BUDGET COMMENTARY 2016

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Business Services & Outsourcing

BUDGET COMMENTARY, 2016

This commentary has been prepared for our clients and staff for information and guidance only and is available for interested persons at our website http://www.bdo.com.pk. The notes contained herein are based on the Finance Bill, 2016 which upon enactment with or without modification shall be issued as Finance Act, 2016.

Clients are advised to consult the actual text of the Bill while interpreting the specific provisions and to consult our tax department for clear advice on specific issues. The budget provisions are applicable for tax year 2017 unless otherwise stated.

BDO EBRAHIM & CO.
Dated: June 04, 2016

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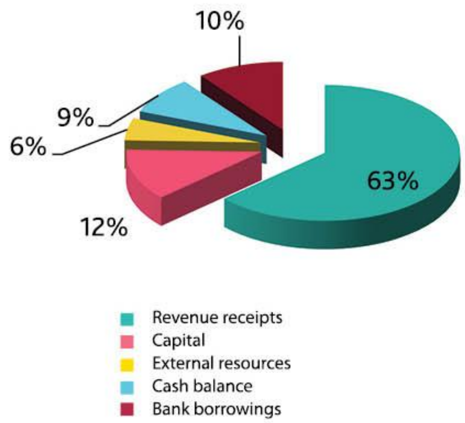
COMPARATIVE BUDGET AT A GLANCE
(AMOUNTS ROUNDED TO NEAREST BILLION)

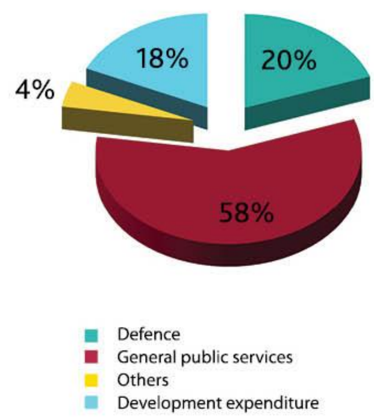
	2016-17		2015-16	
	Rs.	%	Rs.	%
Receipts				
Revenue Receipts				
Direct taxes	1,558	32	1,348	31
Indirect taxes	2,398	49	2,071	48
	3,956	81	3,419	79
Non-tax revenue	960	19	895	21
Gross revenue receipts	4,916	100	4,314	100
Less: Provincial share	(2,136)	(49)	(1,849)	(42)
Net revenue receipts	2,780	63	2,465	55
Capital receipts	539	12	606	14
External resources	234	6	752	17
Cash balance	389	9	345	8
Bank borrowings	453	10	283	6
Total Resources	4,395	100	4,451	100
Expenditure				
Current Expenditure				
Defence	860	18	781	17
General public services	2,540	58	2,447	55
Others	195	4	254	6
	3,595	80	3,482	78
Development expenditure	800	20	969	22
Total Expenditure	4,395	100	4,451	100

COMPARATIVE BUDGET AT A GLANCE

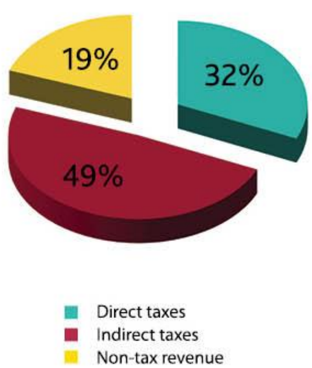
Sources of Funds



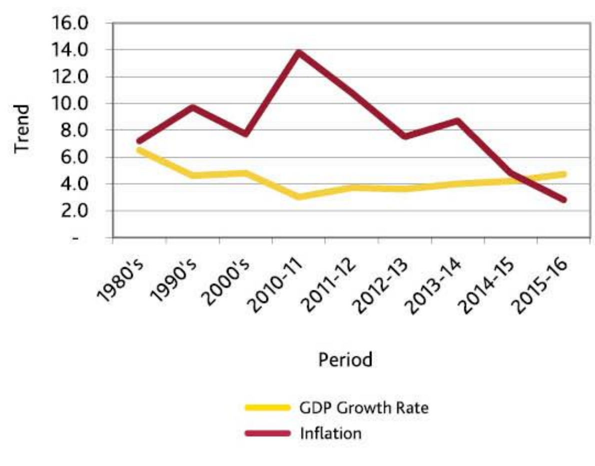
Utilisation of Funds



Breakup of Revenue Receipts

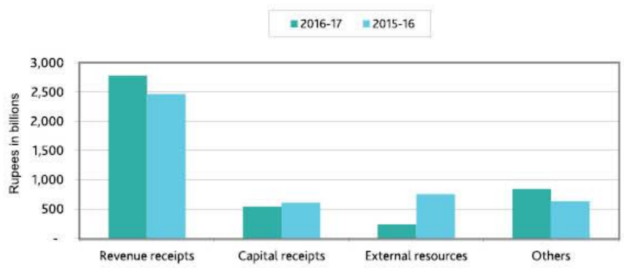


Trends in Growth and Inflation

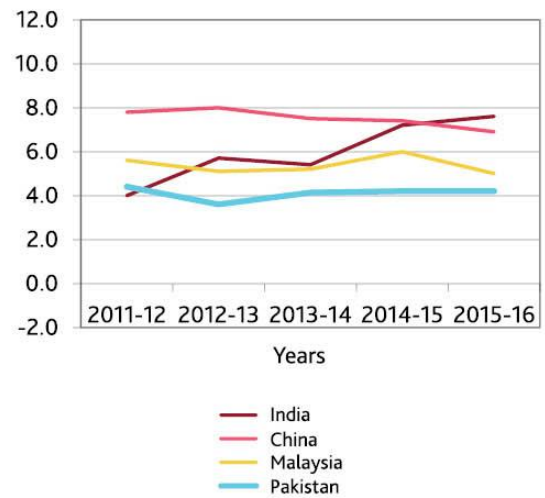


COMPARATIVE BUDGET AT A GLANCE

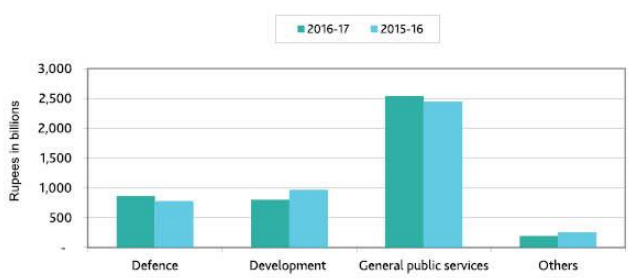
Comparison of Revenue



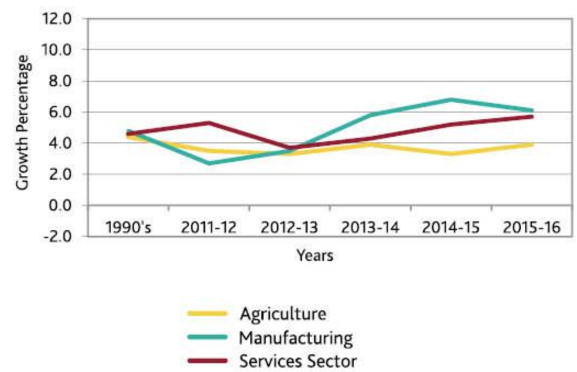
Comparative Real GDP Growth Rate



Comparison of Expenses



Growth Performance of Components of Gross Domestic Product

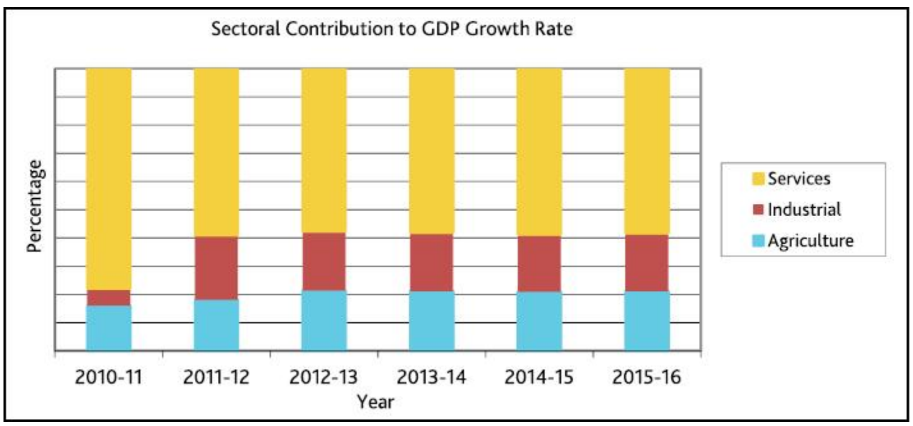


OVERVIEW

Finance Minister Ishaq Dar confidently presented the Budget 2016-17 in the backdrop of clearly visible stable macroeconomic indicators. His call for applause seemed to stir some energy as the deficit budget for the fiscal year 2016-17 was delivered, set with a total outlay of Rs. 4,395 billion. The proposed Budget, whilst setting an ambitious tax revenue target of Rs. 3,631 billion, an increase of 16% from the past year, includes new taxation measures aggregating to Rs. 154 billion and consolidation across several measures introduced in prior years. It was encouraging to see that due emphasis has been placed on the Government's public debt ceilings and the reforms and measures introduced in the Fiscal Responsibility and Debt Limitation Act, 2005 which seek to limit the Federal fiscal deficit from 4 percent to 3.5 percent within a period three years and cap the public debt to GDP ratio at 60% in the short term. This coupled with calls for efforts to be made towards documenting a Charter of Economy appear to indicate that the powers that be have evolved beyond myopic thinking. A perusal of the various components of the Budget will provide a useful insight.

Growth

Pakistan's economy measured through GDP is estimated to have grown towards the end of the year at a rate of 4.71 percent as compared to the budgeted rate of 5.5 percent for the year and a rate of 4.04 percent in the prior year. Whilst the industrial and services sector both contributed positively, the contribution of the agriculture sector remained sub-par. The growth rate of 4.71 percent is set to be achieved on the back of growth of 6.8 percent from industry and 5.71 percent from services sector, balanced by a reduction in growth in agriculture sector at -0.19 percent. To understand the growth achieved and its momentum, a perusal of the components would provide useful insight.



Agriculture

With a 19.80 percent share of the GDP and employing 42.30 percent of the country's labour force, the agricultural sector continues to be a cornerstone in the economy of Pakistan. The agriculture growth stood at a dismal -0.19 percent during July-March, 2015-16 as compared to 2.53 percent during the last year. The growth of crops declined by 6.25 percent, while the other sub component of Agriculture sector like Livestock, Forestry and Fishing posted positive growth of 3.63 percent, 8.84 percent and 3.25 percent, respectively. Important crops having a share of 23.55 percent in agricultural value added has witnessed negative growth of 7.18 percent on account of large decline in cotton production (27.83 percent), rice production (2.74 percent) and maize production (0.35 percent) during 2015-16 against negative growth of 0.52 percent during the same period of last year. Only wheat and sugarcane production sectors witnessed a positive growth of 1.58 percent and 4.22 percent respectively, as compared to last year.

The Finance Minister in his speech highlighted concerns regarding performance of this Sector. The dismal performance is attributed to lower cotton production, unfavourable weather conditions and lower availability of water. Key reforms highlighted to address these concerns, inter-alia include direct cash subsidies, reduction in price of fertilizers, introduction of Credit Guarantee Scheme for farmers, exemption of sales tax on pesticides and concessional electricity tariffs for tubewells.

Industry

The industrial sector contributes 21.02 percent to the GDP of the country. The manufacturing is the most important sub-sector of the industrial sector. Growth of manufacturing is registered at 5.00 percent compared to the growth of 3.90 percent last year. Large Scale Manufacturing (LSM) during July-March 2015-16 registered a growth of 4.7 percent as compared to 2.1 percent in the same period last year. The sub sectors which recorded positive growth of note included Automobiles which recorded highest growth of 23.43 percent (compared to 17.06 percent last year); Fertilizers 15.92 percent (compared to 0.95 percent last year); Chemicals 10.01 percent (compared to 6.67 percent last year); Rubber Products 11.68 percent (compared to 1.88 percent last year); Leather products 12.18 percent (compared to 9.11 percent last year); Pharmaceuticals 7.21 percent (compared to 6.84 percent last year). Negative growth during the period July-March FY 2015-16 over corresponding period of last year includes Wood Product (58.03 percent), Engineering Products (17.64 percent), Paper and Board (2.90 percent), Electronics (9.98 percent) and Iron & Steel products (7.48 percent).

Whilst recognizing the strong overall performance of the Industrial sector, the Finance Minister commented upon measures sought to be introduced to build upon the process for industrial development. Some of the key measures introduced include enhancing tax credit on employment generation, extending tax credit periods for balancing, modernization and replacement, reduction in equity contribution limits for tax credits for establishing new industries or extension of existing industries and reduction in custom duties for raw materials and machinery for several items.

Investment and Savings

Investment plays a key role in the determination of economic growth of a country. Total investment has indicated a growth of 5.78 percent in FY 2016 and Investment to GDP ratio has reached 15.21 percent in FY 2016, while fixed investment recorded growth of 5.57 percent and fixed investment as percentage of GDP is recorded at 13.61 percent. Private investment has recorded a growth of 3.71 percent and private investment as percentage of GDP reached to 9.79 percent. Net foreign resource inflows are financing the saving investment gap which has also declined during the year to Rs. 180 billion.

Balance of payments

The current account balance shrunk by 17.7 percent during July-April FY2016 as compared to last year (US$ 1.519 billion in FY2016 against US$ 1.846 billion). As a percentage of GDP it stood at -0.6 percent compared to -0.8 percent of the comparable period last year. The overall external account balance recorded US$ 0.9 billion during July-April FY2016 as compared to US$ 2.1 billion during the same period last year. Factors such as higher financial inflows and lower international oil prices have assisted this improvement. The continued growth in remittances which increased by 5.25 percent during the period along with uptick in FDI in the financial accounts contributed toward this improvement. Resultantly, there has also been an improvement in the country's foreign reserves, which in May 2016 reached US$ 21.46 billion with net reserves with SBP amounting to US$ 16.63 billion and with commercial banks amounting to US$ 4.82 billion. The overall trade deficit posted an increase of 2.1 percent during July-April FY2016, mainly reflecting decline in exports. Remittances are considered as one of the main factors in the stability of external account. Remittances continued its upward growth trajectory since 2013. The start of FY 2016 has witnessed a growth of 5.25 percent over last year, and this trend continued during July-April FY 2016.

Monetary policy

Monetary policy is primarily focused on stimulating and sustaining economic growth through containment of inflationary pressures. Monetary policy in Pakistan has undergone substantial changes in tandem with volatile economic conditions within the country. Currently, Pakistan is following an accommodative monetary policy stance. During the current fiscal year, SBP slashed the policy rate to a historically low level of 5.75 percent with effect from May, 2016 which is the lowest rate in last 44 years reflecting improved macroeconomic conditions towards the end of FY2016. The flows of Credit to Private Sector (CPS) has seen expansion of Rs.311.7 billion during Jul-06th May, FY2016 against Rs.171.2 billion in the same period of last year. In terms of growth, it witnessed expansion of 82.0 percent during the period under review compared to the contraction of 41.5 percent during same period last year.

The Weighted Average Lending Rate (WALR) on gross disbursements has decreased from 9.31 percent in March, 2015 to 7.13 percent in March, 2016. Likewise, Weighted Average Deposit Rate (WADR) offered on fresh deposits also reduced from 5.22 percent in March, 2015 to 3.74 percent in March, 2016. Current policy stance is the reflection of improved macroeconomic conditions on the basis of which international agencies have upgraded outlook for Pakistan's economy.

Inflation

The inflationary trend in the economy remained subdued during 2015-16. An overview of inflationary trends during ten months of the current FY (July-April) 2015-16 indicates that inflation rate measured through Consumer Price Index (CPI) averaged at 2.4 percent during July-April 2015-16 against 2.4 percent in the same period of last year. Food and non-food inflation during July-April FY15 have been estimated at 2.2 percent and 3.3 percent, respectively, as compared to 3.6 percent and 5.7 percent in the same period last year. The slower increase in food inflation over the last year is due to moderate increase in prices of major consumable food items as well as purported strong monitoring by the National Price Monitoring Committee which is chaired by the Finance Minister.

Taxation measures

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

Direct taxes

- Reduction in corporate tax rate to 31% as per earlier commitments
- Extension of Super Tax for the Tax Year 2016
- Significant changes to tax regime for print and electronic media sector
- Reduction in threshold for minimum tax applicability for individuals and AOPs
- Introduction of separate tax regime for developers and builders of plots.
- Reduction in threshold for equity contribution for purposes of tax credit on investments.
- Exemptions for certain Chinese companies and their contractors for work executed in Gwadar Port
- Proposal to allow excess amounts paid by non-filers to be adjustable

Indirect taxes

- Exclusion of provincial sales tax from definition of input tax
- In order to claim input tax by the buyer, supplier should also declare such supply in his return and pay the tax as indicated in his return.
- Exemptions to certain Chinese companies and their contractors for work executed in Gwadar Port
- Enhancement of threshold for cottage industry
- Pesticides, laptops, notebooks and computers being exempted

Looking ahead

"A rooster crows only when it sees the light. Put him in the dark and he'll never crow. I have seen the light and I'm crowing."
Muhammad Ali

These are the treasured words of boxing legend, Muhammad Ali, who bid the world farewell today. Indeed, many amongst us are beginning to see the light and have started crowing. The Budget 2016-2017 read with the Economic Survey of Pakistan should reinforce and build upon some of the positive sentiment from macroeconomic stability. The current economic indicators demonstrate that the country's economy is on a path of economic growth. The initiatives outlined, whether considered meek or not, appear to be well thought out and researched along with having a clear sense of broad appeasement.

The professionals and critics, however, continue to argue that until some more bold reform measures are not undertaken, the common man will not directly feel the benefit of the measures. Whilst one can confidently rely upon macroeconomic stability and even growth, the lack of substantial measures in the health and social safety nets will continue to plague our society as a whole. Furthermore, although additional momentum is building around penalizing the non-filer category, unless practical and expedient measures are introduced, the broadening of tax net movement will hit a hard wall. On the back of successful headway in Operation Zarb e Azb and visible traction in the Pak-China economic agenda, the Government continues to press the pedal on development spending and has set an ambitious tax collection targeted at an increase of 16 percent. Keep a look out for them men in black!

BDO EBRAHIM & CO.
DATED: JUNE 4, 2016

HIGHLIGHTS

INCOME TAX

- Super tax proposed to be extended to Tax Year 2016
- New final tax regime proposed for builders undertaking projects for construction and sales of residential, industrial or commercial buildings
- New final tax regime proposed for developers undertaking projects for construction and sales of residential, commercial or other plots
- Exemption from tax proposed on income from property for individuals and AOPs having income of Rs 200,000 or less provided they have no other taxable income
- Limit of 5% of turnover proposed to be introduced for allowance of sales promotion, advertising and publicity expenses for pharmaceutical manufacturers
- Loss of subsidiary company can be surrendered to the holding to the extent of the percentage of shareholding of the holding company as per proposed amendment
- Tax credit proposed for individuals and AOPs for investment in health insurance
- Amendment proposed in provisions relating to tax credit for contribution to Approved Pension Fund
- Limit for allowance of profit on debt for house loans proposed to be increased from Rs 1 million to Rs 2 million
- New allowance proposed for individuals for deduction for education expenses
- Tax credit for employment generation at the rate of 1% for employment of every 50 persons employed by manufacturers proposed to be increased from 1% to 2% up to maximum of 10%
- Tax credit for manufacturers selling 90% of their sales to registered persons proposed to be increased from 2.5% to 3 %
- Time limit for tax credit for investment in plant and machinery under BMR proposed to be increased to June 30, 2019
- Tax credit at 20% of the tax payable available to companies listing on the stock exchange in the year of listing now proposed to be also available for the year following the year of listing
- Proposal to reduce the requirement of 100% cash equity to 70% for availing tax credit for newly established industrial undertaking – scheme also extended up to June 30, 2019
- Proposal to reduce the requirement of 100% cash equity to 70% for availing tax credit for industrial undertaking established before July 2011 – scheme also extended up to June 30, 2019
- Proposal to exclude provincial notification for stamp duty for purposes of determining fair value of property
- Information and documents proposed to be required to be maintained in respect of transactions between associates
- Proposal to decrease the threshold for individuals and AOPs for charge of minimum tax
- Proposal to relax the condition for permission from Commissioner for revision of return of income if the income/loss revised is higher/lower than the amount declared in original return
- Proposal of withholding tax at 20% for payments to non-resident persons for foreign produced commercial for advertisement on any TV or any other media – the tax being final tax of the non-resident
- Proposal to make payments to electronic and print media for advertising services to be the final tax from July 1, 2016
- Proposal to allow excess amounts paid by non-filers to be adjustable
- Time limit for making application for tax refunds proposed to be increased from 2 years to 3 years
- As per proposed amendment withholding on cash withdrawals are applicable on aggregate amount, if exceeding Rs 50,000 from all bank accounts in one day
- Proposal to treat tax collected on lease of right to collect toll as the final tax
- Advance tax proposed to be collected from non-filers with premium for general and life insurance
- Advance tax proposed to be collected by provincial authorities for mining
- Advance tax proposed to be collected from non-filers by provincial sales tax authorities at the time of filing of sales tax returns
- The rate of tax to be paid under section 37A by filer and non-filer for Tax Year 2017 in respect of capital gain on disposal of securities is proposed to be prescribed.
- The rate of tax is proposed to be prescribed at 10% in respect of capital gains on disposal of immovable property where

holding period of immovable property is up to five years and 0% where holding period of immovable property is more than five years.

- The rate of tax under proposed section 7C and 7D titled "Tax on Builders" and "Tax on Developers" respectively is proposed to be prescribed.

- The rate of advance tax on dividend to be deducted for non-fliers proposed to be increased from 17.5% to 20%.

- The separate rate of tax is proposed to be prescribed for filer and non-filer which is required to be deducted by a collective investment scheme, REIT scheme or mutual fund in case of money market fund, income fund, REIT scheme or any other fund other than stock fund.

- The rate of collection of tax under section 235 for commercial consumers is proposed to be increased from 10% to 12% where the amount of electricity bill exceeds Rs. 20,000.

- The rate of advance tax to be collected on sale or transfer of immovable property is proposed to be increased from 0.5% to 1% of the gross amount of the consideration received for filers and from 1% to 2% of the gross amount of the consideration received for non-filers. Moreover, the rate of advance tax to be collected on purchase of immovable property is proposed to be increased from 1% to 2% for filer and from 2% to 4% for non-filer where the value of immovable property is more than Rs. 3 million.

- The rate of advance tax to be collected by every insurance company from non-filers is proposed to be prescribed in respect of general insurance premium and life insurance premium.

- The rate of advance tax to be collected on extraction of minerals is proposed to be prescribed at 5% of the value of the minerals for non-filers and 0% for filers.

- The bill proposes to withdraw exemption from tax in respect of income derived from inter-corporate dividend by those companies entitled to group relief under section 59B. The bill also proposes to withdraw exemption from withholding tax in respect of income derived from inter-corporate dividend and profit on debt by those companies entitled to group relief under section 59B.

- The bill proposes to exempt profit and gains derived by a taxpayer from businesses set up in the Gawadar Free Zone Area, any income derived by China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gawadar International Terminal Limited, Gawadar Marine Services Limited and Gawadar Free Zone Company Limited from Gawadar Port operations and their contractors and subcontractors. The bill also proposes to provide exemption from provisions of section 113 regarding minimum tax to these companies.

- The bill proposes to extend the period of exemption in respect of income from export of computer software or IT services or IT enabled services till tax year 2019. Moreover, the bill proposes to impose condition to avail this exemption which would require that eighty per cent of the export proceeds is brought into Pakistan in foreign exchange remitted from outside Pakistan through normal banking channels. The bill also seeks to allow exemption to IT services and IT enabled services from the provisions of clause (b) of the proviso to sub-section (3) of section 153 till tax year 2017.

- The bill proposes to extend the exemption allowed to investment made by a company in an industrial undertaking from the provisions of section 111 regarding unexplained income or assets till tax year 2019.

- The bill proposes for inclusion of capital gains on disposal of shares and dividend of listed companies, vouchers of Pakistan Telecommunication corporation, modaraba certificate or instruments of redeemable capital and derivative products in computing income of mutual insurance association and computing the tax thereon at the rate of tax for companies as specified in Division II of Part I of First Schedule.

SALES TAX

- The Bill seeks to amend definition of cottage industry by increasing the turnover threshold from Rs. 5 million to Rs. 10 million.

- It is proposed to prescribe different due dates for furnishing of different parts or annexures of the return.

- The Bill seeks to disallow input tax adjustment on sales tax paid against provincial services.

- It is proposed to amend the time and manner of payment of sales tax as per the dates prescribed in this respect.

- It is proposed that in order to claim input tax by the buyer, supplier should also declare such supply in his return and pay the tax as indicated in his return.

- The Bill proposes that for claiming input tax adjustment, tax is required to be paid by the supplier as indicated in his return.

- The Bill proposes that if a person fails to withhold or deposit the sales tax, the officer after issuing a show cause notice, can make assessment of the amount of default.

- The Bill proposes that furnishing of a separate return is not required if there is change in the rate of tax during a tax period.

- The Bill proposes to invoke penalty of Rs 5000/- or 3% of the tax, in case of an offence in Act or in rules, in respect of which penalty is not specifically stated.

- The provision and mechanism for transfer of taxable activity and transfer of ownership from one registered person to another registered person is proposed to be redefined and clarified

- It is proposed to include mineral water in the Third Schedule so that tax is charged on the basis of retail price.

- The Bill proposes to withdraw zero rating facility on milk and stationery items.

- The Bill proposes to provide exemption under Sixth Schedule to Gwadar Port Authority and businesses to be established in Gwadar Free Zone.

- The Bill proposes to exempt pesticides and personal computers from charge of sales tax by inserting the entries in Sixth Schedule.

- The Bill proposes to provide exemption from charge of sales tax to Dump Trucks for Thar Coal Field.

- The Bill seeks to enhance the rate of sales tax on certain ingredients of poultry feed from 5 percent to 10 percent.

- The Bill seeks to levy sales tax on sugar at reduced rate of 8 percent instead of FED at rate of 8%.

- The Bill proposes to levy sales tax on urea at reduced rate of 5 percent,

- The Bill seeks to increase the rate of sales tax on import of Mobile Phones in the various categories.

ISLAMABAD CAPITAL TERRITORY (TAX ON SERVICES) ORDINANCE, 2001

- The Bill seeks to enhance the scope of tax by notifying some of the provisions of Sales Tax Act, 1990 under the Ordinance.

CUSTOMS ACT

- Government's power to grant exemption from duty expanded to include terms of agreement with international or foreign government owned financial institutions
- Power to disclose confidential trade information by Customs expanded to include trade partners under MoUs or agreements, and disclosure to general public (without naming the stakeholders) for transparency purposes
- Tariff slabs reduced from 5 to 4 by merging slabs of 2% and 5% in new 3% slab
- 10% and 15% slabs replaced by a single 11% slab
- Reduction of duty for dairy, livestock and poultry sectors from 5% to 2%
- Reduction of duty for fish farming and feed machines from 5% to 2%, fish and shrimp feed to 0%
- Increase in duty on spirits, jet fuels, LNG, LPG from 0% to 3%

- Increase in duty on furnace oil from 0% to 11%

- The Fifth Schedule has been amended to incentivize renewable energy projects, Gwadar development, solar home systems, and mobile phone manufacture among other categories, through fixing the duty at 0% or reduction in rate

- The Fifth schedule adds a requirement for Chief Executive or nominee to certify that imported items are bona fide requirement of the company. This however, does not apply to machinery imported for green house farming, Karachi Ship Yard, solar power home systems and machinery imported towards renewable energy generation.

- The Fifth Schedule requires an importer of machinery to submit all required information at the time of arrival of first shipment, in case of staggered shipments

FEDERAL EXCISE DUTY

- The Government has been empowered to allow different submission deadlines for different portions of the return

- Deadline for duty deposit has been provided to be prescribed rather than the date of return filing

- Input duty only admissible as a deduction if the supplier has deducted and deposited the said duty

- Government cannot grant exemption to any goods or services following an agreement or arrangement with an international or foreign government owned financial institutions

- Penalty for contravention of any provision of the Act, if not defined elsewhere, now fixed at higher of Rs.5,000 or 3% of duty amount

- Disclosure requirements under Section 216 of Income Tax Ordinance, 2001 and Freedom of Information Act, 2002, no longer apply in case of information exchanged pursuant to an agreement with foreign governments under Section 47A

- Duties on locally produced cigarettes revised : for cigarettes whose price exceeds Rs 4 per cigarette, it has been fixed at Rs.3,436/1000 cigarettes for July-November 2016 and at 3,705/1000 cigarettes subsequently. For cigarettes priced less than Rs.4 per cigarette, it has been fixed at Rs.1,554/1000 cigarettes for July-November 2016 and at 1,649/1000 cigarettes subsequently

- Rate of duty on cement revised from 5% of retail price to Re.1 per kilogram

- White crystalline sugar removed from the First Schedule (Excisable goods)

- Duty on advertisements on CCTV, Cable and print media, shipping agents, banking and financial services, franchise services and brokerage services not to be levied if the same are subject to provincial sales tax

- White crystalline sugar removed from the Second Schedule (duty collectable under sales tax mode)

- White cement removed from Third Schedule (conditional exemptions)

- New item added to Third Schedule, granting conditional exemption to material and equipment for development of Gwadar Port and Free Zone, as imported or supplied by certain Chinese companies or their sub-contractor for 40 years.

- New item added to Third Schedule, granting conditional exemption to ship bunker oils bought from and sold to ships on rendezvous with Gwadar Port

- New item added to Third Schedule, granting conditional exemption to supplies made by businesses operating in Gwadar Free Zone within the said Zone for 23 years.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001

4B **Super tax for rehabilitation of temporarily displaced persons**

(1) The Super Tax was introduced in the Finance Act, 2015 and is a tax payable by banking companies at 4% and all other companies having income equal to or more than Rs 500 million, at 3% of the taxable income. This was meant to be a one-time tax for Tax Year 2015. The proposed amendment to this section now seeks to extend this tax to Tax Year 2016.

Super tax is chargeable on all classes of income, including income under the final tax regime and is to be paid when filing the return of income. If the tax is not paid as required, the Commissioner of Income Tax is empowered to collect this tax in the same manner as tax on income.

(2) The proposed insertion of the words "(other than depreciation and business losses)" seeks to require super tax to be calculated on "income" before adjustment of depreciation and business losses. This amendment will not allow banks and companies to adjust their depreciation and business losses when computing super tax on their income.

7C **Tax on builders**

This new section seeks to introduce a regime for tax on builders. The term is deemed to include persons deriving income from the business of construction and sale of residential, commercial or other buildings at specified rates. The tax is required to be computed by applying the relevant rate of tax to the area of the residential, commercial or other building being constructed for sale.

The section authorizes the Federal Board of Revenue (Board) to prescribe

a) the mode and manner of payment and collection of tax;
b) the authorities granting approval for computation and payment plan of tax; and
c) responsibilities of the authorities approving, suspending and cancelling no objection certificate to sell and the matters connected and ancillary thereto.

In the absence of detailed information it is not clear how this tax will charged and collected.

This section will apply to business or projects undertaken for construction and sale of residential, commercial or other buildings initiated and approved after July 1, 2016.

7D **Tax on developers**

This new section seeks to introduce a regime for tax on developers. The term is deemed to include persons deriving income from profits and gains from business of development and sale of residential, commercial or other plots at specified rates. The tax is required to be computed by applying the relevant rate of tax to the area of the residential, commercial or other plots for sale.

The section authorizes the Federal Board of Revenue (Board) to prescribe

a) the mode and manner of payment and collection of tax;
b) the authorities granting approval for computation and payment plan of tax; and
c) responsibilities of the authorities approving, suspending and cancelling no objection certificate to sell and the matters connected and ancillary thereto.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
	In the absence of detailed information it is not clear how this tax will charged and collected.
	This section will apply to business or projects undertaken for construction and sale of residential, commercial or other plots initiated and approved after July 1, 2016.
8	**General provisions relating to taxes imposed under sections 5,5A, 6,7,7A,7B, 7C and 7D**
	The proposed amendments to this section seeks to make the tax charged under the new regimes for builders and developers to be the final tax on their income.
15	**Income from property**
(6) and (7)	The proposed amendment to this section seeks to refer introduce the rates at which the income under this head is liable to tax. The amendment also seeks to provide an annual threshold of Rs 200,000 for individuals and Association of Persons (AOPs). As a result, individuals and AOPs having annual income under this head of Rs 200,000 or less and having no other taxable income would not be liable for tax under this head.
15A	**Deduction in computing income chargeable under the head "Income from Property"**
	The proposed amendment to this section seeks to allow the deductions in computing the income from property only to companies. Presently the deductions are allowed to all persons (including individuals and AOPs).
21	**Deductions not allowed**
(c)	The proposed amendment to this clause seeks to expand the scope of disallowance to all expenses on which taxes are required to be withheld and paid but are not withheld and if withheld not paid as per the requirements of withholding tax provisions. However, provisos have been introduced to limit the extent of disallowance to 20% of the purchases of raw materials and finished goods. A proviso also has been introduced to clarify that tax recovered under recovery provisions for taxes not withheld and deposited, are to be treated as "tax paid" for the purposes of this section.
(m), (n) and (o)	The proposed new clause seeks to introduce a limit of 5% on turnover of pharmaceutical manufacturers for allowance of sales promotion, advertising and publicity expenses. Amounts in in excess of 5% of turnover of pharmaceutical manufacturers would be disallowed.
22	**Depreciation**
(5)	The proposed amendment seeks to introduce an "explanation" regarding depreciation allowance on building, furniture, plant or machinery during the period when the income of the business was exempt. The explanation clarifies that the written down value of the asset for purposes of calculation of depreciation allowance would be on the basis that the depreciation (including initial allowance) during the period the income was exempt had been allowed and the written down value adjusted accordingly.
37A	**Capital gains on sale of securities**
	This section was introduced in Finance Act 2010 to tax income from capital gains on sale of securities. The term "securities' has been defined to include "derivative products". The proposed amendment seeks to clarify that derivative products includes future commodity contracts entered into by the members of Pakistan Mercantile Exchange whether or not settled by physical delivery.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001

53 **Exemptions and tax concessions in the Second Schedule**

(2) The proposed amendment to this clause is a technical correction to extend the scope of conditions in which Federal Government can grant exemptions, pursuant to the approval of Economic Coordination Committee of the Cabinet.

59B **Group relief**

(1A) The proposed amendment to this section and introduction of this new clause seeks to provide for allowance of loss of subsidiary for purposes of Group Relief. The prescribed formula for the loss of the subsidiary to be surrendered is as follows:

A/100 X B

A is the percentage share capital held by the holding company of its subsidiary company
B is the assessed loss of the subsidiary company

Presently, the subsidiary may surrender all its assessed losses to the parent company holding at least 75% shares in case of an unlisted company and 55% in case of a listed company.

62A **Tax credit for investment in health insurance**

This proposed new section seeks to introduce tax credit for persons, other than companies, for premium or contribution for health insurance paid to an insurance company registered by the Securities Exchange Commission of Pakistan under the Insurance Ordinance, 2000. The tax credit is available only to persons deriving income from salary or income from business.

The tax credit is to be calculated as follows:

A/B X C

A is the amount of tax assessed to the person for the tax year before allowance of tax credit under this section
B is the person's taxable income for the tax year
C is the lesser of:

(a) The total contribution or premium paid by the person in the year
(b) 5%of the person's taxable income for the year
(c) One hundred thousand rupees.

63 **Contribution to an Approved Pension Fund**

(2) The existing formula for calculating the tax credit for contribution to an Approved Pension Fund is the lesser of the contribution or premium and 20% of the person's taxable income subject to adjustment at 2% for every year over the age of 41 years for 10 years and up to a maximum of 50% of the taxable income.

The proposed amendment to this clause seeks to add an additional proviso with reference to the calculation of the amount of tax credit. The new proviso seeks to clarify that the additional contribution of 2% per annum for each year of age exceeding 40 years shall be allowed up to June 30, 2019 subject to the condition that the total contribution allowed to the person shall not exceed 30% of the total taxable income of the preceding year.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
64A	**Deductible allowance for profit on debt**
(2)	The proposed amendment seeks to increase the limit of profit on debt allowed to an individual in respect of a loan obtained by the individual for the construction of a new house or the acquisition of a house. The present limit of Rs 1 million is proposed to be increased to Rs 2 million. The loan is to be procured from a scheduled bank or non-banking financial institution regulated by the Securities and Exchange Commission of Pakistan or advanced by the Government of Pakistan or a statutory body or a public company listed on the stock exchange.
64AB	**Deductible allowance for education expenses**
	This proposed new section seeks to provide for a deductible allowance for individuals in respect of tuition fees paid in a tax year provided the income of the individual is less than Rs 1 million. The deductible allowance is proposed to be the lesser of: (a) 5% of the total tuition fee paid by the individual (b) 25% of the taxable income for the year of the individual (c) An amount computed by multiplying Rs 60,000 with number of children of the individual The amount in excess of the amount allowed cannot be carried forward. The allowance is available against the tax liability of either parents making the payment on production National Tax Number or name of the educational institution. The allowance is not to be taken into account when calculating tax required to be withheld from salary under section 149.
64B	**Tax credit for employment generation by manufacturers**
	This section, introduced in Finance Act 2015, provides for tax credit for new manufacturing unit set up between July 1, 2015 and June 30, 2018 at the rate of 1% of tax payable for every 50 employees registered with the EOBI or the Provincial Social Security Institutions subject to a maximum of 10%. The proposed amendment seeks to extend the date to June 30, 2019 and provides for a higher rate of 2% for every 50 employees. There is no change, however, in the maximum rate of 10%.
65A	**Tax credit to a person registered under the Sales Tax Act, 1990**
	This section was introduced in the Finance Act, 2009. Tax credit at 2.5% is allowed to every manufacturer registered under the Sales Tax Act, 1990 who has sales which are 90% or more to persons also registered under the Sales Tax Act, 1990. This credit is only available if details are furnished and the credit is not available to persons whose income is covered under final tax or minimum tax. The proposed amendment seeks to increase the rate of tax credit to 3%

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
65B	**Tax credit for investment**
(2)	This section was introduced in the Finance Act 2010. A company investing in purchase of plant and machinery for the purpose of extension, expansion, balancing, modernization and replacement of the plant and machinery already installed in an industrial undertaking set up in Pakistan and owned by it is entitled to a tax credit at 10% of the amount of investment provided that the investment is made between July 1, 2010 and June 30, 2016. The proposed amendment seeks to extend this date to June 30, 2019. The tax credit is also available to a company whose tax is under the final or minimum tax regime.
65C	**Tax credit for enlistment**
	This section was introduced in the Finance Act 2010. A company seeking listing on the registered stock exchange in Pakistan is entitled to a tax credit of 20% of the tax payable in the year of listing. The proposed amendment seeks to extend the tax credit to also the year following the year of listing.
65D	**Tax credit for newly established industrial undertaking**
(1), (2), (3) and (3A)	This section was introduced in the Finance Act, 2011. A company formed for establishing and operating a new industrial undertaking was entitled to 100% tax credit of the tax payable if it met the conditions specified. The tax credit was available for a period of five years and the company was required to be set up between July 1, 2011 and June 30, 2016. The proposed amendment seeks to extend the date to June 30, 2019 and provides for a formula for calculating tax credit as follows: A/100 X B A is the amount of tax assessed to the person for the tax year before allowance of tax Credit B is the equity raised through issuance of new shares for cash consideration The original condition was that the industrial undertaking was to be set up with 100% equity. The proposed amendment seeks to relax these provisions and to allow the tax credit to a company which has at least 70% equity in cash.
(4)	The proposed amendment to this clause seeks to allow the Commissioner Inland Revenue to re-compute the tax liability if the business of the company has been discontinued in the subsequent 5 years after the credit has been allowed.
65E	**Tax credit for industrial undertaking established before the first day of July, 2011.**
(1), (2), (3) and (3A)	This section was introduced in the Finance Act, 2011. A company set up before July 1, 2011 which invested any amount with 100% new equity raised through issuance of new shares in the purchase and installation of plant and machinery for an industrial undertaking, including corporate dairy farming, was entitled to 100% tax credit of the tax payable if it met the conditions specified. The tax credit was available for a period of five years and the plant and machinery was required to be installed between July 1, 2011 and June 30, 2016. The proposed amendment seeks extend the date to June 30, 2019 and to provide for a formula for calculating tax credit as follows: A/100 X B A is the amount of tax assessed to the person for the tax year before allowance of tax Credit B is the equity raised through issuance of new shares for cash consideration

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
	The original condition was that the industrial undertaking was to be set up with 100% equity. The proposed amendment seeks to relax these provisions and to allow the tax credit to a company which has at least 70% equity in cash.
(4)	The proposed amendment to this clause seeks to allow the Commissioner Inland Revenue to re-compute the tax liability if the business of the company has been discontinued in the subsequent 5 years after the credit has been allowed.
67	**Apportionment of deductions**
(1), (2)	The proposed amendment seeks to expand the terminology from expenditure to include deductions and allowances so as to cover all deductions claimed against the income.
68	**Fair market value**
(2)	The proposed amendment seeks to exclude the value fixed or notified by any provincial authority for the purpose of stamp duty, as a reference for deriving value of property.
80	**Person**
(2)(vb)	The proposed explanation seeks to include "foreign trust" to be a "trust" for the purpose of this section. As a result a foreign trust would now also be considered to be a "company".
107	**Agreements for the avoidance of double taxation and prevention of fiscal evasion**
(1)	The proposed amendment seeks to replace the existing provisions with a new version to provide for more instruments and arrangements of international taxation and avoidance of double taxation agreements. The amendment seems to be in the context of development in the field of international taxation.
108	**Transactions between associates**
(3)	The proposed new clause seeks to provide for transfer pricing documents with respect to transactions between associates. The new clause requires the following to be maintained: (a) Maintain a master file and a local file containing documents and information as may be prescribed (b) Keep and maintain prescribed country by country report, where applicable (c) Keep and maintain any other information and document in respect of transaction with its associates as may be prescribed (d) Keep the files, documents, information and reports specified in clauses (a) to (c) for the prescribed period
(4) and (5)	The proposed new clauses seek to empower the Commissioner Inland Revenue to call for the documents and information required to be maintained. The documents and information is required to be furnished within 30 days. However, the taxpayer can apply for extension in time to comply. The Commissioner is authorized to extension up to 45 days but additional time can only be allowed if there are exceptional circumstances.
113	**Minimum tax on the income of certain persons**
(1)	The proposed amendment to this section seeks to reduce the threshold of Rs 50 million for individuals and AOPs to Rs 10 million for applicability of the provisions of this section.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
	The proposed deletion of the proviso seeks to make companies with gross loss liable to minimum tax provisions under this section.
	The proposed amendment also includes an explanation that clarifies that Super Tax paid under section 4B would not be taken into account when calculating the minimum tax under this section.
113A	**Minimum tax on builders**
	This tax was introduced by Finance Act 2013 for charge of minimum tax on persons deriving income from development and sales of residential, commercial or other buildings. However, the tax was not to be effective until June 30, 2018. As a tax regime is now proposed to be introduced under section 7C this section is proposed to be deleted.
113B	**Minimum tax on land developers**
	This tax was introduced by Finance Act 2013 for charge of minimum tax on persons deriving income from development and sales of residential, commercial or other plots. As a tax regime is now proposed to be introduced under section 7D this section is proposed to be deleted.
114	**Return of income**
(6)	The Finance Act 2013 introduced the condition that the revised return of income should be accompanied by permission from the Commissioner of Inland Revenue. No permission is deemed to be required if the revised return is filed within 60 days of the filing of the original return of income. The proposed amendment seeks to further relax the condition as no permission is proposed to be required if the taxable income is more than or the loss declared is less than the amount declared in the original return deemed to be an order under section 120.
122C	**Provisional assessment**
(2)	This section was introduced by Finance Act 2010. It empowers the Commissioner of Inland Revenue to issue provisional assessment if the taxpayer has not filed a return of income. However, it allowed the taxpayer to file certain documents within 45 days of the passing of the provisional assessment order. The proposed amendment seeks to add a further condition that the taxpayer should present accounts and documents for conducting audit of income tax affairs for that tax year. The provisional assessment order would be deemed to be final if the conditions are not met within 45 days of the passing of that order.
147	**Advance tax paid by the taxpayer**
(4)	The proposed amendment of adding an explanation seeks to make a technical correction that tax assessed for calculation of advance tax includes alternate corporate tax.
152A	**Payment for foreign produced commercials**
	This proposed new section seeks to introduce a withholding tax at 20% of the payment made to a non-resident person for foreign produced commercial for advertisement on any television channel or any other media. The tax deductible is deemed to be the final tax liability of the non-resident person in respect of the income from this payment.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
153	**Payments for goods, services and contracts**
(3)(e)	The proposed new clause seeks to make the payments to electronic and print media for advertising services to be the final tax with effect from July 1, 2016.
(5)(e)	The proposed deletion of this clause seeks to remove the option for ginners who could deposit the tax and claim exemption from withholding tax provisions for payments received by them.
169	**Tax collected or paid or deducted as a final tax**
(4)	The proposed new sub-section seeks to make the excess amount of tax withheld for non-filers, where the tax deducted is the final tax, to be adjustable. This provides an opportunity for non-filers to file their return of income and claim refund of the excess amount.
165B	**Furnishing of information by financial institutions including banks**
(2)	The proposed amendment to this sub-section seeks to make all the information obtained to be confidential to be used only for tax purposes.
170	**Refunds**
(2)(c)	The proposed amendment to this sub-section seeks to increase the time limit for making application for determination of tax refunds from 2 years to 3 years.
182	**Offences and penalties**
	The proposed amendment to this section seeks to provide for penalties for failure to provide information by banks under section 165A and financial institutions including banks under section 165B.
198	**Prosecution for unauthorized disclosure of information by a public servant**
	The proposed amendment seeks to extend the punishment to persons providing information in contravention of treaty for avoidance of double taxation. The punishment is a fine of Rs 500,000 or imprisonment for one year or both.
231A	**Cash withdrawal from a bank**
(1)	The proposed amendment to this sub-section seeks to add an explanation to clarify that the withholding on cash withdrawals are applicable on aggregate amount, if exceeding Rs 50,000 from all the bank accounts in one day.
231B	**Advance tax on private motor vehicles**
(1)Proviso	The proposed amendment to this sub-section seeks to make a technical correction of exempting advance tax on vehicles after five years of the date of first registration.
(1A)	This proposed new sub-section seeks to stipulate that every leasing company or a scheduled bank or a development financial institution or a modaraba leasing a motor vehicle shall when leasing to a non-filer collect advance tax at 3% of the value of the motor vehicle.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
236A	**Advance tax at the time of sale by auction**
(3)	This proposed new sub-section seeks to make the tax collected on lease of right to collect toll to be the final tax.
236C	**Advance tax on sale or transfer of immovable property**
(3)	The proposed new sub-section seeks to exempt the advance tax on property held for a period exceeding 5 years.
236E	**Advance tax on foreign-produced TV plays and serials**
(1)	The proposed amendment to this sub-section seeks to provide clarification for charge of advance tax on foreign produced TV plays and serials aired on any channel.
236O	**Advance tax under this chapter**
	The proposed amendment to this section seeks to make a technical correction.
236P	**Advance tax on banking transactions otherwise than through cash**
(3) Proviso	The proposed new explanatory proviso seeks to clarify that the limit of Rs 50,000 applies to the aggregate withdrawals from all the bank accounts in a single day.
236T	**Collection of tax by Pakistan Mercantile Exchange Limited (PMEX)**
	The proposed deletion of this section seeks withdraw the charge of advance tax on commodity transactions undertaken by the Exchange.
236U	**Advance tax on insurance premium**
	This proposed new section seeks to provide for collection of advance tax from non-filers at the time of collection of insurance premium in respect of general and life insurance. In this respect insurance premium collected from agents is deemed to be collected from the insurance company. The tax collected is adjustable for the non-filer.
236V	**Advance tax on extraction of minerals**
	This proposed new section seeks to provide for collection of advance tax by the provincial authorities at the time of collecting royalty per metric ton from the lease-holder of mines or any person extracting minerals. The tax collected is adjustable. The value of the minerals is to be as specified by the Board.
236W	**Advance tax from provincial sales tax registered person**
	This proposed new section seeks to provide for provincial revenue authority to collect advance tax at 3% of the turnover from a non-filer who is a provincial sales tax registered person. The tax is to be collected along with the sales tax return filed with the authority who will not accept the return if the tax is not paid. The tax is adjustable.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
FIRST SCHEDULE	RATES OF TAX
Part I	Rates of tax
Division VIA	Income from Property

Currently the income from property in case of individual and association of persons is being taxed at the rate of tax prescribed for individuals and association of persons in Division I Part I of First Schedule. The bill proposes to insert a new division thereby prescribing separate rate of tax to be paid on income from property by individual and association of persons.

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

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

The bill proposes to substitute the existing division with a new one to prescribe the rate of tax to be paid under section 37A by filer and non-filer for Tax Year 2017 as follows:

S. No.	Period	Tax Year 2015	Tax Year 2016	Tax Year 2017	
				Filer	Non-Filer
1.	Where holding period of a security is less than twelve months	12.5%	15%	15%	18%
2.	Where holding period of a security is twelve months or more but less than twenty-four months	10%	12.5%	12.5%	16%
3.	Where holding period of a security is twenty-four months or more but the security was acquired on or after 1st July, 2012	0%	7.5%	7.5%	11%
4.	Where the security was acquired before 1st July, 2012	0%	0%	0%	0%
5.	Future commodity contracts entered into by the members of Pakistan Mercantile Exchange	0%	0%	5%	5%

Currently the rate of tax to be paid by companies on capital gain on disposal of debt securities is as specified in Division II of Part I of First Schedule which is the rate of tax for companies. By virtue of the above proposed substitution of existing division with new one, the existing rate of tax to be paid by companies on capital gain on disposal of debt securities is proposed to be made consistent with those prescribed in proposed table above.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001

Moreover, by virtue of the above proposed substitution of existing division with new one, the existing rate of tax prescribed to be deducted by a mutual fund or a collective investment scheme or a REIT scheme on redemption of securities for individual, association of persons and companies is proposed to be made consistent with those prescribed in proposed table above.

Division VIII **Capital Gains on Disposal of Immovable Property**

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

S. No.	Period	Rate of tax
1.	Where holding period of immovable property is up to five years.	10%
2.	Where holding period of immovable property is more than five years.	0%

Division VIIIA **Tax on Builders**

The bill proposes to insert a new division to prescribe the rate of tax under proposed section 7C titled "Tax on Builders" as follows:

(A) Karachi, Lahore and Islamabad		(B) Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbottabad, Quetta		(C) Urban Areas not specified in A and B	
		For commercial buildings			
Rs. 210/ Sq Ft		Rs. 210/ Sq Ft		Rs. 210/ Sq Ft	
		For residential buildings			
Area in Sq. ft	Rate/Sq. Ft	Area in Sq. Ft	Rate/ Sq. Ft	Area in Sq. Ft	Rate/ Sq. Ft
Up to 750	Rs. 20	Up to 750	Rs. 15	Up to 750	Rs. 10
751 to 1500	Rs. 40	751 to 1500	Rs. 35	751 to 1500	Rs. 25
1501 and more	Rs. 70	1501 and more	Rs. 55	1501 and more	Rs. 35

Division VIIIB **Tax on Developers**

The bill proposes to insert a new division to prescribe the rate of tax under proposed section 7D titled "Tax on Developers" as follows:

(A) Karachi, Lahore and Islamabad		(B) Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbottabad, Quetta		(C) Urban Areas not specified in A and B	
		For commercial plots			
Rs. 210/ Sq Yd		Rs. 210/ Sq Yd		Rs. 210/ Sq Yd	
		For residential plots			
Area in Sq. Yd	Rate/Sq. Yd	Area in Sq.Yd	Rate/Sq. Yd	Area in Sq.Yd	Rate/Sq. Yd
Up to 120	Rs. 20	Up to 120	Rs. 15	Up to 120	Rs. 10
121 to 200	Rs. 40	121 to 200	Rs. 35	121 to 200	Rs. 25
201 and more	Rs. 70	201 and more	Rs. 55	201 and more	Rs. 35

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
Part III	**Deduction of tax at source**
Division I	**Advance tax on dividend**
(c)	The bill proposes to increase the rate of advance tax on dividend to be deducted for non-filer from 17.5% to 20%.

The bill also proposes to substitute the rate of tax required to be deducted by a collective investment scheme, REIT scheme or mutual fund contained in the existing table in the first proviso of clause (c) with the following one thereby prescribing separate rate of tax to be deducted for filer and non-filer in case of money market fund, income fund, REIT scheme or any other fund other than stock fund.

Person	Stock Fund	Money market fund, income fund or REIT scheme or any other fund	
		Filer	Non-Filer
Individual	10%	10%	15%
Company	10%	25%	25%
AOP	10%	10%	15%

Division III **Payments for Goods or Services**

(1)(ab) The bill proposes to insert a new sub-clause thereby prescribing rate of tax to be deducted from payment in case of the supplies made by the distributors of fast moving consumer goods, 3% of gross amount payable if the supplier is a company and 3.5% if the supplier is other than a company.

(2)(ii)(c)(i) The proposed amendment seeks to increase the rate of tax to be deducted from payments made to electronic and print media for advertising services in case of a filer from 1% to 1.5% of the gross amount payable.

Division V **Income from Property**

(a) The bill proposes to substitute the existing table in clause (a) with the following one:

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

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
Division VI	**Prizes and Winnings**
(1)	The proposed amendment seeks to prescribe the separate rate of tax to be deducted on a prize on prize bond or cross word puzzle for filer and non-filer. 15% and 20% of the gross amount paid is proposed to be deducted in case of filer and non-filer respectively.
Part IV	**Deduction or Collection of Advance Tax**
Division II	**Brokerage and Commission**

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

S. No.	Person	Rate applicable on the amount of payment	
		Filer	Non-filer
1.	Advertising Agents	10%	15%
2.	Life Insurance Agents where commission received is less than Rs. 0.5 million per annum	8%	16%
3.	Persons not covered in 1 and 2 above	12%	15%

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

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

S. No.	Description	Rate
1.	in case of purchase of shares as per clause (a) of sub-section (1) of section 233A.	0.02% of purchase value
2.	in case of sale of shares s per clause (b) of subsection (1) of section 233A.	0.02% of sale value

Division IV **Electricity Consumption**

The proposed amendment seeks to increase the rate of collection of tax under section 235 for commercial consumers from 10% to 12% where the amount of electricity bill exceeds Rs. 20,000.

Division X **Advance tax on sale or transfer of immovable property**

The proposed amendment seeks to increase the rate of tax to be collected under section 236C from 0.5% to 1% of the gross amount of the consideration received for filers and from 1% to 2% of the gross amount of the consideration received for non-filers.

Division XVIII **Advance tax on purchase of immovable property**

The proposed amendment seeks to increase the rate of tax to be collected under section 236K from 1% to 2% for filer and from 2% to 4% for non-filer where the value of immovable property is more than Rs. 3 million.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001

Division XIX **Advance tax on domestic electricity consumption**

The proposed amendment seeks to make technical correction regarding domestic electricity bill liable for tax deduction.

Division XXI **Advance tax on banking transaction otherwise than through cash**

The proposed amendment seeks to make technical correction in the proviso to Division XXI.

Division XXII **Rate of Collection of Tax by Pakistan Mercantile Exchange Limited**

The bill proposes to omit the division in line with the proposed omission of section 236T.

Division XXV **Advance tax on insurance premium**

The bill proposes to insert new division thereby prescribing the rate of advance tax to be collected by every insurance company from non-filers under section 236U in respect of general insurance premium and life insurance premium as follows:

S. No.	Type of premium	Rate
1.	General insurance premium	4%
2.	Life insurance premium if exceeding Rs. 0.2 million per annum	1%
3.	Others	0%

Davison XXVI **Advance tax on extraction of minerals**

The bill proposes to insert new division thereby prescribing the rate of advance tax to be collected under section 236V at 5% of the value of the minerals for non-filers and 0% for filers.

SECTION (CLAUSE)	**THE INCOME TAX ORDINANCE, 2001**
SECOND SCHEDULE	**EXEMPTIONS AND TAX CONCESSIONS**
Part I	**Exemption from total income**
(66)(xviii)	The proposed omission of sub-clause (xviii) seeks to make technical amendment. The said clause prescribe that any income derived by micro finance banks for a period of five years starting from first day of July 2007 is exempt from tax. Since the period of five years from first day of July 2007 has already passed, therefore the sub-clause has now become redundant.
(98)	The proposed amendment seeks to entitle exemption from tax for only those board or organization established by Government in Pakistan for the purposes of controlling, regulating or encouraging major games and sports recognized by Government.
(103A)	The proposed amendment seeks to withdraw exemption from tax in respect of income derived from inter-corporate dividend by those companies entitled to group relief under section 59B.
(126A)	The proposed substitution seeks to exempt income derived by China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gawadar International Terminal Limited, Gawadar Marine Services Limited and Gawadar Free Zone Company Limited from Gawadar Port operations for a period of twenty-three years, with effect from the sixth day of February, 2007.
(126AA)	The proposed new insertion seeks to exempt profit and gains derived by a taxpayer from businesses set up in the Gawadar Free Zone Area for a period of twenty three years with effect from the first day of July, 2016.
(126AB)	The proposed new insertion seeks to exempt profit on debt derived by any foreign lender or any local bank having more than 75 per cent shareholding of the Government or the State Bank of Pakistan, under a Financing Agreement with the China Overseas Ports Holding Company Limited.
(126AC)	The proposed new insertion seeks to exempt income derived by contractors and subcontractors of China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gawadar International Terminal Limited, Gawadar Marine Services Limited and Gawadar Free Zone Company Limited from Gawadar Port operations for a period of twenty years, with effect from the first day of July, 2016.
(126AD)	The proposed new insertion seeks to exempt any income derived by China Overseas Ports Holding Company Limited being dividend received from China Overseas Ports Holding Company Pakistan (Private) Limited, Gwadar International Terminal Limited Gwadar Marine Services Limited and Gwadar Free Zone Company Limited. The proposed new insertion also seeks to exempt any income derived by China Overseas Ports Holding Company Pakistan (Private) Limited being dividend received from Gwadar International Terminal Limited Gwadar Marine Services Limited and Gwadar Free Zone Company Limited.
(133)	The proposed amendment seeks to extend the period of exemption in respect of income from export of computer software or IT services or IT enabled services up to the period ending on 30th day of June 2019. IT Services include software development, software maintenance, system integration, web design, web development, web hosting, and network design, and IT enabled services include inbound or outbound call centres, medical transcription, remote monitoring, graphics design, accounting services, HR services, telemedicine centers, data entry operations, locally produced television programs and insurance claims processing. The proposed amendment also seeks to insert a proviso to impose a condition to avail this exemption that eighty per cent of the export proceeds is brought into Pakistan in foreign exchange remitted from outside Pakistan through normal banking channels.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
Part II	**Reduction in tax rates**
(3)	The bill proposes to substitute the existing clause with new one to provide for reduction in tax rate as follows: (a) The tax in respect of income from services rendered outside Pakistan and construction contracts executed outside Pakistan shall be charged at the rates as specified in sub-clause (b), provided that receipts from services and income from contracts are brought into Pakistan in foreign exchange through normal banking channel. (b) The rates in respect of income from services rendered outside Pakistan shall be 50% of the rates as specified in clause (2) of Division III of Part III of the First Schedule and the rates in respect of contracts executed outside Pakistan shall be 50% of the rates as specified in clause (3) of Division III of Part III of the First Schedule.
(3B)	The bill proposes to insert a new clause to provide reduction in tax rates as follows: The income of Pakistan Cricket Board derived from sources outside Pakistan including media rights, gate money, sponsorship fee, in-stadium rights, out-stadium rights, payments made by International Cricket Council, Asian Cricket Council or any other Cricket Board shall be taxed at a rate of four per cent of the gross receipts from such sources: Provided that Pakistan Cricket Board may opt to pay tax at the rate of four per cent of the gross receipts from tax year 2010 and onwards: Provided further that this option shall be available subject to withdrawal of appeals, references and petitions on the issue of tax rate pending before any appellate forum or tax authority: Provided further that the outstanding tax liability payable under this clause up to tax year 2015 is paid by 30th June, 2016.
Part IV	**Exemption from specific provision**
(11A)(xxvi)	The bill proposes to insert the new sub-clause to provide exemption from provisions of section 113 regarding minimum tax to China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gwadar International Terminal Limited, Gwadar Marine Services Limited and Gwadar Free Zone Company Limited for a period of twenty three years, with effect from the sixth day of February, 2007.
(11A)(xxvii)	The bill proposes to insert the new sub-clause to provide exemption from provisions of section 113 regarding minimum tax to Companies, qualifying for exemption under clause (126M) of Part-I of this Schedule, in respect of profits and gains derived from a transmission line project.
(11B) & (11C)	The proposed amendment seeks to withdraw exemption from withholding tax in respect of income derived from inter-corporate dividend and profit on debt by those companies entitled to group relief under section 59B.
(38AA)	The bill proposes to insert new clause to exempt China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gwadar International Terminal Limited, Gwadar Marine Services Limited and Gwadar Free Zone Company Limited from the provisions of section 150 for a period of twenty-three years.
(57)	The proposed amendment seeks to withdraw exemption available to companies operating trading houses from the provisions of section 113 regarding minimum tax. Moreover, the proposed substitution of second proviso seeks to prescribe minimum tax rate under section 113 for companies operating trading houses at 0.5% up to the tax year 2019 and 1% thereafter.
(59)(i)	The proposed omission of sub-clause seeks to withdraw exemption available from withholding tax on profit on debt under the provisions of section 151 in respect of profit or interest paid on a Term Finance Certificate held by a company which has been issued on, or after, the first day of July, 1999

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
(72A)	The proposed amendment seeks to extend the exemption allowed to Hajj Group Operator in respect of Hajj operations for tax year 2016 from the provisions of section 21, 113 and 152.
(72B)	**The bill proposes to insert new provisos to clause (72B) as follows:** Provided further that the quantity of raw material to be imported which is sought to be exempted from tax under section 148 shall not exceed 110 per cent of the quantity of raw material imported and consumed during the previous tax year: Provided also that the Commissioner shall conduct audit of taxpayer's accounts during the financial year in which the certificate is issued in respect of consumption, production and sales of the latest tax year for which return has been filed and the taxpayer shall be treated to have been selected for audit under section 214C: Provided also if the taxpayer fails to present accounts or documents to the Commissioner or the officer authorized by the Commissioner, the Commissioner shall, by an order in writing, cancel the certificate issued and shall proceed to recover the tax not collected under section 148 for the period prior to such cancellation and all the provisions of the Ordinance shall apply accordingly.
(82)	The bill proposes to omit the clause as the exemption from provisions of sub-section (2) of section 116 was applicable for tax year 2014 only and the clause has now become redundant.
(86)(a)(iii)	The proposed amendment seeks to extend the exemption allowed to investment made by a company in an industrial undertaking from the provisions of section 111 regarding unexplained income or assets till tax year 2019.
(91),(92),(93),(95), (96),(97)	The proposed amendments seek to make technical corrections by renumbering clauses (91), (92) and (93) as clauses (95), (96) and (97).
(94)	The proposed amendment seeks to extend the exemption allowed from the provisions of clause (b) of the proviso to sub-section (3) of section 153 till tax year 2017 to filer companies engaged in providing or rendering freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, tracking services, advertising services (other than by print or electronic media), share registrar services, engineering services or car rental services. The proposed amendment also seeks to include IT services and IT enabled services under the exemption available in clause (94). The bill also proposes to insert new proviso after the existing proviso thereby prescribing that for tax year 2017, the company shall furnish irrevocable undertaking by November, 2016, to present its accounts to the Commissioner.

SECTION (CLAUSE)	**THE INCOME TAX ORDINANCE, 2001**
FOURTH SCHEDULE	**RULES FOR THE COMPUTATION OF THE PROFITS AND GAINS OF INSURANCE BUSINESS**
Rule 6B	The bill proposes to substitute Rule 6B with new one which provides for inclusion of capital gains on disposal of shares and dividend of listed companies, vouchers of Pakistan Telecommunication corporation, modaraba certificate or instruments of redeemable capital and derivative products in computing income of mutual insurance association and computing the tax thereon at the rate of tax for companies as specified in Division II of Part I of First Schedule.
SIXTH SCHEDULE	
Part I	**Recognized Provident Funds**
Rule 3	The proposed amendment seeks to increase the limit of annual employer contribution which is deemed to be income received by employee from Rs. 100,000 to Rs. 150,000.
SEVENTH SCHEDULE	**RULES FOR THE COMPUTATION OF THE PROFITS AND GAINS OF A BANKING COMPANY AND TAX PAYABLE THEREON**
Rule 7C	The proposed amendment seeks to extend the applicability of provisions of section 4B regarding super tax for rehabilitation of temporarily displaced persons to banking companies till tax year 2016.
EIGHT SCHEDULE	**RULES FOR THE COMPUTATION OF CAPITAL GAINS ON LISTED SECURITIES**
Rule 1(1A)	The bill proposes to insert new sub-rule to prescribe that capital gains on disposal of units of open ended mutual funds and to which section 100B apply, shall be computed and determined under this Schedule and tax thereon shall be collected and deposited by NCCPL in the prescribed manner.
Rule 1(1B)	The bill proposes to insert new sub-rule to prescribe that gain or loss arising to persons through trading of future commodity contracts on Pakistan Mercantile Exchange, subject to tax under section 37A and to which section 100B apply, shall be computed and determined under this Schedule and tax thereon shall be collected and deposited on behalf of taxpayers by NCCPL in the manner prescribed.
Rule 1(2)	**The proposed amendment seeks to make technical correction.**
Rule 1(3)	The proposed new proviso seeks to prescribe that if the information required by NCCPL is not furnished by Central Depository Company of Pakistan Limited, NCCPL shall forward the details to the Commissioner who shall exercise powers under the Ordinance to enforce furnishing of the said information including all penalty provisions.
Rule 1(3A)	The proposed new sub-rule seeks to prescribe that the Asset Management Companies, Pakistan Mercantile Exchange and any other person shall furnish information when required by NCCPL for discharging obligations under this Schedule.

SECTION (CLAUSE)	SALES TAX ACT, 1990

Section 2 (5AB) **Cottage Industry**

The Bill seeks to amend definition of cottage industry by increasing the turnover threshold from Rs.5 million to Rs.10 million to exempt all those small manufacturers from charge of sales tax whose annual turnover from taxable supplies do not exceed ten million rupees.

Section 2 (9) **Due Date**

The Bill seeks to omit the expression "and 26AA" in clause (9) of Section 2 which is technical correction for the sake of clarity. Section 26AA (Retail Tax Return) was previously omitted by the Finance Act, 2008 but corresponding omission was not made in the definition of due date prescribed in the Act. Furthermore, the provision for different due dates for different parts of the sales tax return are introduced by amendment in clause (9) of Section 2.

Section 2 (14) **Input Tax**

The Bill seeks to disallow input tax adjustment on sales tax paid against provincial services. The Bill has omitted clause (d) from the definition of input tax and, therefore, as a consequence of the proposed amendment, taxpayers registered with Federal Board of Revenue will not be able to claim input tax adjustment against the services received from the service providers' operating within respective provincial sales tax authorities. This is a significant amendment in the context of recent discussions between the Federation and Provinces in respect of adjustment mechanism between Federal and Provincial Sales Tax and is expected to have significant consequential impacts for taxpayers across various industries.

Section 6 **Time and manner of payment**

Section 6 (2) of the Act provides that the tax in respect of taxable supplies made in Pakistan during the tax period shall be paid by the registered person at the time of filing the return. The proposed amendment seeks to require that the tax has to be paid by the date as prescribed, which may or may not differ from the time of filing of the return.

Section 7 **Determination of tax liability**

The procedure for determining "tax liability" is provided by section 7 of the Act, which clearly specifies that registered persons shall be entitled to deduct input tax from output tax that is due from him in respect of the tax period. Section 7(2) provides mandatory requirements for deducting input tax from output tax. Section 7(2) particularly enunciates that a registered person shall not be entitled to deduct input tax from output tax unless in case of a claim for input tax in respect of a taxable supply made, the taxpayer holds a tax invoice in his name and bearing his registered number in respect of such supply for which a return is furnished. Now the Bill seeks to add proviso in clause (i) in sub – section (2) of Section 7 which adds a new requirement that to claim input tax , supplier should also declare such supply in his return and is also required to pay the due tax as indicated in his return.

Section 8 **Tax credit not allowed**

Section 8 of Sales Tax Act provides a negative list of various items or class of goods on which input tax is not admissible. Under Clause (l) of Section 8 input tax is not admissible on goods and services which at the time of filing of return by the buyer, have not been declared by the supplier in his return. The Bill seeks to add under clause (l) that tax is also required to be paid by the supplier as indicated in this return for claiming of input tax adjustment.

SECTION (CLAUSE)	SALES TAX ACT, 1990

Section 11 — **Assessment of Tax and recovery of tax not levied or short – levied or erroneously refunded**

The Bill proposes to empower the tax collector to recover taxes not withheld, from the withholding agent which was previously an oversight in the Act.

Section 13 — **Exemption**

Through Finance Act, 2015, Board's power to allow any exemption was withdrawn. All amendments in fiscal statutes was required to be made subject to the approval of Economic Coordination Committee of Cabinet only in the following circumstances:

- National Security
- Natural disaster
- National food security in emergency situations
- Protection of national economic interest in situations arising out of abnormal situations arising out of abnormal fluctuation in the international commodity prices
- Removal of anomalies in taxes
- Development of backward areas and implementation of bilateral and multilateral agreements

Now the Bill proposes to add matters relating to granting of exemption to international financial institutions or foreign government owned financial institutions which also require approval of economic coordination committee followed by approval of National Assembly.

Section 26 — **Return**

Section 26 of the Act prescribes the manner and procedure for filing of return. The Bill seeks to omit sub-section (2) of Section 26 in which there is a requirement that if there is change in the rate of tax during a tax period, a separate return in respect of each portion of tax period showing the application of different rates of tax was required to be furnished. This amendment is consistent with the practical approach presently applied for filing of return under such circumstances.

Section30DDD — **Directorate General of Input Output Co –efficient Organization**

The Bill seeks to introduce a new section in which formation/composition of the Directorate General of Input Output Co-efficient Organization (IOCO) –Inland Revenue is proposed. It shall consist of a Director General and as many Directors, Additional directors, Deputy directors, Assistant directors and such other officers as the Board may notify through a gazetted notification.

Section 33 — **Offences and Penalties**

By virtue of the proposed amendment, penalty of Rs 5000/- or 3% of the tax can be levied in case of an offence under the Act or the Rules, in respect of which no specific penalty has been prescribed in the relevant section.

Section 49 — **Sale of taxable activity or transfer of ownership**

The proposed amendment seeks to substitute the existing sub-section (2) of Section 49. The provision for transfer of taxable activity and transfer of ownership from one registered person to another registered person is proposed to be redefined. Now in case of sale or transfer of ownership of a taxable activity or part thereof to another registered person as an on-going concern, the taxable goods or part thereof shall be transferred to the new owner through a zero-rated invoice and the sales tax chargeable thereon shall be accounted for and paid by the registered person to whom such taxable activity or part thereof is transferred.

SECTION (CLAUSE)	SALES TAX ACT, 1990
Section 56 B	**Disclosure of information by a public servant** This section was earlier introduced by Finance Act, 2015 which provides that any information acquired under any provision of this Act or in pursuance of a bilateral or multilateral agreement or tax information exchange shall be confidential and no public servant shall disclose any information, except as provided under section 216 of the Income Tax Ordinance, 2001. The proposed amendment seeks to substitute section 56B . The Bill also proposes that notwithstanding anything contained in sub section (1) and the Freedom of Information Ordinance, 2002 any information received or supplied in pursuance of bilateral or multilateral agreements with government or foreign countries for exchange of information shall be confidential.
Third Schedule	Sales tax is charged by a manufacturer at the rate of 17 percent in respect of goods falling under this category on the recommended retail price. The bill seeks to insert a new entry namely “Mineral/ bottled water” after serial number 36 in column (1) in the Third Schedule. Earlier Mineral water is charged to sales tax at 17 percent of value of supply. It is proposed to include mineral water in the Third Schedule so that tax is charged on the basis of retail price. The suppliers are also required to print retail price on this product.
Fifth Schedule	Goods specified in fifth schedule are chargeable to sales tax at zero percent. The Bill seeks to omit the clauses (i) to (ix) in column (2), against serial number 12 in the Fifth Schedule. By the omission of these entries there is abolition / withdrawal of zero rated status of milk, fat filled milk, and stationery items.
Sixth Schedule (Table –I)	Goods and imports falling under this category are outside the scope of sales tax and, therefore, not subject to sales tax. The Bill seeks to insert new entries 100A and 100B after serial number 100 in column (1) in Table – 1 in the Sixth Schedule.
100A(Table –I)	Exemption from sales tax to Concession Holder of Gwadar Port Authority and its operating companies, their contractors and sub- contractors for development of Gwadar Port and Gwadar Free Zone. Exemption from sales tax for a period of 40 years on the import and supply of materials, equipment, ship bunker oils brought and sold to ships calling on or visiting Gwadar Port, for the development of Gwadar Port and Free Zone for Gwadar Port is being granted.
100B(Table –I)	Exemption from sales tax to businesses to be established in Gwadar Free Zone. Exemption for a period of 23 years from sales tax is being granted to businesses to be established in Gwadar Free Zone. This exemption shall be available to sales/supplies within the Gwadar Free Zone. However, sales/supplies outside the free zone and into the territory of Pakistan shall be subjected to applicable rates for sales tax and Federal Excise Duty.
Sixth Schedule (Table –I)	The Bill seeks to exempt the following from charge of sales tax: • Pesticides and their ingredients are being granted exemption from sales tax. • Premixes for Growth stunting, import of vitamins, premixes, minerals and micronutrients (food grade) are proposed to be exempted from sales tax. • Import of Laptops and Pcs are proposed to be exempted from sales tax with a view to promote information and communication technology.
Sixth Schedule (Table –3)	Exemption from charge of sales tax is being granted to Dump Trucks for Thar Coal Field.

SECTION (CLAUSE)	SALES TAX ACT, 1990
Eighth Schedule (Table -1)	Eighth Schedule specifies import or supply of certain goods on which sales tax is chargeable at reduced rates. The Bill seeks to enhance the rate of sales tax on certain ingredients of poultry feed from 5 percent to 10 percent. The Bill also seeks to levy sales tax on sugar at reduced rate of 8 percent. Sugar is currently chargeable to Federal Excise Duty at the rate of 8 percent. It is proposed to replace this Federal Excise Duty with levy of sales tax at reduced sales tax rate of 8 percent. The Bill also proposes to levy sales tax on urea at reduced rate of 5 percent, in order to promote agriculture and alleviate the conditions of farmers.
Eight Schedule (Table -2)	Reduced rate of 5 percent is available to machinery and equipment for the development of grain handling and storage facilities under Sales Tax Act, 1990. It is now proposed to include silos in the said reduced rate.
Ninth Schedule	Ninth Schedule specifies import or supply of cellular mobile phones on which sales tax is charged on fixed basis. The Bill seeks to increase the rate of sales tax on import of Mobile Phones. Mobile Phones are currently charged to sales tax under three categories i.e. Rs 300, Rs. 500, and Rs. 1000, based on their features. The proposed new slabs are Rs. 300, Rs. 1000 and Rs. 1,500 respectively.

SECTION (CLAUSE)	ISLAMABAD CAPITAL TERRITORY (TAX ON SERVICES) ORDINANCE, 2001

Section 3 **Scope of Tax**

The Bill proposes to add two new sub- sections (2A) and (2B) in Section 3 which is a charging section and creates a charge on all taxable services made in Pakistan by a registered person. The proposed sub-Section 2A provides that certain provisions of Sales Tax Act, 1990 shall apply to the services rendered or provided under this Ordinance. The following are the provisions:

- Clause (b) of sub section (2) which provides that Federal Government may declare that in respect of any taxable goods, the tax shall be charged at such rate as specified in the notification.

- Sub section (6) of Section 3 which provides that the Federal Government or the Board may levy and collect such amount of tax on any supplies and also specify the mode, manner or time of payment of such amount of tax.

- Sub section (7) of Section 3 provides that Federal Government by notification can specify any person as withholding agent for the purpose of deduction and deposit of tax at specified rate.

- Serial no 2, in column (1), and the entries relating thereto of the Fifth Schedule read with section 4. (Services provided to diplomats, diplomatic missions , privileged persons and privileged organizations are charged to sales tax at the rate of zero percent)

- Sub sections (2), (3), (6) and (7) of section 13 which provides that the Federal Government may issue exemption notification with the approval of the Economic Coordination Committee followed by the approval of National Assembly. All exemption notifications issued after July 2015 stand rescinded on the expiry of the financial year in which it was issued.

- Serial no 48, in column (1), and entries relating thereto of Table 1 of Sixth Schedule read with section 13 (Goods imported or supplied under grants-in-aid for which specific approval has been obtained from the Board would be exempt from the charge of sales tax).

The newly proposed sub section 2B provides that tax levied under the Ordinance shall not be applicable to regulatory and licensing services rendered or provided by an organization established by or under a Federal statute.

SECTION (CLAUSE)	FEDERAL EXCISE ACT, 2005
2(8a)	This amendment authorizes the Government to allow different submission deadlines for different portions of the return
4(2)	This section has been amended to fix the deadline for duty deposit to a prescribed date rather than the date of return filing. Also, the requirement for submitting separate return showing different rates of duty, if so changed during a month, has been omitted.
6(2A)	The proposed insertion provides that the claim of duty on input goods and services is now only admissible if the supplier of the same has declared and paid the duty.
16(2)	This amendment empowers the Government to grant exemption to any goods or services following an agreement or arrangement with and international or foreign government owned financial institutions.
19(13)	This newly inserted sub-section determines the penalty for contravention of a provision or rule of the Act, where it has not been specifically provided, at Rs5,000 or 3 percent of the amount of duty involved, whichever is higher
47B	The revised section adds a sub-section, which effectively overrides the disclosure provisions of Section 216 of Income Tax Ordinance, 2001 and Freedom of Information Ordinance, 2002, in case of any information received or supplied in pursuance of agreements with foreign governments made under Section 47A of the Act

First Schedule
Table I

Rate of duty for aerated waters (all kinds) increased to 11.5 percent of retail price

Structure of duty on cigarettes revised as follows:

Category	Rate
Locally produced cigarettes if their printed retail price exceeds Rs. 4,000 per 1,000 cigarettes :	
• between July 1, 2016 to November 30, 2016	Rs3,436 per 1,000 cigarettes
• From December 1, 2016 onwards	Rs3,705 per 1,000 cigarettes
Locally produced cigarettes if their printed retail price does not exceed Rs. 4,00 per 1,000 cigarettes :	
• between July 1, 2016 to November 30, 2016	Rs1,554 per 1,000 cigarettes
• From December 1, 2016 onwards	Rs1,649 per 1,000 cigarettes

Rate of duty on portland, aluminous, slag, super sulphate and similar cements revised from 5 percent of the retail price to Re. 1 per kilogram

White crystalline sugar removed from the Schedule

Table II

Duty on following services not to be levied if the same is subject to provincial sales tax:

- Advertisements on CCTV, cable TV, in newspapers, periodicals, sign boards, hoards and pole signs
- Shipping agents
- Services provided by banks, insurance companies, cooperative finance societies, modarabas, musharikas, leasing companies, forex dealers, non-banking financial institutions, asset management companies and other entities providing such services

SECTION (CLAUSE)	FEDERAL EXCISE ACT, 2005
	• Franchise services • Services provided by stockbrokers
Second Schedule	**Crystalline White Sugar removed from the Schedule**
Third Schedule **Table I**	White Cement removed from the Schedule **New item added to the table as Serial No. 19, namely:** • material and equipment for construction and operation of Gwadar port and development of Free Zone as imported by or supplied to China Overseas Ports Holding Company Limited and its operating companies and their contractors and sub-contractors • Ship bunker oils bought and sold to ships on rendezvous with Gwadar Port, having concession with Gwadar Port Authority, for 40 years, subject to certain conditions in Sixth Schedule to the Sales Tax Act New item added to the table as Serial No. 20, namely: Supplies made by the businesses to be established in Gwadar Free Zone for 23 years, within the Free Zone only

SECTION (CLAUSE)	CUSTOMS ACT, 1969 (IV OF 1969)
19(1)	The proposed amendment to the sub-section seeks to expand the scope to enable the Government to grant partial or complete exemption to any goods imported or exported, under the terms agreed through an agreement, MoU or other arrangement with an international or foreign government owned financial institution.

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The proposed amendment authorizes disclosure of confidential trade information gathered by Customs during clearing of goods, under two new scenarios:

- first, to trade partners under terms of an MoU, agreement or conventions to the agreed extent and
- second, to general public, disclosure of valuation data containing description of items, origin, currency, and declared and assessed unit value without disclosing name and address of importer, exporter or their suppliers for transparency purposes.

The First Schedule

The First Schedule (Pakistan Customs Tariff) is proposed to be amended with a view to rationalize import duties on a number of goods, including the following:

Item	Duty (% Ad.Val)	
	Existing	Proposed
Horses	5	3
Live bovine animals	0	3
Goats	0	3
Chicken Fowls	5	11
Turkeys, Ducks, Geese, Guinea Fowls	5	3
Bees	5	3
Meat of bovine animals and sheep or goats, frozen, fresh or chilled.	0	3
Live fish, Fish, fresh or chilled, excluding fish fillets and other fish meat	10	11
Fish, frozen, excluding fish fillets and other fish meat	10	20
Fish fillets and other fish meat, fresh, chilled or frozen.	10	11
Fish, dried, salted or in brine; smoked fish, whether or not cooked before or during the smoking process; flours, meals and pellets of fish, fit for human consumption.	10	11
Crustaceans	10	11
Molluscs	5	3
Chicken eggs, in shell, fresh, preserved or cooked, fertilized eggs for incubation	5	11
Birds' eggs, in shell, fresh, preserved or cooked.; - fertilized eggs for incubation	5	3
Ivory, tortoise- shell, whalebone and whalebone hair, horns, antlers, hooves, nails, claws and beaks etc	5	3
Foliage, branches and other parts of plants, without flowers or flower buds, and grasses, mosses and lichens, suitable for bouquets or for ornamental purposes	15	16
Potatoes or tomatoes, fresh or chilled	0	3
Onions and garlic	0	3
Leeks etc	10	11
Cabbages, cauliflower, lettuce, carrots, cucumbers, beetroot, and legumes etc, fresh or chilled	0-5	3
Vegetables (uncooked or cooked by steaming or boiling in water), frozen, provisionally preserved, dried unprepared	15	16
Dried leguminous vegetables, shelled	0	3

SECTION (CLAUSE) **CUSTOMS ACT, 1969 (IV OF 1969)**

Item	Duty (% Ad.Val) Existing	Proposed
Coconuts – desiccated	5	3
Coconuts – endocarp	10	11
Brazil nuts	10	11
Cashew nuts	5	3
Almonds – in shell	5	16
Almonds – shelled	10	20
Hazelnuts or filberts	10	11
Walnuts, Chestnuts, Macadamia, Kola, Others	10	11
Betelnuts	5	20
Pistachio	5	3
Tamarind	5	3
Coffee, tea, whitener	10	11
Non-crushed and ground pepper	5	3
Red chilies whole and powder	15	16
Red chilies seed for sowing	0	3
Vanilla	5	3
Cloves, nutmeg, mace, cardamom, seeds of anise, badian, fennel etc	0-5	3
Ginger	15	16
Saffron	5	3
Turmeric	15	16
Wheat	10	11
Rye, Barley, Oats	5	3
Maize seed	0	3
Rice seed	0	3
Rice other forms	10	11
Wheat flour	0	3
Other cereal flours	10	11
Cereal groats, meal and pellets, grains otherwise worked.	15	16
Malt,	10	11
Soya beans	0	3
Glycerol, crude; glycerol waters and glycerol lyes.	10	11
Maple sugar	10	11
Maple syrup	15	16
Molasses as a by product of sugar production	5	3
Cocoa beans, shells, husks and other waste, coco paste, butter, fat and oil	5	3
Cocoa powder without additives	5	11
Mixes and doughs for the preparation of bakers' wares	15	16
Yeasts; other single cell micro- organisms; prepared baking powders.	15	16
Food preparations not elsewhere specified or included.	30	20
Flours, meals and pellets, of meat or meat offal; greaves	10	11
Unmanufactured tobacco; tobacco refuse	5	11
Unroasted iron pyrites.	5	3
Sulphur of all kinds, other than sublimed sulphur, precipitated sulphur and colloidal sulphur, natural graphite, natural non-metal bearing sands, quartz	5	3
Kaolin and other kaolinic clays	0	3
Other clays, andalusite, kyanite and sillimanite,; mullite; chamotte or dinas earths, chalk.	5	3

SECTION (CLAUSE) **CUSTOMS ACT, 1969 (IV OF 1969)**

Item	Duty (% Ad.Val) Existing	Proposed
Natural barium sulphate, barium carbonate, siliceous fossil meals and similar, pumice stone, emery, natural corundum, garnet, slate	5	3
Marble and similar calcareous monumental or building stone, alabaster, granite, porphyry, basalt, sandstone or similar	15	16
Pebbles, gravel, broken or crushed stone, of a kind commonly used for concrete aggregates	5	3
Talc	10	11
Iron, manganese, copper, nickel, aluminum, precious metals, other ores and concentrates	0-5	3
Bituminous coal	0	3
Other coal	0	11
Motor spirit	0	3
Aviation spirit	0	3
Spirit type jet fuel	0	3
White spirit	10	3
Kerosene	0	3
JP 1	0	3
JP 4	0	3
Light diesel oil	0	3
High Speed diesel	10	11
Furnace oil	0	11
Liquefied and gaseous Natural gas	0	3
LPG	0	3
Radioactive element, isotopes, compounds, heavy water, spent nuclear fuel, cerium compounds	5	3
Ingredients of pesticides	5	3
Provitamins and vitamins, natural or reproduced by synthesis	5	3
Hormones, prostaglandins, thromboxanes and leukotrienes, natural or reproduced by synthesis	5	3
Homeopathic medicine, aspirin, cough syrup, paracetamol	10	11
Animal or vegetable fertilisers	0-5	3
Mineral or chemical fertilisers containing two or three of the fertilising elements nitrogen, phosphorus and potassium; other fertilisers	0	3
Newsprint, in rolls or sheets	5	11
-Holy Quran(Arabic text with or without translation)	0	3
Printed books, dictionaries, encyclopaedias	0	3
Newspapers, journals and periodicals	0	3
Children's picture, drawing or colouring books	0	3
Silkworm cocoons, raw silk, silk waste	5	3
Silk yarn, yarn spun from silk waste	0-5	3
Woven fabrics of silk or silk waste	15	16
Worn clothing and other worn articles.	5	3
Imitation jewellery	10	11
Pig-iron, ferro-alloys, ferrous products from ore, waste and scrap, granules and powders, iron and non-alloy steel in ingots except waste and scrap of auto parts	0-5	3
Semi-finished products of iron or non-alloy steel, flat-rolled product of width 600mm or more, hot-rolled, cold-rolled, plated or coated, except VCM or PCM coated sheets upto 0.5 mm thickness	5,10,20	11

SECTION (CLAUSE) **CUSTOMS ACT, 1969 (IV OF 1969)**

Item	Duty (% Ad.Val) Existing	Duty (% Ad.Val) Proposed
VCM or PCM coated sheets upto 0.5 mm thickness	5	3
Hand- operated mechanical appliances, weighing 10 kg or less, used in the preparation, conditioning or serving of food or drink.	10	11
Nuclear Reactors	5	3
Bakery ovens, including biscuit ovens, Bakery machinery, machinery for manufacture of pasta, confectionary, cocoa, or chocolate	5	3
packing or wrapping machinery (including heat- shrink wrapping machinery)	5	3
Harvesting or threshing, milking and dairy machinery	5	3
Printing machinery used for printing by means of plates, cylinders and other printing components; other printers, copying machines and facsimile machines, whether or not combined; parts and accessories thereof.	0-5	3
Machines for extruding, drawing, texturing or cutting man- made textile materials.	5	3
Machines for preparing textile fibres; spinning, doubling or twisting machines and other machinery for producing textile yarns; textile reeling or winding (including weft- winding) machines and machines for preparing textile yarns	5	3
Looms for weaving fabric with width limited to 30 cm	15	16
Knitting machines, stitch- bonding machines and machines for making gimped yarn, tulle, lace, embroidery, trimmings, braid or net and machines for tufting.	5	3
Machinery for washing, cleaning, wringing, drying, ironing, pressing , bleaching, dyeing, dressing, finishing, coating or impregnating textile yarns, fabrics or made up textile articles etc	5	3
Computers, laptops, large or mainframes, processors, accessories, and other parts and peripherals	0	3
Office machines, ATMs, photocopiers, mail sorting, folding and sealing machines	5	3
Sorting, screening, separating or washing machines for cement industry	15	16
Crushing or grinding, mixing or kneeding machines for cement industry	5	3
Information technology software	5	3
Fully dedicated CNG, LNG, LPG buses and hybrid vehicles (CBU)	0	20
Motorcycles (including mopeds) and cycles fitted with an auxiliary motor, with or without side- cars; side- cars.	65	50
Carriages for disabled persons	5	3
Fishing vessels; factory ships and other vessels for processing or preserving fishery products.	10	11
Electro diagnostic equipment, ECG machines, ultrasound machines, MRI, scintigraphic apparatus ultraviolet or infra red ray apparatus	5	3
Tubular metal needles and needles for sutures	20	11
Anesthesia, surgical knives, incubators, scissors, stethoscopes	5	3
Orthopaedic appliances, including crutches, surgical belts and trusses; splints and other fracture appliances; artificial parts of the body; hearing aids and other appliances	5	3
Apparatus based on the use of X- rays or of alpha, beta or gamma radiations	5	3
Instruments, apparatus and models, designed for demonstrational purposes	5	3
Military weapons, other than revolvers, pistols	15	16
Revolvers and pistols	15-30	16
Paintings, drawings by hand, engravings, sculptures, collectible artifacts of scientific or historical interest	5	3

SECTION (CLAUSE)	CUSTOMS ACT, 1969 (IV OF 1969)

The Fifth Schedule

The Fifth Schedule is amended with a view to reduce import duties on plant, machinery, equipment and apparatus including capital goods for various industries/sectors.

The reduction of duties is to be made available to imported goods which are not listed in the locally manufactured items and are notified as such through a Customs General Order and also certified by the Engineering Development Board. Condition of local manufacturing not to apply on import of machinery to set up a new power plant of capacity 25 MW or more, and those certified by Ministry of Water and Power to supply electricity under IPP mode to national grid.

Except for green house farming, machinery imported by Karachi Ship Yard and Engineering Works Limited, solar power home systems and machinery imported for purposes of renewable energy, a certificate is required from Chief Executive of the importer or his nominated next in line, to the effect that the imported items are company's genuine requirement. He is required to submit or have submitted such certification online to Pakistan Customs Computerized System.

In case of staggered imports for setting up a plant, the importer shall submit complete details of the plant at the time of arrival of first shipment.

Wherever two rates of duty, 3% and 5%, have been mentioned, the rate of 3% is applicable only to those items which are subject to this rate as per First Schedule to the Customs Act, 1969.

Duties on goods including the following, imported for various industries/sectors are proposed to be as under:

Item	Duty % (Ad. Val)
Agricultural Machinery: Tillage and seed bed preparation equipment	2
Seeding or planting equipment	2
Irrigation, drainage and agro-chemical application equipment except tubewells and sprayers	0
Tubewells filters or strainers and sprayers/applicators	2
Harvesting, threshing and storage equipment except fodder/forage wagon	2
Fodder/forage wagon	5
Item	
Fertilizer and plant protection equipment	5
Dairy, livestock and poultry machinery	5
Post-harvest handling and processing and miscellaneous machinery	2
Greenhouse farming and other greenhouse equipment except geo synthetic liners	0
Geo synthetic liners	3 & 5
Machinery, equipment and other capital goods for miscellaneous agro-based industries like milk processing, fruit vegetable or flowers grading, picking or processing, etc	3,5
Horticulture and floriculture except hand tools	5
Hand tools	3,5
Fish or shrimp farming and seafood processing machinery and equipment except water aerators and feed pellet machine	5
water aerators and feed pellet machine	2
Machinery and equipment for development of grain handling and storage facilities including silos	3,5
Cool chain machinery and equipment	3,5
Machinery and equipment for initial installation, BMR or expansion of desalination plants, coal firing system, gas processing plants and oil and gas filed prospecting	3,5
Medical equipment, cardiology/cardiac surgery equipment, disposable medical devices and other related equipment except gymnasium equipment	5

SECTION (CLAUSE) | **CUSTOMS ACT, 1969 (IV OF 1969)**

Item	Duty % (Ad. Val)
Gymnasium equipment	3,5
Cardiology/cardiac surgery equipment	5
Disposable medical devices	5
Other related equipment (fire extinguisher, fixtures and fittings for hospitals)	3,5
Machinery, equipment, materials, capital goods, specialized vehicles, accessories, spares, chemicals, and consumables meant for mineral exploration phase	0
Construction machinery and equipment	0
Coal mining machinery, spares, vehicles etc	0
Mining construction/extraction phase machinery, equipment, spares including vehicles	3,5
Machinery, equipment and spares for power generation projects	3,5
Machinery, equipment and spares for nuclear power generation projects	0
Machinery, equipment and spares for power transmission and grid stations	3,5
Specific machinery, equipment and other education and research related items imported by technical institutes, training institutes, research institutes, schools, colleges and universities	0
Machinery, equipment and components for ships and boats imported by Karachi Shipyard and Engineering Works	0
Machinery, equipment and spares for oil refining (mineral oil)	10
Machinery and equipment imported by an industry	15
Machinery and equipment for marble, granite and gem stone extraction and processing industry	3,5
Machinery, equipment etc for setting up of power generation, water treatment and other infrastructure within 30 km of zero point in Gwadar	0
Machinery, equipment etc for setting up of hotels within 30 km of zero point in Gwadar	3,5
Effluent treatment plant	3,5
Solar home system, solar parabolic trough power plants, solar dish sterling engine, solar air conditioning system, solar desalination system, solar thermal power plants, solar water heaters, PV modules and solar cell manufacturing equipment	0
Pyranometers and accessories for solar data collection, solar chargers and remote control for solar charge controller	3,5
Wind turbines	0
Wind water pump	5
Geothermal energy equipment	0
Any other item approved by Alternate Energy Development Board and concurred to by FBR	0
Certain items for promotion of renewable energy technologies	0
Parts and components for manufacturing LED lights	5
Plant, machinery and equipment used in production of bio-diesel.	0
Plant, machinery and equipment imported for setting up fruit processing and preservation units in Gilgit-Baltistan, Balochistan and Malakand Division.	0
Plant, machinery and equipment imported during the period commencing on the 1st July, 2014 and ending on the 30th June, 2019 for setting up Industries in FATA.	0
specialized vehicles imported by the Construction Companies	20
Plant, machinery and production line equipment used for the manufacturing of mobile phones.	0

SECTION (CLAUSE)	FISCAL RESPONSIBILITY AND DEBT LIMITATION ACT, 2005
1	The proposed substitution seeks to amend the objective of the Act. It appears that the earlier use of the defining phrase stated as “elimination of revenue deficit and reduction of public debt” has been pragmatically replaced with “reduction of Federal fiscal deficit and ratio of public debt to gross domestic product.”
2	**Definitions**
2(k)	The proposed substitution seeks to replace the concept of “revenue deficit” with “Federal fiscal deficit”. Federal fiscal deficit means the difference between total net revenue receipts and total expenditure of the Federal Government.
2(l)	The proposed deletion seeks to eliminate the concept of “social and poverty related expenditure” as a consequence of complete substitution in the “principles of sound fiscal and debt management” as detailed in Section 3.
2(m)	The proposed substitution seeks to amend the definition of total expenditure to add “net lending of the Federal Government” to the erstwhile sum of “total recurrent expenditure” and “development expenditure.”
2(o)	The proposed substitution seeks to replace the definition of total public debt to define it as the debt of the Government serviced out of the Consolidated Fund and debts owed to the International Monetary Fund. Previously, the term was defined to be the total borrowings of the Government.
2(q)	The proposed insertion of the new clause seeks to define the concept of “total net revenue of Federal Government” which means the sum of tax revenues, non-tax revenues and surcharges of the Government minus transfer of provincial share.
3	**Principles of sound fiscal and debt management**
3(3)	The proposed substitution seeks to amend the key principles for sound fiscal and debt management. The amended principles are outlined as follows:
(a)	Limiting the Federal fiscal deficit excluding foreign grants to 4% of GDP during the three years beginning from the financial year 2017-18 and maintaining it at a maximum of three and a half percent of the GDP thereafter.
(b)	Ensuring that within a period of two financial years, beginning from the financial year 2016-17, the total public debt shall be reduced to 60% of the estimated GDP.
(c)	Ensuring that within a period of five financial years beginning from the financial year 2018-19, total public debt shall be reduced by 0.5% every year and from 2023-24 to 2032-33 a reduction of 0.75% every year to reduce total public debt to 50% of estimated GDP and thereafter maintaining it at 50% or less of estimated GDP.
7	**Debt policy statement**
7 (3)(c)	The proposed deletion seeks to eliminate the requirement to include “evaluations of the nominal and real costs of external and domestic borrowing and suggest ways to contain these costs” from the debt policy statement.
10	**Statement of responsibility**
10 (1)	The proposed amendment seeks to exclude the requirement for the responsibility statement accompanying the medium term budgetary statement, fiscal policy statement and debt policy statement to be signed by the Minister and the Secretary of Finance.

SECTION (CLAUSE)	FISCAL RESPONSIBILITY AND DEBT LIMITATION ACT, 2005
13	**Functions of the office**
13(1)	The proposed substitution seeks to exclude the requirement for the Debt Policy Coordination Office to consult with the Federal Government whilst preparing a debt reduction path to achieve the principles of sound fiscal and debt management.
13(3)	As a consequence of amendment in 13(1) above, 13(3) has been excluded as a result of which the debt reduction path is not required to be presented by the Federal Government in the National Assembly.
14	**Publication and access of statements**
14(1)	The proposed amendment seeks to substitute the responsibility for publishing the statements in Gazette from the Minister to the Federal Government.
14(2)	The proposed substitution seeks to substitute the responsibility for posting the statement published under Section 14(1) on the website of the Federal Government from the Secretary of Finance to the Federal Government.

INFORMATION ABOUT WITHHOLDING TAXES APPENDIX – I

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
148	Import of goods a) In case of industrial undertakings ➢ Filer ➢ Non-Filer b) In all other cases of companies ➢ Filer ➢ Non-Filer c) All taxpayers other than those covered in (a) and (b) above ➢ Filer ➢ Non-Filer	 5.5 8 5.5 8 6 9	Collector of Customs	Final except large import houses (Minimum tax in case of edible oil and packing material)
	Import of remeltable steel and directly reduced iron by an industrial undertaking for its own use ➢ Filer ➢ Non-Filer	 1 1.5	Collector of Customs	Final except large import houses
	Import of potassic fertilizers and urea ➢ Filer ➢ Non-Filer	 1 1.5	Collector of Customs	Final except large import houses
	Import of pulses ➢ Filer ➢ Non-Filer	 2 3	Collector of Customs	Final except large import houses
	Manufacturers under Notification No. S.R.O 1125(I)/2011 dated December 31, 2011 and importing items covered under S.R.O. 1125(I)/2011 dated the 31st December, 2011 ➢ Filer ➢ Non-Filer	 1 1.5	Collector of Customs	Final except large import houses

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
	Commercial importers under Notification No. S.R.O 1125(I)/2011 dated December 31, 2011 and importing items covered under S.R.O. 1125(I)/2011 dated the 31st December, 2011 ➢ Filer ➢ Non-Filer	 3 4.5	Collector of Customs	Final except large import houses
	Ship breakers on import of ships ➢ Filer ➢ Non-Filer	 4.5 6.5	Collector of Customs	Final except large import houses
	Persons importing Gold ➢ Filer ➢ Non-Filer	 1 1.5	Collector of Customs	Final except large import houses
	Persons importing Cotton ➢ Filer ➢ Non-Filer	 1 1.5	Collector of Customs	Final except large import houses
	Designated buyer of LNG on behalf of Government of Pakistan to import LNG ➢ Filer ➢ Non-Filer	 1 1.5	Collector of Customs	Not applicable
149	Payment of salary	Average rate of tax computed on the basis of formula	Person responsible for paying salary	Adjustable
150	Payments of dividend declared / distributed by: • Purchaser of a power project privatized by WAPDA • Company set up for power generation • Company supplying coal exclusively to power generation projects • Any other filer • Any other Non-filer	 7.5 7.5 7.5 12.5 20	Every person paying dividend	Final

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
	• Dividend received from a Stock Fund by: ➢ Individual ➢ Company ➢ AOP	 10 10 10	Collective Investment Scheme REIT Scheme or mutual fund	Final
	• Dividend from Stock fund is less than capital gains	12.5	Collective Investment Scheme REIT Scheme or mutual fund	Final
	• Dividend received from Money Market Fund, Income Fund or any other fund by: ➢ Individual • Filer • Non-Filer ➢ Company • Filer • Non-Filer ➢ AOP • Filer • Non-Filer	 10 15 25 25 10 15	Collective Investment Scheme REIT Scheme or mutual fund	Final
151	Payment of profit / yield to resident in respect of following after deducting zakat thereon:			
	• Deposit or account maintained with banking company or financial institution by: ➢ Filers ➢ Non-filers ➢ Non-filers having profit / yield payment is Rs. 500,000 or less	 10 17.5 10	Payer of the profit or yield	Final (for Indv. & AOP) Adjustable (for companies)
	• Yield on National Saving Schemes and Post Office Saving Account by: ➢ Filers ➢ Non-filers ➢ Non-filers having profit / yield payment is Rs. 500,000 or less	 10 17.5 10	Payer of the profit or yield	Final (for Indv. & AOP) Adjustable (for companies)

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
	• Profit on securities issued by Government and local authority by: ➢ Filers ➢ Non-filers ➢ Non-filers having profit / yield payment is Rs. 500,000 or less • Profit on bond, certificates, debenture, security or instrument of any kind (other than a loan agreement between a borrower and banking Co. or a Development financial institution) by: ➢ Filers ➢ Non-filers ➢ Non-filers having profit / yield payment is Rs. 500,000 or less	 10 17.5 10 10 17.5 10	Payer of the profit or yield Payer of the profit or yield	Final (for Ind & AOP) Adjustable (for companies) Final (for Ind & AOP) Adjustable (for companies)
152	Payments to non-residents: • Sales of good in case of company ➢ Filer ➢ Non-Filer • Sales of good in other case ➢ File ➢ Non-Filer • Transport services • Other than transport services in case of Company ➢ Filer ➢ Non-Filer • Other than transport services in any other case ➢ Filer ➢ Non-Filer • Execution of contract i) In the case of companies ➢ Filer ➢ Non-Filer ii) In the case of other taxpayers ➢ Filer ➢ Non-Filer iii) In case of sportspersons	 4 6 4.5 6.5 2 8 12 10 15 7 10 7.5 10 10	Federal Government, Company, Association of Persons(under law), non-profit organization, Foreign Contractor or Consultant and Consortium or Joint Venture, Individual (turnover of Rs. 50M or above), AOP (normal)(turnover of Rs. 50M or above), A person registered under the Sales Tax Act, 1990, an exporter or an export house	Adjustable Adjustable Adjustable Adjustable Adjustable Adjustable

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
	• Royalty	15		Final
	• Fees for technical services	15		Final
	• Shipping income	8		Final
	• Air Transport income	3		Final
	• Contract or sub contract under a construction, assembly or installation project	6		Final
	• Advertisement services rendered by T.V. Satellite Channel	6		Final
	• Advertisement services relaying from outside Pakistan	10		Adjustable
	• Any other contract for construction or services	6		Final
	• Insurance premium or re-insurance premium	5		Final
	• Other cases	20		Adjustable
153	Payments to resident person or permanent establishment of non-resident person on account of:		Federal Government, Company, Association of Persons(under law), non-profit organization, Foreign Contractor or Consultant and Consortium or Joint Venture, Individual (turnover of Rs. 50M or above), AOP (normal)(turnover of Rs. 50M or above), A person registered under the Sales Tax Act, 1990, an exporter or an export house	
	• Supplies made by distributors of fast moving consumer goods			Final (Adjustable for manufacturer company or listed companies)
	➢ In the case of companies	3		
	➢ In the case of other than company	3.5		
	• Sale of goods on amount inclusive of Sales Tax			Final (Adjustable for manufacturer company or listed companies)
	➢ General			
	i) In the case of companies			
	➢ Filer	4		
	➢ Non-Filer	6		
	ii) In the case of other taxpayers			
	➢ Filer	4.5		
	➢ Non-Filer	6.5		

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
	• Rice, cotton seed and edible oil other than mentioned below	1.5		Final
	• Edible oil purchased locally by manufacturers of cooking oil and vegetable ghee or both	2		Final
	• From distributor of cigarette and pharmaceuticals products and for large distribution houses	1		Final (Adjustable for manufacturer company or listed companies)
	• Payment to electronic and print media for advertising services			Minimum
	i) In case of a filer	1.5		
	ii) In the case of companies			
	➢ Non-Filer	12		
	iii) In the case of other taxpayers			
	➢ Non-Filer	15		
	• Rendering of services			
	➢ General			Minimum
	i) In the case of companies			
	➢ Filer	8		
	➢ Non-Filer	12		
	ii) In the case of other taxpayers			
	➢ Filer	10		
	➢ Non-Filer	15		
	➢ Transport	2		Minimum
	➢ Rendering of or providing of stitching, dyeing, printing, embroidery, washing, sizing and weaving	1		Final
	• Execution of contract			Final (Adjustable for listed companies)
	i) In the case of companies			
	➢ Filer	7		
	➢ Non-Filer	10		
	ii) In the case of other taxpayers			
	➢ Filer	7.5		
	➢ Non-Filer	10		
	iii) In case of sportspersons	10		Final

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
154	Realization of proceeds on account of:			
	• Exports of goods and sales of goods by indirect exporter under inland back to back letter of credit or standard purchase order of goods specified in seventh schedule	1	Authorized Dealer in foreign exchange, Collector of Customs and Banking Company	Final
	• Exports of goods by an industrial undertaking located in the export processing zones.	1	EPZ authority established under the EPZ authority Ordinance, 1980.	Final
	• Payment for firm contract to an indirect exporter.	1	Direct exporter and an export house registered under the Duty and Tax Remission for Export Rules 2001.	Final
	• Indenting commission	5	Authorized Dealer in foreign exchange.	Final
155	Payment of rent (including advance) on immovable property,	5% to 20% in accordance with slab rates as specified in Division V Part III of First Schedule	Federal Government, Provincial Government, Local Authority, Company, Non-Profit Organization, Charitable Organization and Diplomatic Mission of Foreign State, Private Educational Institution, Boutique, Beauty parlor, Hospital, Clinic, Maternity Home, Individuals or AOPs paying gross rent of Rs 1.5 million or more in a year.	Adjustable
156	Payment of prize on prize bond or crosswords puzzle ➢ Filer ➢ Non-Filer	 15 20	Person paying the amount where the payment is not in cash	Final
	Payment of prize on winning of raffle, lottery, a quiz, offered by companies for promotion of sale.	20		Final
156A	Payment of commission or discount allowed to a petrol pump operator ➢ Filer ➢ Non-Filer	 12 15	Person selling petroleum products to a petrol pump operator	Final

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
231A	Cash withdrawal from a bank (all payments in a day amount exceeding 50,000) for: ➢ Filers ➢ Non-filers	 0.3 0.6	Every Banking Company	Adjustable
231AA	Advance tax on transactions in bank if the payment for withdrawal is made through any mode of banking transactions including Demand Draft, Payment Order, Online Transfer, Telegraphic Transfer, CDR, STDR, RTC, or the sum total of the payments for such transaction in a day, exceeds twenty-five thousand rupees ➢ Filer ➢ Non-Filer	 0.3 0.6	Every Banking Company, non-banking financial institution, exchange company, or authorized dealer of foreign exchange	Adjustable
231B	Purchase, Registration of Transfer of Motor Vehicles ➢ Filer ➢ Non-filers	 Rs. 10,000 to 250,000 Rs. 10,000 to 450,000	Excise and Taxation (Motor Vehicle)	Adjustable
231B(2)	Transfer of Registration or ownership of a private motor vehicle: ➢ Filer ➢ Non-filers	 Rs. 0 to 62,500 Rs. 5,000 to 300,000	Excise and Taxation (Motor Vehicle)	Adjustable
233	Payment of Brokerage and Commission • Advertising Agents ➢ Filer ➢ Non-Filer • Life Insurance Agents where commission received is less than Rs. 0.5 million per annum ➢ Filer ➢ Non-Filer • Person not covered in Advertising and Life Insurance Agents above ➢ Filer ➢ Non-Filer	 10 15 8 16 12 15	Federal Government, Local Government, Local Government, Company and Association of Person constituted by or under any law	Final

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
233A	On purchase of shares On sale of shares	0.02 0.02	Registered Stock Exchange	Adjustable
233AA	On margin financing in shares business or on providing of any margin financing, margin trading or securities lending under Securities (Leveraged Markets and Pledging) Rules, 2011 in share business	10% of profit or mark-up or interest earned by the member, margin financier or securities lender	National Clearing Company Pakistan Limited	Adjustable
234	On collection of motor vehicle tax of :			
	• Passenger transport vehicle with registered seating capacity of 4 to 10 persons ➢ Filer ➢ Non-Filer	per seat per annum Rs. 50 Rs. 100	Person collecting motor vehicle tax	Adjustable
	• Passenger transport vehicle with registered seating capacity of 10 to 20 persons ➢ Filer ➢ Non-Filer	Rs. 100 Rs. 200	Person collecting motor vehicle tax	Adjustable
	• Passenger transport vehicle with registered seating capacity of 20 or more ➢ Filer ➢ Non-Filer	Rs. 300 Rs. 500	Person collecting motor vehicle tax	Adjustable
	• Goods transport vehicle. ➢ Filer ➢ Non-Filer	per kilogram of the laden weight per annum Rs. 2.50 Rs. 4	Person collecting motor vehicle tax	Adjustable
	• In the case of goods transport vehicles with minimum laden weight of 8,120 Kg, advance tax after a period of ten years from the date of first registration of vehicle in Pakistan.	Rs. 1,200 per annum	Person collecting motor vehicle tax	Adjustable
	• Other private motor vehicle. ➢ Filer ➢ Non-Filer	Rs. 800 to 10,000 Rs. 1,200 to 30,000	Person collecting motor vehicle tax	Adjustable

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
	• Where the motor vehicle tax is collected in lump sum ➢ Filers ➢ Non-filers	 Rs. 10,000 to 120,000 per annum Rs. 10,000 to 240,000 per annum	Person collecting motor vehicle tax	Adjustable
234A	In the case of a compressed natural gas station	4	Person preparing Gas Consumption bills	Final
235	On collection of amount of electricity bill: • Where the amount of electricity bill is exceeding Rs 400 but does not exceed Rs 20,000 • Where bill exceeds Rs 20,000 i) For commercial consumers ii) For industrial consumers	 Rs. 80 to 1,500 per month 12% 5%	Person preparing electricity consumption bill	Adjustable for Companies (minimum for others for bill amounting to Rs. 30,000 per month / adjustable for the amount of bill exceeds 30,000)
235A	On collection of amount of electricity bill of: Domestic consumer having monthly bill of less than Rs. 75,000 Domestic consumer having monthly bill of Rs. 75,000 or more	 0 7.5	Person preparing electricity consumption bill	Adjustable
235B	Production of steel billets, ingots and mild steel excluding stainless steel	Rs. 1/units of electricity consumed	Person preparing electricity consumption bill	Final
236	On collection of amount of telephone charges of: • Telephone subscriber (bill exceeds Rs. 1,000) • subscriber of internet, mobile telephone and pre-paid internet or telephone card	 10 14	Person preparing telephone bills	Adjustable
236A	On the sale by public auction or auction by tender	10	Any person making sale by public auction or auction by tender	Adjustable
236B	Domestic air tickets	5	Airline issuing air tickets	Adjustable

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
236C	On sale or transfer of immovable property for: ➢ Filer ➢ Non-Filer	 1 2	Any person responsible for registering or attesting transfer of immovable property	Adjustable
236D	On arranging or holding a function in a marriage hall, marquee, hotel, restaurant, commercial lawn, club, a community place or any such place used for such purpose	5	Owner, a lease holder, an operator or a manager of marriage hall, marquee, hotel, restaurant, commercial lawn, club, a community place or any other place used for such purpose	Adjustable
236E	• On foreign produced TV drama serial • On foreign produced TV drama serial (single episode)	Rs 100,000 per episode Rs 100,000	Any licensing authority certifying a foreign TV drama serial or a play dubbed in urdu	Adjustable
236F	Cable operators and other electronic media on issuance of license for distribution services or renewal of license • In case of Cable Television Operator License category H to B-10 • In case of IPTV, FM Radio, MMDS, Mobile TV, Mobile Audio, Satellite TV Channel, and landing rights	Tax On License Fee / Tax On Renewal Rs 7,500 to Rs 875,500 / Rs 10,000 to Rs 900,000 20% of permission fee or renewal fee	Pakistan Electronic Media Regulatory Authority	Adjustable
236G	Sales to distributors, dealers and wholesalers Fertilizers: ➢ Filer ➢ Non-Filer Other than fertilizers ➢ Filer ➢ Non-Filer	 0.7 1.4 0.1 0.2	Every manufacturer or commercial importer of electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector	Adjustable in the year tax was collected
236H	Sales to retailers	0.5	Every manufacturer, distributor, dealer, wholesaler or commercial importer of electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector	Adjustable in the year tax was collected
236I	Fee paid to an educational institution Where annual fee exceeds Rs 200,000	5%	The person preparing fee voucher or challan	Adjustable against the liability of either of the parents or guardian making payment of fee

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
236J	On the issuance or renewal of licenses of dealers, commission agents and arhatis etc: Group or Class A Group or Class B Group or Class C Any other category	(per annum) Rs 10,000 Rs 7,500 Rs 5,000 Rs 5,000	Every market committee	Adjustable
236K	On purchase or transfer of immovable property: Where value of immovable property is upto Rs. 3 million Where value of immovable property is more Rs. 3 million ➢ Filer ➢ Non-Filer ➢ For non-filer up to the date appointed by the Board	 0 2 4 1	Any person responsible for registering or attesting transfer of any immovable property	Adjustable
236L	On purchase of international air ticket (one-way or return) issued from Pakistan on: ➢ First Executive Class ➢ Other excluding Economy: ➢ Economy	 Rs. 16,000 per person Rs. 12,000 per person Rs. 0	Every airline issuing ticket for journey originating from Pakistan	Adjustable
236P	Banking Transaction Otherwise Than Through Cash for Non-Filer	0.6	Every banking company	Adjustable
236Q	On use or right to use industrial, commercial and scientific equipment	10	Federal Government, Company, Association of Persons(under law), non-profit organization, Foreign Contractor or Consultant and Consortium or Joint Venture, Individual (turnover of Rs. 50M or above), AOP (normal)(turnover of Rs. 50M or above), A person registered under the Sales Tax Act, 1990, an exporter or an export house	Final
236R	On education related expenses remitted abroad	5	Banks, financial institutions, foreign exchange companies or any other person	Adjustable

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
236S	Payments of dividend declared / distributed by:			
	• Purchaser of a power project privatized by WAPDA	7.5	Every person paying dividend	Final
	• Company set up for power generation	7.5		
	• Company supplying coal exclusively to power generation projects	7.5		
	• Any other filer	12.5		
	• Any other Non-filer	20		
	• Dividend received from a Stock Fund by:		Collective Investment Scheme REIT Scheme or mutual fund	Final
	➢ Individual	10		
	➢ Company	10		
	➢ AOP	10		
	• Dividend from Stock fund is less than capital gains	12.5	Every person paying dividend	Final
	• Dividend received from Money Market Fund, Income Fund or any other fund by:		Collective Investment Scheme REIT Scheme or mutual fund	Final
	➢ Individual			
	• Filer	10		
	• Non-Filer	15		
	➢ Company			
	• Filer	25		
	• Non-Filer	25		
	➢ AOP			
	• Filer	10		
	• Non-Filer	15		
236U	For Non-Filers		Every Insurance Company	Adjustable
	• General Insurance premium	4		
	• Life Insurance premium if exceeding Rs. 0.2 million per annum	1		
	• Others	0		

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
236V	Extraction of Minerals • Filer • Non-Filer	 0 5	Provincial Authority collecting royalty per metric ton	Adjustable
236W	Advance tax from provincial sales tax registered persons	3% of turnover from a non-filer	Every provisional revenue authority	Adjustable

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

The proposed new sub-section (4) of section 169 seeks to make the excess amount of tax withheld for non-filers, where the tax deducted is the final tax, to be adjustable.

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