b>Advance Tax</b>		
<b>Builders and Land Developers</b>					
- income of builders arising from construction and sale of buildings		Rs. 25 per Sqft	<b>Minimum Tax</b>		
- income of Land developers arising from development and sales of plots		Rs. 50 per Sqft			

**ANNEX APPLICABLE RATES FOR WITHHOLDING (FINAL/ ADVANCE/ MINIMUM) TAX**

**[First Schedule & Corresponding Sections]**

	Nature of Payment	Tax Rate	Advance/ Final/ Minimum Tax
	<b>Functions and Gatherings</b>		
	- to be collected from a person holding every type of function	10%	<b>Advance Tax</b>
	- to be collected from a person providing food, service or any other facility	10%	<b>Advance Tax</b>
	<b>Foreign produced Films, TV plays and Serials</b>		
	To be collected by persons responsible for censoring or certifying a foreign-produced film, a TV drama serial or a play, for screening and viewing of:		
	- Foreign- produced Film	Rs. 1,000,000/-	<b>Advance tax</b>
	- Foreign- produced TV drama serial	Rs. 100,000/- per episode	
	- Foreign- produced TV play (single episode)	Rs. 100,000	
	<b>License fee-</b> Cable Operators and other Electronic Media to be collected by regulatory authority	various as per slabs	<b>Advance Tax</b>
	<b>Sales to Distributors, dealers and wholesalers</b> by Manufacturer and commercial importers of following sectors: Electronics, Sugar, Cement, Iron and steel products, Fertilizer, Motorcycles, Pesticides, Cigarettes, Glass, Textile, Beverages, Paint or Foam	0.1%	<b>Advance Tax</b>
	<b>Sales to Retailers</b> by Manufacturer, distributor, dealers, wholesaler or commercial importer of following sectors: Electronics, Sugar, Cement, Iron and steel products, Fertilizer, Motorcycles, Pesticides, Cigarettes, Glass, Textile, Beverages, Paint or Foam	0.5%	<b>Advance Tax</b>
	<b>Fee</b> in excess of Rs. 200,000 collected by Educational Institution	5%	<b>Advance Tax</b>
	<b>License fee-</b> on dealers, commission agents, Arhatis, etc. to be collected by Market committees	various as per slabs	<b>Advance Tax</b>
<b>Cases of non-residents</b>	<b>Payment for profit on debt</b>		
	- on debt instruments, Govt. securities including T.Bills & PIBs where the investment is made through a local Special Rupee Convertible A/C	10%	<b>Final Tax</b>
	- others	10%	<b>Advance Tax</b>
	<b>Dividends</b> (including repatriation of profits by branches)	10%	<b>Final Tax</b>
	<b>Contracts</b>	6%	<b>Final Tax</b> (if option exercised under clause (41), Part IV, 2nd Schedule) otherwise <b>Advance Tax</b>
	<b>Royalties/ Fee for Technical Services</b>	15% of the gross amount or reduced rate under DTA	<b>Final Tax</b>
	<b>Shipping income</b>	8%	<b>Final Tax</b>
	<b>Air transport income</b>	3%	<b>Final Tax</b>
	<b>Insurance or re-insurance premium</b>	5%	<b>Final Tax</b>
<b>Payments to non-resident media persons</b>	10%	<b>Final Tax</b>	
	<b>Any other receipt</b>	20% of the gross amount or reduce rate under DTA	<b>Advance Tax</b>

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