



BUDGET BRIEF
2016-17



TABLE OF CONTENTS

S. No.	Description	Page No.
1.	Preamble	2
2.	Briefing on major Amendments	3
3.	Outlook of Pakistan	5
4.	Budget at Glance	6
5.	Budget Highlights	7
6.	Economic Performance of Pakistan 2015-16	8
7.	Highlights – Income Tax	19
8.	Proposed Changes in Income Tax Ordinance, 2001	21
9.	Comments on amendments proposed through Finance Bill 2016 to the Sales Tax Act, 1990	63
10.	Comments on amendments proposed through Finance Bill 2016 To the Capital Territory (Tax on Services) Ordinance 2001	72
11.	Comments on proposed amendments to the Federal Excise Act, 2005	73
12.	Comments on proposed amendments to the Customs Act, 1969	76



PREAMBLE

This Budget Brief 2016 highlights the overview of Pakistan's economy and the budgetary proposals contained in the Finance Bill 2016, tabled in the Parliament by the Minister of Finance and Economic Affairs on June 03, 2016. The provisions of the Finance Bill, 2016 and shall be effective from July 01, 2016 after passage by the Parliament.

This Brief focuses mainly on the fiscal measures and other significant amendments proposed to be made in the Income Tax, Sales Tax, Federal Excise, and Customs Laws proposed through Finance Bill 2016.

The main objective of this Brief is to provide a synopsis of significant changes proposed in the fiscal and other laws with a view to keep our clients and staff updated. This budget brief is not meant to serve any other purpose. It is clarified that the Finance Bill is yet to be passed by the Parliament and the Firm owes no responsibility for the consequences of any decision taken by any one on the basis of this brief.

Karachi.
Dated: June 03, 2016

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants



BRIEFING ON MAJOR AMENDMENTS
BUDGET 2016-17

The proposals focused on the following principles:-

- i. Minimum burden on lower class citizen.
- ii. Withdrawal of exemptions and concession to remove discriminatory treatment.
- iii. Introduction of separate penalty system for non-filers.
- iv. Procedures for broadening of tax base and documentation.
- v. Increasing direct taxes regime.

CUSTOMS DUTY

- Tariff slabs reduced from existing 5 to 4 by merging 2% slab and 5% slab in new 3% slab.
- 10% and 15% slabs substitute with 11% and 16% slabs respectively.
- Concessions of CD for Dairy, Livestock & Poultry Sectors from 5% to 2%.
- Concessions of CD for Fish Farming, fish feed pellet (floating type) machines from 5% to 2%, fish / shrimp feed 10% & 20% to 0%.
- Exemption from CD on import of Premixes to prevent growth stunting (from 5 - 20 to 0%).
- Expansion in scope of exemption on Renewable Energy Technologies.
- Expansion in scope of exemption for Charitable non-profit making Institutions Operating Hospitals.
- Relief on Cool Chain Machinery.
- Extension in relief on import of Solar Panels till June, 2017.
- Exemption from CD and taxes on disposal of old & used ambulances imported by Edhi Foundation.
- Implementation of automotive development policy (ADP) 2016-2021.



S.No	Measure	Existing CD %	Proposed CD %
1	Exemption from CD on Water Quality Testing Kits	20	0
2	Concessions of CD on local manufacturing of LED Lights	20	5
3	Exemption from CD on Linear Aky Benzene	2	0
4	Reduction in CD on raw material of PVC Resin	5	3

S.No	Measure	Existing CD %	Proposed CD %
5	Reduction in CD on White Spirits	10	3
6	Reduction in CD on Stamping Foil	20	16
7	Reduction of CD on Fatty Alcohol Ethoxylate	15	5
9	Reduction in CD on CFC Free Gases	15	11
8	Reduction in CD rate for Aluminum Sheet in Coil	20	11
9	Reduction in CD on Thermostats of Deep-freezers	20	3
10	Rationalization of CD on Betel nuts and Betel Leaves	10 Rs.300/kg	20 Rs.600/kg
11	Rationalization of CD on Almonds	10	20
12	Rationalization of CD Frozen fish	10	20
13	Increase of CD on Medium Density Fiber board	15	20
14	Increase of CD on Cement Clinker	2	11
15	Increase in CD on Semi Printed/Printed Security Paper	5	16
16	Increase in CD on Live Chicken stock and Eggs of chicken	5	11
17	Increase in CD on Birds eggs(not in shell)	5	16
18	Removal of RD from Bead Wire for tyres Manufacturers	RD 10	0
19	Removal of RD from Carbon Steel Strips used by Razor blade manufacturers	RD 17.5	0
20	Levy of RD on Powdered Milk	20	20+25RD
21	Levy of RD on Whey Powder	20	20+25RD



OUTLOOK OF PAKISTAN

Based on the economic survey reports by World Bank, Asian Development Bank and Pakistan economic survey 2015-16, it seems that Pakistan's economy is on an encouraging path continually. The budget deficit has also been projected by the Finance Minister to be brought down from 8.8% to 4.3% and further he targeted fiscal deficit to reduce from 4.3% to 3.8% of GDP through improvement in fiscal discipline. Survey reports are summarized as under:

Asian Development Outlook 2016

Pakistan's economy continued to pick up in Fiscal Year 2015 as economic reform progressed and security improved. Inflation markedly declined, and the current deficit narrowed with favorable prices for oil and other commodities. Despite global headwinds, the outlook is for continued moderate growth as structural and macroeconomic reform deepens. Persistency required overcoming long standing structural impediment to investment and enabling faster growth.

World Bank

Pakistan has important strategic endowments and development potential. The country faces significant economic, governance and security challenges to achieve durable development outcomes during a decade. The improved economic growth prospects has led rating agencies (Moody's, S&P) to improve their outlook for Pakistan over the past year. Growth is slowly recovering supported by a favorable slump in international oil prices and fast-growing remittances, with GDP growth accelerating to 4.2% in Financial Year 2015 and expected to pick-up to 4.5% in Financial Year 2016.

Economic growth is showing sign of sustained recovery aided by falling commodity and fuel prices, increased energy availability and improved security conditions. Preliminary data for the first half of the Financial Year 2016 shows industrial growth accelerating on the back of higher activity in large-scale manufacturing and construction, the latter being driven primarily by initiation of China Pakistan Economic Corridor (CPEC) infrastructure and energy projects.

Moreover, services sector is also expected to grow led by the financial sector, substantial automobile retail sales, increased port activity, and higher telecom profits; although wholesale and retail trade is yet to improve.

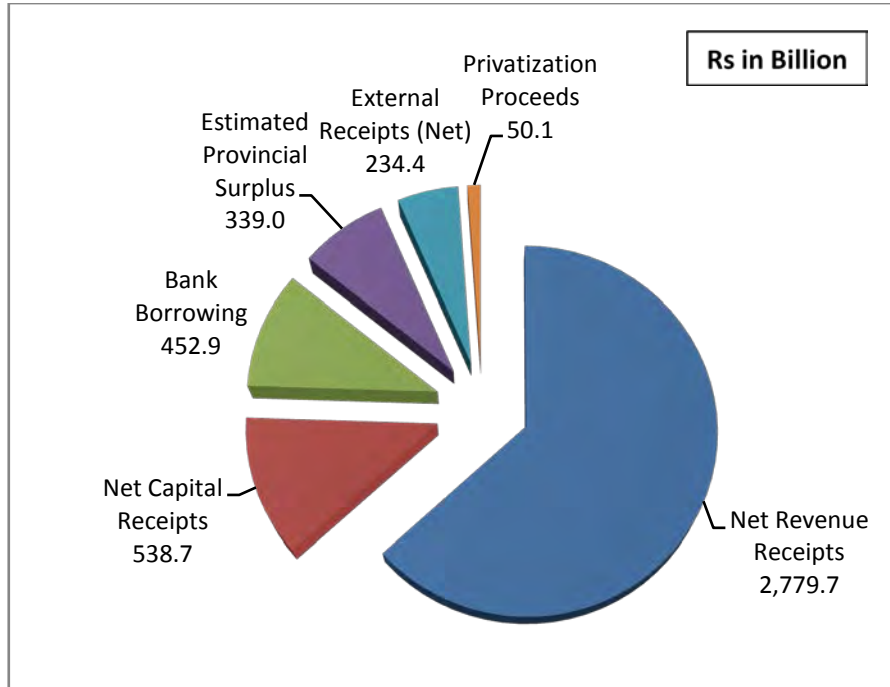
PAKISTAN ECONOMIC SURVEY 2015-16

Pakistan's economy continues to maintain its growth momentum for the third year in a row, with real GDP growing at 4.71 percent in financial year 2016 which is the highest in eight years. GDP posted a reasonable growth over last year despite a major setback in agriculture growth on account of massive decline in cotton production. However, the loss to some extent is compensated by remarkable growth in industrial and services sector as both these sectors crossed their target growth, while other key macroeconomic indicators (like inflation, fiscal and current account balance

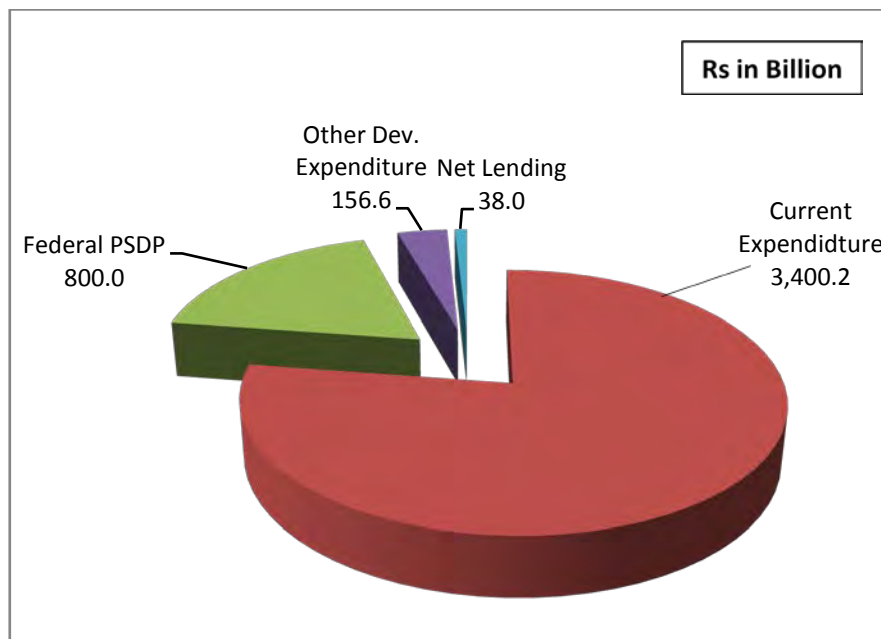


BUDGET AT GLANCE

REVENUE RECEIPTS



EXPENDITURES





BUDGET HIGHLIGHTS

- **Total Budget outlay:** Rs.4,394.8 billion;
- **Resource Availability:** Rs. 3,941.8 billion;
- **Economic Growth:** 4.71% which is highest in the previous eight years, in the past two years has remained above 4%.
- **Per Capita Income;** \$1561, showing a growth of 17% in dollar terms, while it increased by 24% in terms of rupees.
- **Inflation:** **2.82%** on July-May 2016, which had averaged around 12% during the period FY2008-13;
- **FBR Revenues:** had recorded an increase of merely 3.38% in FY2012-13 when collections stood at Rs.1,946 billion. For the current FY2015-16 the target of Rs.3,104 billion.
- **Fiscal Deficit:** was 8.2% of GDP in FY2012-13 is being brought down to 4.3% of GDP in FY2015-16;
- **Policy Rate of SBP:** was 9.5% in May 2013, which has now been brought down to 5.75% as on w.e.f 21st May, 2016 which is the lowest rate in last 44 years of Pakistan;
- **Exports:** were \$20.5 billion during Jul-Apr FY2012-13. Against this, exports for the same period in FY2015-16 were recorded at \$18.2 showing a decline of 11%;
- **Imports:** were recorded at \$33.0 billion during Jul-Apr FY2012-13 compared to \$32.7 billion for the same period in FY2015-16;
- **Remittances:** \$16.0 billion during Jul-Apr in this fiscal year FY2015-16, \$11.6 billion FY2012-13 same period;
- **Exchange Rate:** Against Rs.99.66/\$ in June 2013, the exchange rate is currently at 104.70/\$ which has shown remarkable stability in the last three years.
- **Capital Market:** The merger of all the three stock exchanges i.e. Karachi Stock Exchange, Lahore Stock Exchange and Islamabad Stock Exchange into a single Pakistan Stock Exchange (PSX) during current fiscal year. During current year PSX 100-index reached 37,223 levels on 4th June, 2016, the highest level in Pakistan stock market history;
- **Investment to GDP Ratio:** The overall investment to GDP ratio has slightly declined in outgoing financial year despite getting investment inflows from China under \$46 billion China-Pakistan Economic Corridor (CPEC). Execution of the project as per planned components of the CPEC will provide major support for development of infrastructure including communication, energy, special economic zones and Gawadar development.



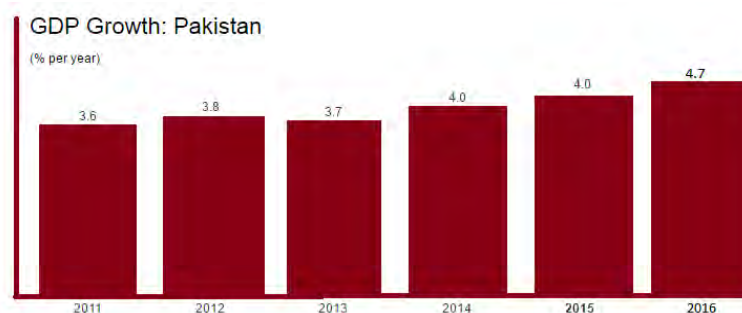
ECONOMIC PERFORMANCE OF PAKISTAN 2015-16

This summary is based on the economic performance for the FY 2015-16 as per data source of **Economic Survey of Pakistan 2015-16**.

Sector	12013-14 F	12014-15 R	12015-16 P	(Rs. In Million) % Change	
				12014-15 / 2013-14	12015-16 / 2014-15
GDP (fc) (Total GVA at basic Prices)	10,217,056	10,629,661	11,130,035	4.01	4.7
Indirect Taxes	556,679	616,350	716,693	10.7	16.3
Subsidies	136,844	107,861	69,134	-12.2	-35.9
GDP (mp)	10,636,891	11,138,150	11,777,594	4.7	5.7
Net Factor Income from Abroad	474,006	548,902	687,849	15.8	25.3
GNP (fc)	10,691,062	11,178,563	11,817,884	4.6	5.7
Gross National Income	11,110,897	11,687,052	12,465,443	5.2	6.7
Population (in million)	186.19	189.87	193.56	2.0	1.9
Per Capital Income (fc-Rs)	57,420	58,875	61,055	2.5	3.7
Per Capital Income (mp-Rs)	59,675	61,553	64,401	3.1	4.6

Gross Domestic Product

The GDP growth accelerated to 4.71% in 2015-16 the highest growth achieved since 2008-09.

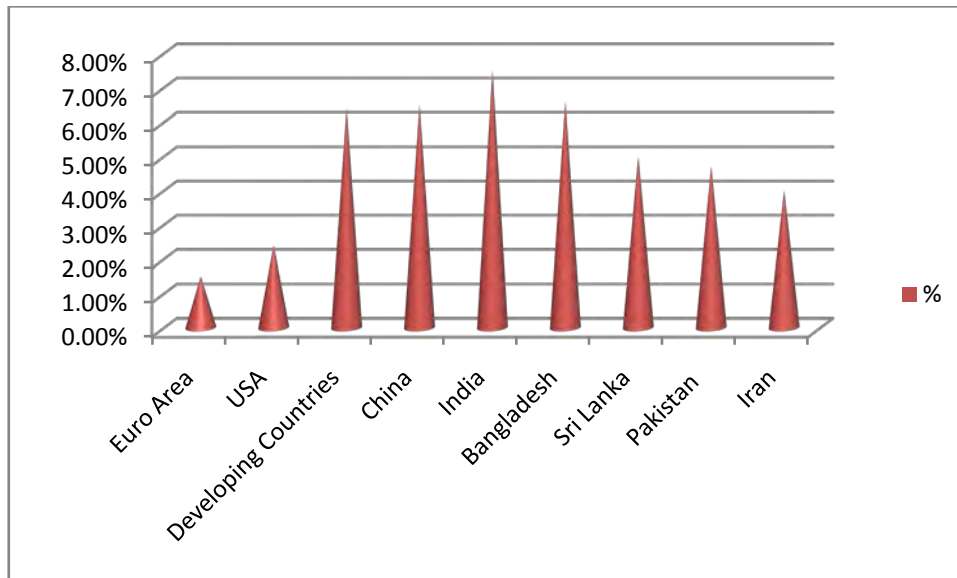


The growth based on three most important sectors of agriculture, industry and services have provided support to improve economic growth represents a significant turnaround from the anemic growth rate of the previous years. The economy could not achieve the targeted growth rate 5.5% due to lower growth of agriculture sector (-0.19%) mainly due to decrease in production of cotton, rice and maize. However, Industrial sector recorded the growth of 6.80 percent and Services sector accelerate at the rate of 5.71%.

- Agriculture Sector- (0.19)% decrease as last year
- Industrial Sector- 6.80% increase as last year
- Services- 5.71% increase as last year

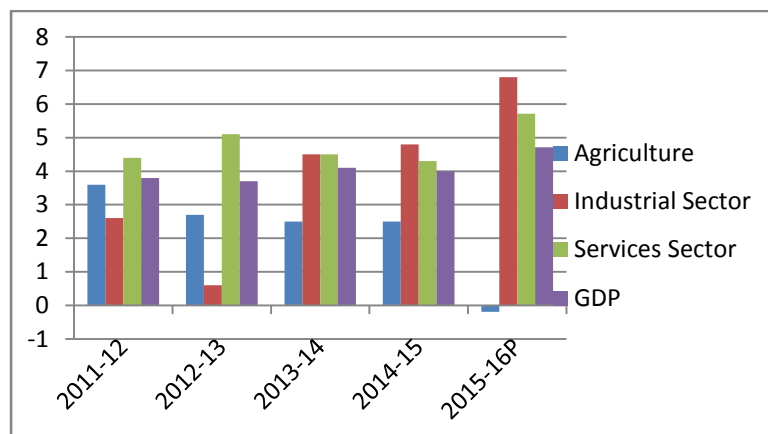


GDP RATIO IN DIFFERENT COUNTRIES OF THE WORLD IN FY 2015-16



Sectoral Performance of Growth

Pakistan economy is broadly divided into three main sectors including agriculture, industry and services. Sectoral analysis recognizes performance of the various segment of the economy and also identifies interrelationship among various sectors and their significance in growth of the economy. The growth performance of all sectors and subsectors of GDP is presented in Table



Per Capita Income

Per capita income reflects average standards of living of people in the country. The per capita income in dollar terms has increased from \$ 1,516.8 in FY 2015 to \$ 1,560.7 in FY 2016. The contributing factors for the increase in per capita income include acceleration in real GDP growth, lower growth in population and stability of Pak Rupee.



	CPI	Food	Non-Food
2008-09	17.0	23.1	13.4
2009-10	10.1	12.9	8.3
2010-11	13.7	18.0	10.7
2011-12	11.0	11.0	11.0
2012-13	7.4	7.1	7.5
2013-14	8.6	9.0	8.3
2014-15	4.5	3.5	5.3
(Jul-Apr)			
2014-15	4.8	3.6	5.7
2015-16	2.8	2.1	3.3

Source: Pakistan Bureau of Statistics (PBS)

Inflation

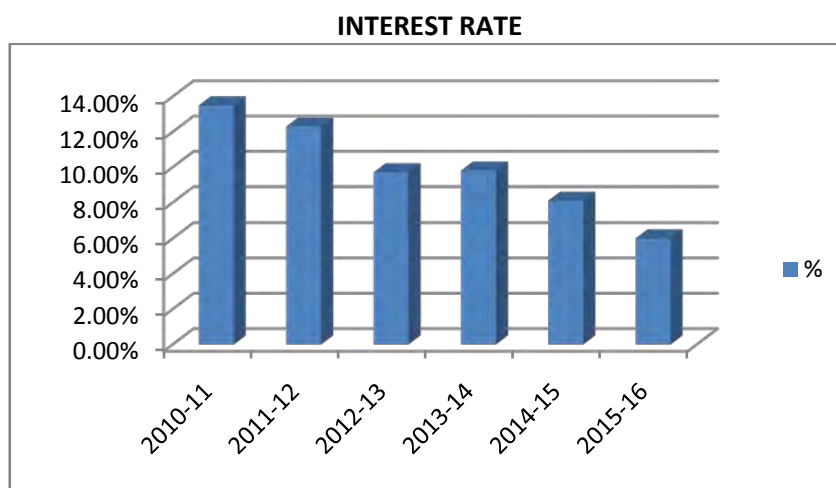
Inflation is the rate of increase in prices of goods and services. This does not necessarily mean that all prices increased. Inflation is, therefore, describe a persistent general increase in prices. Inflation is usually given as the percentage increase in overall prices over a year. There are different measures of inflation which are commonly used in economic literature. The most frequently quoted and most widely used the Consumer Price Index (CPI).

Consumer Price Index

Consumer headline inflation measured by CPI during July-April FY2016 averaged at 2.79% against 4.81% in the same period last year.

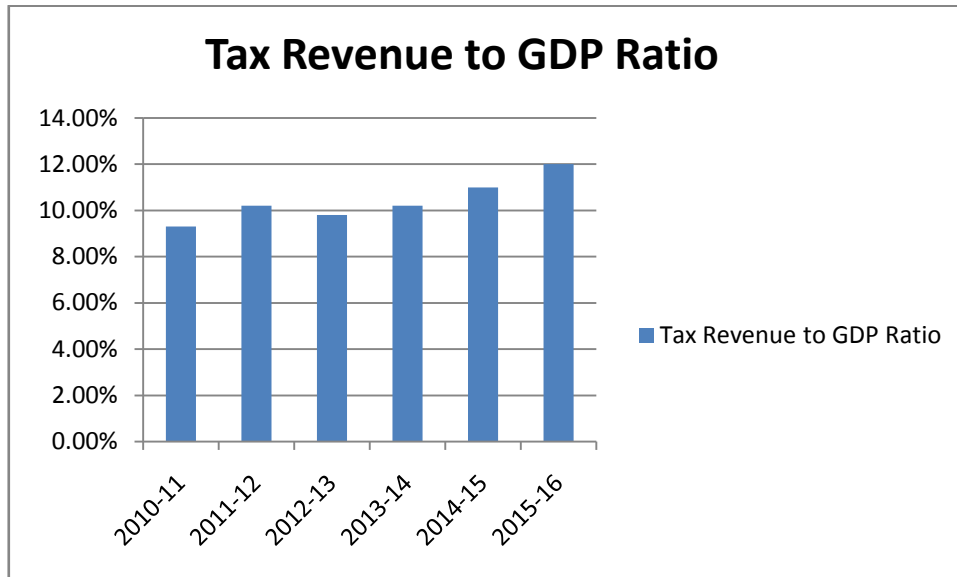
Monetary Policy

This fiscal year 2016, SBP decrease the interest rate to a historically low level of 5.75 the lowest rate in last 44 years of Pakistan economic history. The Interest rate is sharp declining in trend since 2011 of 13% rate to 6% of the lowest rate of Interest.



Tax Collections and Expenditure

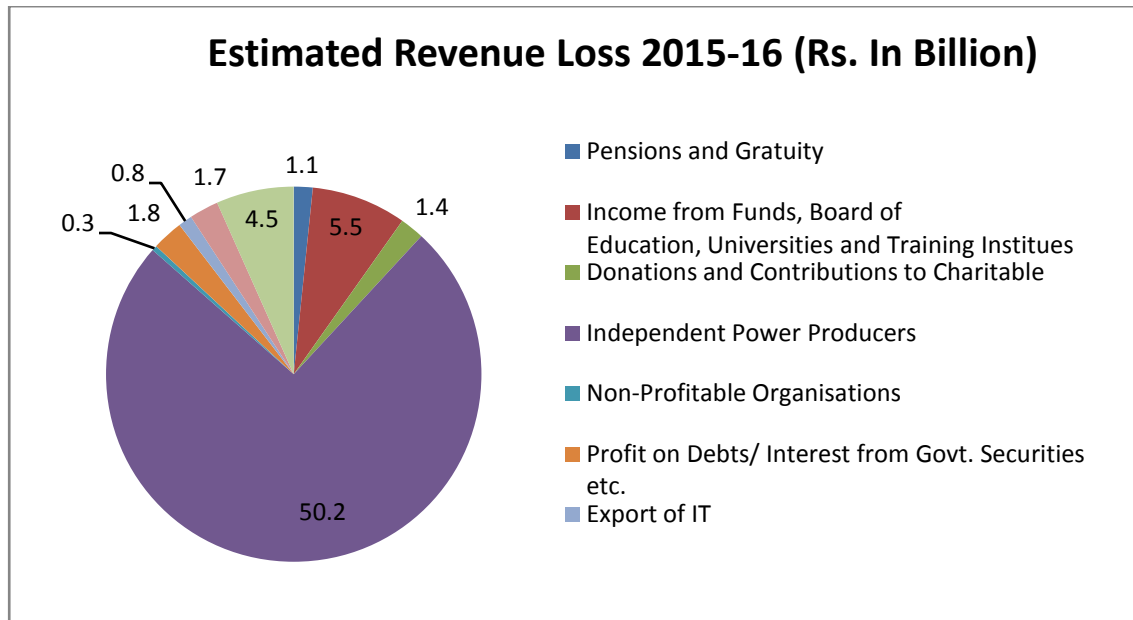
As compare to the different developing countries of the world, Pakistan has one of lowest tax collection as a percentage of GDP which is around almost single digit percentage due to tax ignorance, evasion, lack of documentation culture along with Public has no faith on the corrupt officials and avoidance of being filer as well. Government is doing great efforts to collect tax revenue in 5-6 years and during the fiscal Year it seems that FBR should achieve tax collection as per their targeted collection.



Tax expenditure for fiscal year 2015-16 has been estimated at Rs.394.593 billion. Detailed estimates are highlighted below:

Direct Taxes

Income Tax is a major source of direct tax. Tax expenditure in respect of direct taxes during 2015-16 has been reflected in diagram:



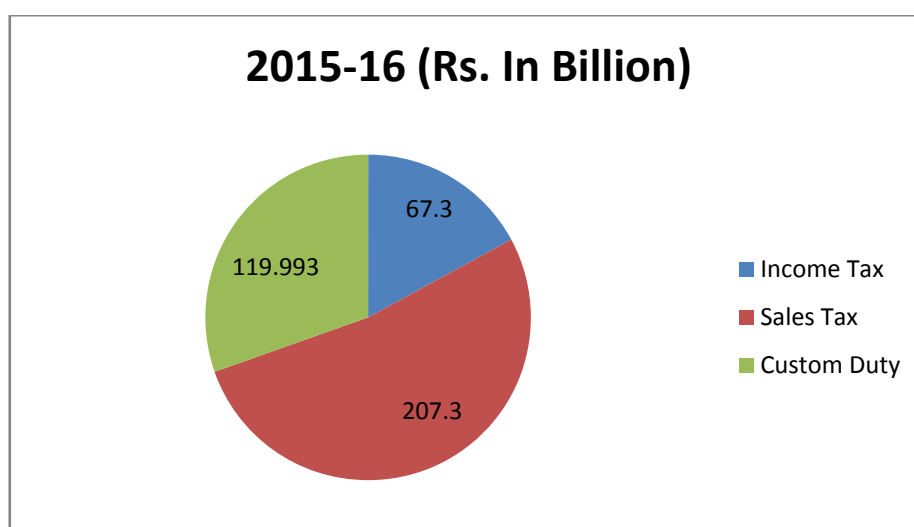


Sales Tax

Major exemptions in sales tax and their tax expenditures during 2015-16 are presented in Table-2.

SRO	Loss of Sales Tax Due to Exemptions
SRO 1125(1)/2011, dated 31.12.2011 (leather, textile, carpets, surgical goods etc).	43.4
Imports under 5 th Schedule excluding import of crude oil	1.8
Local supply under 5 th Schedule	21.8
Imports under 6 th Schedule	51.6
Local supply under 6 th Schedule	77.3
Imports under 8 th Schedule	11.4
Total	207.3

TAX EXPENDITURE OF FEDERAL TAXES FOR 2015-16



(Data Source: Pakistan Economic Survey 2015-16 & Federal Board of Revenue)

Energy

To consider the importance of energy, the government is making all efforts to development of indigenous energy resources, such as coal, hydro, alternative and renewable sources, is critical for sustainable economic growth, as envisaged in the Vision 2025.

The government is attracting foreign companies to undertake new exploration and production activities by giving attractive incentives. Further, the government is also engaged in making coordination with development partners to support energy related projects such as China-Pakistan Economic Corridor (CPEC) is expected to add 10,400 MW to the grid by the year 2018.

Further, It is encouraging to see that the government focused on corporate sector, agriculture, development, port and other industries along with providing incentives like fully and specific exemptions, extending date of exemption like export of IT, proving fully exemptions to Gawadar based operating companies, facilitating zero rating in sales tax, subsidizing electricity, payment of tax refunds and imports.



SALES TAX & FEDERAL EXCISE DUTY

The budgetary measures pertaining to Sales Tax & Federal Excise are primarily aimed at:

1. Zero-rating of export oriented sectors. Five export-oriented sectors are subject to reduced rates i.e. 3% and 5% under SRO 1125(I)/2011, dated 31.12.2011. In order to facilitate the exporters and provide for a No-Tax, No-Refund Regime, the items as specified in the said SRO and the purchase of energy i.e. electricity, gas, furnace oil and coal by the five export-oriented, are to be subjected to zero- rate of sales tax. The retail sales of locally manufactured finished goods of these sectors are to be subjected to sales tax @ 5%.

Enforcement through SRO, effective from 01.07.2016.3

2. Exemption of sales tax on pesticides. Ministry of National Food Security and Research has proposed exemption from sales tax on Pesticides. Keeping in view importance of pesticides for the agriculture sector, pesticides and their ingredients are being granted exemption from sales tax.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

3. Exemption of sales tax on Premixes for Growth Stunting. Ministry of National Health Services has proposed exemption from sales tax on the import of vitamins, premixes, minerals and micronutrients (food grade) to combat growth stunting. These items are being granted exemption from sales tax.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

4. Exemption of sales tax on import of Laptops and PCs. Ministry of Information Technology has proposed exemption of sales tax on laptops and personal computers with a view to promoting Information & Communication Technology (ICTs). Exemption from sales tax to Laptops and Personal Computers is being granted. This step will also promote genuine imports and will render informal and illegal imports as uncompetitive.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

5. Increase in turnover threshold for cottage industry. Cottage industry is exempted from payment of sales tax. Turnover threshold prescribed for cottage industry is Rs. 5 million. This low turnover threshold causes undue hardships and registration requirements for small manufactures who make minimal contributions to revenues. Turnover threshold for cottage industry is being raised to Rs. 10 million.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

6. Exclusion of Secondhand and Worn Clothing from further tax levy. Sales tax is currently levied @ 5% on the import stage, @ 3% as value addition tax and 2% as further tax under section 3(1A) on second hand and worn clothing, which results in cumulative impact of sales tax at 10%. In order to provide relief to the low income segment, using second hand worn clothing, exemption from further tax is being provided.



Enforcement through SRO, effective from 01.07.2016.

7. FED at 16% is leviable on services such as Advertisement on CCTV / Cable TV, Shipping Agents, Banking Companies, Insurance Companies, Cooperative

Financing Societies, Modarbas, Musharikas, Franchise Services, Stevedores, Stock Brokers, Forex Dealers etc. Provinces and various Chambers of Commerce & Industry have demanded withdrawal of FED on such services as provinces are already charging sales tax on these services. FED on these services on which provinces are collecting sales tax is being withdrawn.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

8. Exemption to Dump Trucks for Thar Coal Field. Exemption to coal mining machinery, equipment, spares, etc. for Thar Coal Field as provided in the Sixth Schedule to the Sales Tax Act, 1990 includes vehicles for site use i.e. single or double cabin pick-ups. Dump trucks, although being vehicles for site use, are not covered under the said provision. Exemption from sales tax is, therefore, being granted to dump trucks.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

9. Exemption from sales tax and Federal Excise Duty 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 and Federal Excise Duty for a period of 40 years on the import and supply of materials, equipment, ship bunker oils brought and sold to ships calling on/visiting Gwadar Port, for the development of Gwadar Port and Free Zone for Gwadar Port is being granted.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

10. Exemption from sales tax and Federal Excise Duty to businesses to be established in Gwadar Free Zone. Exemption for a period of 23 years from sales tax and Federal Excise Duty 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 of sales tax and Federal Excise Duty.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

11. Exemption to machinery and equipment for the development of grain handling and storage facilities is available under the Sales Tax Act, 1990. It is proposed to include silos in the said exemption.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

12. Abolition of zero-rated status of stationery items. Stationery items are exempt from sales tax under the Sixth Schedule to the Sales Tax Act, 1990 as well as zero-rated under the Fifth Schedule thereof. It is proposed to withdraw zero- rating on stationery items and their inputs.



Enforced through Finance Bill, 2016, effective from 01.07.2016.

13. Abolition of zero-rated status of Milk. Milk, fat-filled milk and preparations for infant use have been enjoying zero-rating facility on supplies for many years. It is proposed to withdraw zero-rating on milk and fat filled milk. Zero-rating on preparations for infant use proposed to be retained.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

14. Enhancement of Federal Excise Duty on Cement. Cement is currently chargeable to Federal Excise Duty @ 5% of the retail price. It is proposed to replace the current regime with fixed rate basis and to charge FED on cement on fixed rate basis @ Rs. 1/ kg.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

15. (a) Levy of sales tax on sugar at reduced rate of 8%. Sugar is currently chargeable to Federal Excise Duty @ 8%. It is proposed to replace this Federal Excise Duty with levy of sales tax at reduced sales tax rate of 8%.
- (b) Levy of sales tax on urea at reduced rate of 5%, in order to promote agriculture and alleviate the conditions of farmers.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

16. Increase in 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. 1,000, based on their features. The proposed new slabs are Rs. 300, 1000 and 1500, respectively.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

17. Enhancement of rates of Federal Excise Duty on cigarettes. The rates of FED on cigarettes are proposed to be increased on a bi-annual basis as under:

Retail Price	Proposed Rate with immediate effect upto 30.11.2016 (Rs. Per thousand cigarettes)	Proposed Rate with effect from 1 st December, 2016 (Rs. Per thousand cigarettes)
Retail price threshold	4,000	4,400
For cigarettes with retail Price equal to or threshold above	3,436	3,705
For cigarettes with retail price below threshold	1,534	1,649

Enforced through Finance Bill, 2016, effective from 01.07.2016.

18. Enhancement of Federal Excise Duty on Aerated Waters. The current rate of Federal Excise Duty on aerated waters is 10.5%. It is proposed to enhance the FED rate to 11.5% of retail price.

Enforced through Finance Bill, 2016, effective from 01.07.2016.



19. Introduction of optional regime for Tier-1 Retailers. Tier-1 retailers are obliged to pay sales tax at standard rate after input tax adjustment. It is proposed to provide an option to these retailers to pay sales tax at fixed rate of 2% of their total turnover without any input tax adjustments.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

20. Inclusion of mineral/bottled water in the Third Schedule to the Sales Tax Act, 1990. Mineral water is charged to sales tax at 17% of value of supply. It is proposed to include mineral water in the Third Schedule so that the tax is charged on the basis of retail price.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

21. Enhancement of rate of sales tax on certain ingredients of poultry feed. Poultry feed and its certain ingredients are exempt from sales tax whereas certain other ingredients are subject to sales tax @ 5% ad valorem. It is proposed to increase the rate of sales tax on the latter category from 5% to 10%.

Enforced through Finance Bill, 2016, effective from 01.07.2016.

22. Marble Cutting and Polishing Industry. Marble Industry is mostly unregistered and is not paying sales tax. This sector has electricity as a major input. In order to bring this sector in the ambit of sales tax, it is proposed to charge sales tax @ Rs. 1.25 per KWH of electricity consumed. The proposed tax shall be in addition to standard sales tax @ 17% on supply of electricity as well as extra tax @ 5%.

Enforced through amendment in the Sales Tax Special Procedure Rules, 2007, effective from 01.07.2016.

23. Enhancement of fixed rate basis on steel sector, ship breakers and steel melters.

Sales tax on steel sector, including ship-breaking sector, is collected on fixed rate basis. Sales tax from steel melters and re-rollers is collected on the basis of electricity consumption whereas ship-breakers are paying sales tax on the basis of LDT of ships imported for breaking. These rates are proposed to be revised upwards.

Enforced through amendment in the Sales Tax Special Procedure Rules, 2007, effective from 01.07.2016.

24. Rationalization of exemption available to plant, machinery, equipment, etc. for production of Bio-Diesel. Exemption to plant, machinery, equipment and specific items used in production of bio-diesel is available under the Sales Tax Act, 1990. To preclude the possibility of misuse, it is proposed to exclude "specific items" from this exemption.

Enforced through Finance Bill, 2016, effective from 01.07.2016.



INCOME TAX

Relief Measures

- The rate of corporate tax** reduced to 31% for the Tax Year 2017.
- Exemptions under Gwadar Port Concession Agreement:** For operation and development of Gwadar Port and Gwadar Free Zone exemptions and concessions in accordance with the decisions of ECC and concession agreement are granted to holder (China Overseas Ports Holding Company Limited) and its operating companies, businesses that is established in the Free Zone and all interconnected contractors and sub-contractors.
- Exemption on Investment in Greenfield Industrial Undertakings:** Period of exemption for investment in Green Field Industrial undertakings is extended till 30th June, 2019.
- Tax Credit for Employment Generation:** Presently, 1% tax credit is available for to an industrial undertaking set up by June 2018 for a period of 10 years for every 50 employees taking into employment. In order to reduce unemployment and encourage new industry, the credit is to 2% and the date for setting up of industrial undertaking is also extended to June 2019.
- Tax Credit for making sales to registered persons:** 2.5% tax credit is increased to 3% to a manufacturer registered under Sales Tax who is making over 90% sales to Registered Sales Tax Persons.
- Tax Credit for Balancing, Modernization and Replacement (BMR):** Tax credit on BMR on installation of the plant and machinery is from June, 2016 to June, 2019.
- Tax Credit for Enlistment:** 20% tax credit for enlistment in stock exchange is extended from 1 to 2 years.
- Tax Credit for Establishing new industry and expansion of existing plant:** 100% tax credit on tax payable is allowed for five years from the commencement commercial production where fresh equity is raised through 100% issuance of new shares. The binding of fresh equity is reduced from 100% to 70% equity. However, tax credit allowed would be apportioned to the extent of own equity. Period of tax credit is also extended to June, 2019.
- Extending exemption to export of IT services:** Exemption to export of IT Services expiring on 30th June, 2016 is extended till June, 2019. The taxpayers shall be allowed to remit 80% to Pakistan through Banking Channel and retain 20% of the proceeds for meeting expenses outside the country.
- Enhancing limit of interest on House Building Loan:** Presently, an individual is allowed deductible allowance for profit on debt on the loan. The loan amount increased from Rs.1 Million to Rs.2 Million.
- Employers' Annual Contribution in Provident Funds:** Presently, employer is allowed to contribute in Provident Fund upto the ceiling limit of 1/10th of the salary of an employee or Rs. 100,000 whichever is lower and amount that is exceeding this limit is treated as income of the employee. The border limit is enhanced from Rs. 100,000 to Rs. 150,000.
- Tax Credit on Health Insurance:** Presently, tax credit is available on the payment of life insurance premium up to Rs.1.5 Million. A new tax credit @ 5% of tax payable or Rs.0.1 Million whichever less is allowed on payment of premium of health insurance.



- Reduction in Tax Rate on Commission of Life Insurance Agents:** Withholding tax on Commission paid to life insurance agents is reduced from 12% to 8% for filer on commission received up to Rs.0.5 Million.
- Relief on Education Expenses:** An individual having taxable income upto Rs. 1 million is allowed tax relief equal to 5% of school fee upto Rs. 60,000 per child per annum.

Revenue Measures

- Advance Tax for Alternate Corporate Tax (ACT):** Advance tax u/s.147 of the Ordinance is paid on component of tax percentage which is arrived on declared income or minimum tax on turnover and that is required to be deposited in four installments. If tax is paid with return on the basis of Alternate Corporate Tax (ACT) shall now be considered for payment of advance tax.
- Rationalizing Rates For Capital Gain Tax On Immovable Property:** The holding period for capital gain tax on sale of immovable property is enhanced from two years to five years. It is taxable @ 10%.
- Taxation of Property Income on Gross Basis:** In case of individuals and associations of persons, the property income would be taxable as a separate block of income.
- Persons registered with Provincial Sales Tax Authorities:** It is proposed that an advance income tax @ 3% of turnover of non- filer service providers shall be collected by provincial ST authorities along with their sales tax returns to bring at such service providers under the Income Tax net.
- Rationalizing Minimum Tax:** At present, Companies declaring Gross Loss are exempt from payment of Minimum Tax at the rate of 1% of turnover. it is proposed that Minimum tax shall now be charged on companies even declaring gross loss.
- Extending the Scope of Minimum Tax:** At present, minimum tax on turnover is paid by individuals and AOPs having turnover exceeding Rs.50 Million. The ceiling limit is reduced from Rs.50 Million to Rs.10 Million to enlarge the scope of minimum tax.
- Taxation of Builders & Land Developers:** Final tax is imposed on builders/ land developers on the basis of per unit area.
- Withholding Tax on Mining:** In order to enlarge withholding tax regime, a rate of 5% of the value of minerals shall be collected from non- filers by the departments of provincial governments responsible for issuing licenses for extraction of minerals and collection of royalty on the extracted minerals.
- Extending the leviability of Super Tax for year:** One time Super Tax was levied for the Tax Year 2015 however, it is extended further for the Tax Year 2016.
- Increasing Cost of Non-Compliance with Tax Laws:** Higher withholding tax rates introduced for those non filer.
- Rate of tax on Securities:** The tax rates for non- filers are increased in Capital Market transaction.
- Rationalization of Withholding Tax on Commercial Electricity Bills:** The adjustable Withholding Tax on commercial electricity bills exceeding Rs. 20,000 per month to 12%.



HIGHLIGHTS

INCOME TAX

- 23 years tax exemption granted to all Chinese companies for development of Gwadar Port.
- 20 years tax exemption also granted to contractors and sub contractors duly inter connected with Chinese companies while development of Gwadar Port.
- Exemption on income from export of IT software and enable services is conditionally extended upto 30-06-2019 provided that 80% of the proceed should be brought in Pakistan through Banking channel.
- Every resident company has to pay minimum tax irrespective of sustaining Gross loss.
- Income of cricket board outside Pakistan is brought into tax net under FTR.
- One time super tax for RTDP also extended for the tax year 2016.
- Builders and developers are taxed under FTR on area basis.
- Property income by individual and AOP is taxed under FTR on progressive rates.
- Property income by Company is taxable under NTR and can claim admissible deduction.
- The Officer IR may disallow excess promotion expenses upto 5% of turnover of Pharma companies.
- No relief granted to AOP and individual businessmen and salaried persons Tax Rate is unchanged.
- Reduced Tax Rate on Capital gain rationalized.
- Capital gain tax imposed on commodity future contracts.
- Income of insurance companies from Capital Gain and dividend is taxable with Corporate Tax Rate.
- Inter Corporate Dividend under Group Relief is abolished.
- Benefit of group relief is restricted on prorata basis over percentage of equity by holding company.
- Tax Credit announced on premium paid for health insurance.
- Tax Credit announced on children education fee for individual earning income up to Rs.1 Million.
- Threshold limit for tax rebate on profit on share in Rent enhanced from Rs.1 to Rs.2 Million.
- Limit for Tax credit for employment generation by manufacturing unit U/S 64B increased from 1%to 2% for 10 years. Beside period of set up is also extended from tax year 2018 to 2019.
- Rate of tax credit enhanced from 2.5% to 3% for selling 90% of manufactured goods by sales tax manufacturers to sales tax registered person.
- The period of tax credit for BMR u/s.65B enhanced for set up of unit up to Tax Year 2019.



- Tax credit of 20% for enlistment on stock exchange become entitled for two continuous years.
- The condition of 100% equity, reduced to 70% to set up new industry. The Tax credit to be proportionately allowed on debt and own equity ratios u/s 65D. Besides period of setup is also extended upto Tax Year 2019.
- Tax credit u/s 65D that was allowed would be revoked if business is discontinued within five year.
- The applicability of tax credit u/s 65E also extended upto to Tax Year 2019
- Depreciation / other allowances not involving cash flow to be apportioned between FTR and NTR.
- Rate fixed by relevant authority for of stamp would not override fair market value of property evaluated by Officer IR u/s 68
- Associates are required to keep prescribed record for transaction undertaken by them and to be furnish to the Commissioner within 45 days after notice is issued.
- Provisional assessment issued would be cancelled on filing of return and wealth by the person.
- Excess of alternate corporate tax paid would be considered to ascertain advance tax liability.
- Withholding tax @ 20% on non-resident foreign media advertising is taxable under FTR.
- Tax deducted on electronic and print media advertisement services is taxable under FTR.
- Excess tax under FTR income relating to non filer to be treated as adjustable tax.
- Prescribed Advance tax to be collected on payment of insurance premium from non filer.
- Time limit for filing return application enhanced to 3 years after filing of return.
- Prescribed advance tax of 3% of turnover has to collect by Provincial Revenue from non filer.
- Penalty proposed for bank / financial institution for failure to supply information of non-residents
- 10% uniform Tax rate on gain of property introduced. The gain after holding period of 5 years exempt.
- Advance rate of tax on dividend, prize bond and commission introduced for filer and non filer.
- Leasing company at the time of agreement has to collect 3% WHT of the value of vehicle from non filer.



PROPOSED CHANGES IN INCOME TAX ORDINANCE, 2001

Section 4B. Super tax for rehabilitation of temporarily displaced persons:

- i) Applicability is also extended for tax year 2016.
- ii) Depreciation and Business Losses have been excluded from Income Definition.
- iii) Rates of Super Tax given below remain unchanged.

Person	Rate of super tax
Banking Company	4% of the income
Person, other than a banking company, having income equal to or exceeding Rs.500 million	3% of the income

“Section 7C. Tax on builders:— (Newly inserted)

- (1) Subject to this Act, a tax shall be imposed on the profits and gains of a person deriving income from the business of construction and sale of residential, commercial or other buildings at the rates specified in Division VIII A of Part I of the First Schedule.
- (2) The tax imposed under sub-section (1) shall be computed by applying the relevant rate of tax to the area of the residential, commercial or other building being constructed for sale.
- (3) The Board may prescribe:
 - (a) the mode and manner for payment and collection of tax under this section;
 - (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.
- (4) This section shall apply to business or projects undertaken for construction and sale of residential, commercial or other buildings initiated and approved after the 1st July, 2016.”

Gist:

- i) New section introduced for taxation of business of builder for construction and sale of residential, commercial and other buildings.
- ii) Final tax levied on the basis of per unit area. Formerly income was taxable under normal law.



- iii) Law is applied after 1st July 2016 (Tax Year 2017)
- iv) Separate rate for residential and commercial buildings on the basis of area in Sq.Ft. is prescribed based on location under Division VIII A of First Schedule .

TAX CARD

(A)		(B)		(C)	
Karachi, Lahore and Islamabad		Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbottabad, Quetta		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					
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 & more	Rs. 70	1501 and more	Rs. 55	1501 and more	Rs. 35

7D. Tax on developers.— (Newly inserted)

- (1) Subject to this Ordinance, a tax shall be imposed on the profits and gains of a person deriving income from the business of development and sale of residential, commercial or other plots at the rates specified in Division VIII B of Part I of the First Schedule.
- (2) The tax imposed under sub-section (1) shall be computed by applying the relevant rate of tax to the area of the residential, commercial or other plots for sale.
- (3) The Board may prescribe:
- the mode and manner for payment and collection of tax under this section;
 - the authorities granting approval for computation and payment plan of tax; and
 - Responsibilities of the authorities approving, suspending and cancelling no objection certificate to sell and the matters connected and ancillary thereto.
- (4) This section shall apply to projects undertaken for development and sale of residential, commercial or other plots initiated and approved after the 1st July, 2016.”

Gist:

- New section introduced for taxation of business of development and sale of residential, commercial and other plots.
- Final tax levied on the basis of per unit area.



- iii) Applicability after 1st July 2016 (Tax Year 2017)
- v) Separate rate for residential and commercial plots on the basis of area in square yard and is based on location under Division VIII A of First Schedule.

TAX CARD The rate of tax under section 7D shall be as follows:

(A)		(B)		(C)	
Karachi, Lahore and Islamabad		Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbottabad, Quetta		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 8. General provisions imposing taxes under sections 5, 6, 7, 7B, 7C and 7D

(1)-Subject to this Ordinance, the tax imposed under Sections 5, 5A, 6, 7, 7A, 7B, 7C and 7D shall be a final tax on the amount in respect of which the tax is imposed and—

- (a) such amount shall not be chargeable to tax under any head of income in computing the taxable income of the person who derives it for any tax year;
- (b) no deduction shall be allowable under this Ordinance for any expenditure incurred in deriving the amount;
- (c) the amount shall not be reduced by —
- (i) any deductible allowance; or
- (ii) the set off of any loss;
- (d) the tax payable by a person under section 5, 5A, 6, 7, 7A, 7B, 7C and 7D shall not be reduced by any tax credits allowed under this Ordinance; and
- (e) the liability of a person under section 5, 6 or 7 shall be discharged to the extent that —
- (i) in the case of shipping and air transport income, the tax has been paid in accordance with section 143 or 144, as the case may be; or
- (ii) in any other case, the tax payable has been deducted at source under Division III of Part V of Chapter X



Section 15 : Income from Property

Property Income in the hands of individual and an AOP shall be taxed under final tax regime and Separate tax rates prescribed in line with previous position prevailed till Tax Year 2013.

**TAX CARD FOR PROPERTY INCOME
(Individual and Association of Person)**

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”;

Company

- i) The tax implication in company cases will remain same.
- ii) The company, from Rent Income is entitled for deduction of 1/5th for repair and maintenance, insurance premium, local taxes, ground rent, profit paid on borrowed money for construction renovation etc. share of rent payable to the bank or HBFC mortgages, collection charges, legal charges etc. etc..

Section 21: Deduction not allowed

- i) No deduction shall be allowed in computing the income of a person under the head “Income from Business” for any expenditure from which the person is required to deduct or collect tax unless the person has paid/ deducted the tax.
- ii) However, in respect of purchases of raw materials and finished goods the amount of disallowance is restricted to 20% of the value of purchases of raw materials and finished goods.
- iii) Recovery of tax u/s.161 or 162 shall be considered as tax paid.
- iv) No deduction in excess of 5% of the turnover shall be allowed to Pharmaceutical Manufacturer in respect of sales promotion, advertisement and publicity.



Section 22: Depreciation

An Industrial undertaking enjoying exemption has to charge and deduct depreciation on building, furniture, plant or machinery reducing balance method including initial allowance and will carry WDV of assets after expiry of exemption period so that industrial undertaking should not get benefit of timing difference in WDV for the assets used in tax holiday period, if, otherwise no depreciation is charged in the books of accounts or charged with lower rate as per rates provided under the Ordinance.

Section 37A: Capital Gain on Sale of Securities / on commodity future contract

Clarification has been made “future commodity contracts entered into by the members of Pakistan Mercantile Exchange whether or not settled by physical delivery” included in capital gain on sale of derivative products.

Section 53 : Exemption and tax concession in the Second Schedule

Second Schedule specified exemptions to classes of income and classes of persons. The amendments is in the nature of adhesive to make clarity that in addition to exemption specified in agreement the beneficiary will be fully entitled for exemption and concession provided under any provision of the Ordinance.

Section 59B: Group Relief

Motive object of the proposed amendment is to allow set off of losses against income by group companies based on prorata basis that is to be ascertain over shareholdings ratio bears to parent companies who would surrendered loss.

Further inter corporate dividend under Group relief is also abolished.

Section “62A. Tax credit for investment in health insurance. —

- (1) A resident person other than a company shall be entitled to a tax credit for a tax year in respect of any health insurance premium or contribution paid to any insurance company registered by the Securities and Exchange Commission of Pakistan under the Insurance Ordinance, 2000 (XXXIX of 2000), provided the resident person is deriving income chargeable to tax under the head “salary” or “income from business”.
- (2) The amount of a person’s tax credit allowed under sub- section (1) for a tax year shall be computed according to the following formula, namely: —

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

where—

- 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; and
- C** is the lesser of —
- (a) the total contribution or premium paid by the person referred to in sub-section (1) in the year;
 - (b) five per cent of the person’s taxable income for the year; and
 - (c) one hundred thousand rupees.”;



Gist :

Bill proposes to give tax credit for insurance premium paid against health insurance policy. This will be allowed lower of actual payment or 5% of the taxable income but to the extent of level filled margin upto Rs.100,000.

Section 63 sub section (2) : Contribution to an approved pension fund

Proviso explains that a salaried person entitling tax credit on contribution paid to approved pension fund is eligible to take on average rate ; that is total contribution made during the year or 20% of taxable income of the current year, providing that a person joining to scheme having age of 41 years or above such person shall be benefited additional contribution of 2% per annum for each year succeeding the 40 years but to the extent of maximum limit of 50%. The impact of proposed amendments is to reduce maximum limit from 50% to 30%.

Section 64A : Deductible Allowance for profit on debt

A resident person is allowed deductible allowance of share of profit / mark-up paid on house loan acquired from institution giving House Building Loan. It is allowed to the extent of actual share of mark-up and Rs.1,000,000 or 50% of the taxable income. The proposed amendment enhances the ceiling limit from Rs.1 Million to Rs.2 Million.

“64AB. Deductible allowance for education expenses.— (newly inserted)

- (1) Every individual shall be entitled to a deductible allowance in respect of tuition fee paid by the individual in a tax year provided that the taxable income of the individual is less than one million rupees.
- (2) The AMOUNT of an individual's deductible allowance allowed under sub-section (1) for a tax year shall not exceed the lesser of —
 - (a) five per cent of the total tuition fee paid by the individual referred to in sub-section (1) in the year;
 - (b) twenty-five per cent of the person's taxable income for the year; and
 - (c) an amount computed by multiplying sixty thousand with number of children of the individual.
- (3) Any allowance or part of an allowance under this section for a tax year that is not able to be deducted for the year shall not be carried forward to a subsequent tax year.
- (4) Allowance under this section shall be allowed against the tax liability of either of the parents making payment of the fee on furnishing national tax number (NTN) or name of the educational institution.
- (5) Allowance under this section shall not be taken into account for computation of tax deduction under section 149.”;



Gist:

A person whose taxable income not exceed Rs.1 Million in a financial year is entitled to tax credit of educational expense to the extent of lower of actual payment or 25% of taxable income or Rs.60,000 per child.

Section 64B : Tax credit for employment generation by manufacturers:

Through Finance Act, 2015, every manufacturing industry establishing setup between 2015 to 2018 is entitled to tax credit from tax payable by it to 1% per 50 employees with the limit of maximum 10% who employing more than 50 employees in the tax year. This credit is to be maintained for continuous 10 years from the date of set up of industry. The proposed amendment also extending the period from 30-06-2018 to 30-06-2019.

Section 65C : Tax credit for enlistment

Presently 20% tax credit out of tax payable is allowable for one year in which company is list on stock exchange. The proposed amendment enhancing tax credit from 1 to 2 years

Section 65D : Tax credit for newly established industrial undertaking :

Section 65E : Tax CREDIT for industrial undertakings established

Through Finance Act 2011, a scheme of tax credit granted for giving 100% tax credit out of normal tax payable including of minimum tax and final tax for 5 years if a company get expansion of machinery or establish new industry with 100% on equity including corporate dairy farming between 01-07-2011 to 30-06-2016. The proposed amendments also relaxed condition of own equity from 100% to 70% and accordingly tax credit would be proportionately curtailed by 30%, if, financed by banking company or other financial institution. Moreover the period for setting up of unit also extended from 30-06-2016 to 30-06-2019 on one hand and on the other hand tax credit allowed to be withdrawn if such industry is discontinued the business. It would be than deemed to be considered that tax credit was wrongly allowed.

Section 67: Apportionment of Deduction

This provision is applied where common expenses are incurred and cannot be identified that are utilized in earning each class of income between FTR and NTR. The bill proposes to replace expenses by "expenditures, deductions and allowances". By use of these words specially "allowances" would thus compel the person to apportion classes of allowances admissible under the law duly enumerated below for the sake of facility.



Division III of Part III of Chapter III DEDUCTION : SPECIAL PROVISION	
Section	Description of Provision and Head Notes
22	Depreciation
23	Initial Allowance
23A	First Year Allowance
23B	Accelerated depreciation to alternate energy projects
24	Intangibles
25	Pre-commencement expenditure
26.	Scientific Research expenditure
27.	Employees Training and Facilities
28.	Profit on debt, financial cost and lease payments
29	Bad debts
29A	Provision regarding consumer loans
30	Profit on non-performing debts of a banking company or development finance institution
31	Transfer to participatory reserve
Part IX- Chapter III DEDUCTIBLE ALLOWANCES	
Section	Description of Provision and Head Notes
60	Zakat
60A	Workers Welfare Fund
60B	Workers Profit Participation Fund

Section 68: Fair Market Value

The fair market value of any property or rent, asset, service, benefit or perquisite shall be determined without regard to any restriction on transfer or to the fact that it is not otherwise convertible to cash.

Proposed amendments

The bill proposes that fair market value of any property shall now be determined without considering the value fixed or notified by any provincial authority for the purpose of stamp duty or for any other purpose.

Section 80: Definition of Person

Under the Ordinance human being and artificial juridical persons are treated at par which includes individual, AOP, Company, Federal, Provincial, Local, Foreign Government or Public International Organization.

Proposed amendments

Clarification has been made by giving status of company to foreign trust.

Gist

Foreign Trust is treated as company under the scope of section 80 of the Ordinance.



Agreements for the avoidance of double taxation and prevention of fiscal evasion

Section 107:

The Federal Government may enter into a tax treaty, a tax information exchange agreement, a multilateral convention, an inter-governmental agreement or similar agreement or mechanism for the avoidance of double taxation or for the exchange of information for the prevention of fiscal evasion or avoidance of taxes including automatic exchange of information with respect to taxes on income imposed under this Ordinance or any other law for the time being in force and under the corresponding laws in force in that country and may, by notification in the official Gazette, make such provisions as may be necessary for implementing the said instruments.

Proposed amendments

The existing provision is substituted with hook and loop in consonance with Section 216(3) of the Ordinance with regards to disclosure of information by public servant .

Section 108: Transactions between associates

A new concept to evaluate tax incidents is available under the Ordinance in respect of transaction between Associates. The Commissioner has been empowered to identify income, deduction and tax credit on Arms Length Transactions to prevent any misappropriation to reduce tax burden.

Proposed Amendments

Bill proposes to introduce sub section (3) (4) and (5) for maintenance of record.

- (3) Every taxpayer who has entered into a transaction with its associates shall:
 - (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 associate as may be prescribed; and
 - (d) keep the files, documents, information and reports specified in clauses (a) to (c) for the period as may be prescribed.
- (4) A taxpayer who has entered into a transaction with its associate shall furnish, within thirty days the documents and information to be kept and maintained under sub-section (3) if required by the Commissioner in the course of any proceedings under this Ordinance.;
- (5) The Commissioner may, by an order in writing, grant the taxpayer an extension of time for furnishing the documents and information under sub- section (4), if the taxpayer applies in writing to the Commissioner for an extension of time to furnish the said documents or information:



Provided that the Commissioner shall not grant an extension of more than forty-five days, when such information or documents were required to be furnished under subsection (4), unless there are exceptional circumstances justifying a longer extension of time."

Section 113 Minimum tax on the income of certain persons

Every resident company and individual as well as AOP (having turnover of Rs.50 Million) in a tax year has to pay minimum tax either tax payable under normal law fall short by the length of 1% of the turnover or where no tax is payable due to claiming losses, setting off of brought forward losses, tax exemption or application of credits and rebates. In computing minimum tax Sales Tax and Federal Excise Duty and discount has been excluded from the definition of turnover including FTR Income.

Proposed amendments

- i) The object of the amendment is aimed to enlarge the scope of minimum tax by reducing the threshold limit of turnover in the case of individual and AOP from Rs.50 Million to Rs.10 Million for the Tax Year 2017.
- ii) Formerly exemption from payment of minimum tax was available to company in case of declaring gross loss before depreciation and other inadmissible expenses has now been withdrawn and reciprocally minimum tax shall be payable even in case of sustaining gross loss.
- iii) Further together with FTR income, tax payable or paid under section 4B (Super tax for rehabilitation of temporarily displaced persons) has further been excluded from the purview of turnover to compute minimum tax liability.

Section 113A : Minimum Tax on Builder

Section 113B : Minimum Tax on Land Developers

Both provisions though were introduced through Finance Act, 2013 yet remained non functional and omitted.

Section 114 : Return of income

Every person specified under the Ordinance is required to file return of income in the manner as prescribed. In case of need of revision due to discovery of error and omission, prior permission is mandatory from the Commissioner within 60 days.

Proposed Amendments

For Revision of Return

The bill proposes that, if, permission sought was not granted, it would be deemed to consider that the Commissioner has granted approval after the expiration of 60 days and income or loss in revised return would be deemed to have been determined under section 120.



Section 122C: Provisional assessment

The Provisional Assessment become annihilation if respective person subsequently files return of income with wealth statement and reconciliation within 45 days of the service of such provisional assessment.

Proposed amendments

The bill proposes that such returns shall be selected for tax audit compulsory.

Section 147: Advance tax paid by the taxpayer

Every company, AOPs and individuals (except salaried person) exceeding income of Rs.500,000 excluding PTR income, has to deposit advance income tax (as deferred tax assets) for the succeeding tax year on the basis of ratio of tax bears to turnover assessed in the preceding tax year in four composite installments after making adjustments of advance taxes collected or deducted at source including deferred tax assets arises in terms of section 113(2)(c) being excess minimum tax paid. In cases of Company and AOP filing of estimation of advance income tax liability on each quarter is mandatory where tax impact on accelerated income is likely to be higher as compared to formula prescribed have to deposit higher advance income tax on the basis of such estimation.

Proposed amendments

Bill proposes to make clarity that deferred tax assets arises under section 113C(4) and (5) [Alternate Corporate Tax] shall also be available for adjustment to composite payment of quarterly advance income tax installments.

Section 152A : Payment for foreign produced commercials.(New Provision)

- (1) Every person responsible for making payment directly or through an agent or intermediary to a non resident person for foreign produced commercial for advertisement on any television channel or any other media shall deduct tax at the rate of twenty percent from the gross amount paid.
- (2) The tax deductible under sub-section (1), shall be final tax on the income of non-resident person arising out of such payment.”;

Section 153 : Payments for goods, services and contracts

Prescribed Agent is responsible to deduct and deposit of withholding tax on making payment to vendors and service providers in the Government Exchequer on behalf of the Government and also keep inform Revenue Authority by filing monthly and annual statement u/s.165 of the Ordinance. Certain specified transactions are either under final or Presumptive Tax Regime and few of them are either adjustable advance tax or treated as minimum tax liability.



Proposed amendments

- i) Formerly income of Print and Electronic Media was taxable under normal taxation. The bill proposes that tax deducted at source in respect of electronic and print media for advertising services shall be final tax with effect from 1st July 2016.
- ii) According to clause (45A) of Part IV of Second Schedule 5 special industries namely:- (i) Textile and articles thereof; (ii) Carpets; (iii) Leather and articles thereof including artificial leather footwear; (iv) Surgical goods; and (v) Sports goods; were obliged not to deduct withholding tax under clauses (a) and (b) of sub-section (1) of section 153 from sales, supplies and services made by traders of yarn. Such traders of yarn shall pay minimum tax @ 0.1% on their annual turnover suo moto on monthly basis on 30th day of each month and monthly withholding tax statement is e-filed under the provisions of section 165 of this Ordinance. The Finance Bill proposes to withdraw facility for not deducting withholding tax against sales, supplies and services made by yarn traders.

Section 169 : Tax collected or deducted as a final tax

Proposed amendments

Certain nature of income is classified under Final Tax Regime. In case higher tax is deducted at source relating to non filer the same shall be treated as adjustable advance tax to blow up such person to file return of income under compulsion rather treating it as FTR Tax.

Section 165B: Furnishing of information by financial institutions including banks

Proposed amendments

Bar to keep confidentiality, has been removed for providing information of non-resident person to the Board by the financial institutions including banks.

Section 170 : Refunds

Existing provision states that an application for refund can be made within two years on later of assessment or the date on which tax was paid respectively.

Proposed amendments

Time period for filing application for refund has been extended from 2 to 3 years.

Section 182 : Offences and penalties

Proposed amendments

Scope of penalties has been extended by including financial institutions and banks.

Section 198 : Prosecution for unauthorized disclosure of information by a public servant



Proposed amendments

Scope for prosecution for unauthorized disclosure of information by a public servant is expanded by inclusion of tax treaty, tax information exchange agreement, a multilateral convention, an inter-governmental agreement, a similar arrangement or mechanism.

Section 231A: Cash withdrawal from a bank

Proposed amendments

For the purpose of tax deduction u/s.231A on cash withdrawal from bank the limit of rupees fifty thousand shall now include cash withdrawal from all bank accounts in a single day.

Section 231B: Advance tax on private motor vehicles:

Proposed amendments

- i) No advance tax on registration of vehicles would be collected by registering authority of Excise and Taxation Department after five years from the date of first registration in the case of Federal, Provincial and Local Government.
- ii) Scope of advance tax collection for non-filer has been expanded and now every leasing company or a scheduled bank or an investment bank or a development finance institution or a modaraba shall, at the time of leasing of a motor vehicle to a non- filer, collect advance tax @ 3% of the value of the motor vehicle.

Section 236A: Advance tax at the time of sale by auction

Every person making sell by public auction or auction by tender is required to collect advance tax @ 10% of the value and that tax was adjustable

Proposed amendments

Now such Advance tax collected on a lease or right to collect tolls shall be final tax.

Section 236C: Advance tax on sale or transfer of immoveable property

Proposed amendments

No advance tax would be collected in the case of immoveable property held for a period exceeding five years.



Section 236E: Advance tax on foreign-produced TV plays and serials.

Proposed amendments

Clarification made in respect of collection of advance tax by licensing authorities certifying any foreign TV drama serial or a play in any language other than English. Similarly advance tax collection is applicable on screening and viewing of foreign TV drama serial or play on any channel.

Section 236O: Advance tax under Chapter XII

Proposed amendments

Existing provision was that no advance tax to be collected in case of “withdrawals” Federal/ Provincial Government, Foreign diplomat or diplomatic mission in Pakistan and a person produces certificate from Commissioner that his income is exempt from tax. The bill proposes to insert the word deducted and deletes withdrawal to remove editorial gaffe.

Section 236P: Advance tax on banking transactions otherwise than through cash.

Bill proposes to clarify that the limit of Rs.50,000/- shall be aggregate withdrawals from all the banks accounts in a single day rather than isolate transaction. Applicable tax rate is 0.6%, however, till June 2016, it is 0.4%.

Section 236U: Advance tax on insurance premium

Proposed amendments

Insurance company/ their agent, now required to collect adjustable advance tax from non-filer in respect of general insurance premium (@ 4%) and life insurance premium (@ 1%).

Section 236V: Advance tax on minerals

Proposed amendments

Provincial authority is now required to collect adjustable advance tax while collecting royalty per metric ton from the lease holder of mines or any person extracting minerals.

Section 236W: Advance tax from provincial sales tax registered person

Proposed amendments

Provincial revenue authority is now required to collect adjustable advance tax @ 3% of the turnover from a non-filer who is a Provincial Sales Tax Registered Person at the time of filing of Sales Tax Return with Provincial Revenue Authority.



THE FIRST SCHEDULE

PART I

RATES OF TAX

Rates of Tax for Individuals and Association of Persons

NO CHANGE IS MADE FOLLOWING ARE EXISTING AND APPLICABLE RATES

TABLE

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

Provided that in the case of an association of persons that is a professional firm prohibited from incorporating by any law or the rules of the body regulating their profession, the 35% rate of tax mentioned against serial number 8 of the Table shall be 32%% for tax year 2016 and onwards.



TABLE
[For Salaried individual]

S.No.	Taxable Income	Rate of tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs.400,000	0%
2.	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.500,000	2% of the amount exceeding Rs.400,000
3.	Where the taxable income exceeds Rs.500,000 but does not exceed Rs.750,000	Rs. 2000 + 5% of the amount exceeding Rs.500,000
4.	Where the taxable income exceeds Rs.750,000 but does not exceed Rs.1,400,000	Rs.14,500 + 10% of the amount exceeding Rs.750,000
5.	Where the taxable income exceeds Rs.1,400,000 but does not exceed Rs.1,500,000	Rs. 79,500 + 12.5% of the amount exceeding Rs.1,400,000
6.	Where the taxable income exceeds Rs.1,500,000 but does not exceed Rs.1,800,000	Rs. 92,000 + 15% of the amount exceeding Rs.1,500,000
7.	Where the taxable income exceeds Rs.1,800,000 but does not exceed Rs.2,500,000	Rs.137,000 + 17.5% of the amount exceeding Rs.1,800,000
8.	Where the taxable income exceeds Rs.2,500,000 but does not exceed Rs.3,000,000	Rs. 259,500 + 20% of the amount exceeding Rs.2,500,000
9.	Where the taxable income exceeds Rs.3,000,000 but does not exceed Rs.3,500,000	Rs. 359,500 + 22.5% of the amount exceeding Rs.3,000,000
10.	Where the taxable income exceeds Rs.3,500,000 but does not exceed Rs.4,000,000	Rs.472,000 + 25% of the amount exceeding Rs.3,500,000
11.	Where the taxable income exceeds Rs.4,000,000 but does not exceed Rs.7,000,000	Rs.597,000 + 27.5% of the amount exceeding Rs.4,000,000
12.	Where the taxable income exceeds Rs.7,000,000	Rs.1,422,000 + 30% of the amount exceeding Rs.7,000,000

Notes:

In the case of disabled person and for taxpayer of sixty years tax liability shall be reduced by fifty percent.



Rates of Tax for Companies (other than a banking company)

Tax year	Rate
2016	32%
2017	31%
2018 and onward	30%

Rate of tax for Small Company is 25%.

Rates of Super Tax

Person	Rate of super tax
Banking Company	4% of the income
Person, other than a banking company, having income equal to or exceeding Rs.500 million	3% of the income

Rate of Dividend Tax

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

- (a) 7.5% in the case of dividends declared or distributed by purchaser of a power project privatized by WAPDA or on shares of a company set up for power generation or on shares of a company, supplying coal exclusively to power generation projects; and
- (b) 12.5%, in cases other than mentioned in clauses (a) and (c);
- (c) 10%, in case of dividend received by a person from a mutual fund.

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

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

Provided also that if, a Developmental REIT Scheme with the object of development and construction of residential buildings is set up by thirtieth day of June, 2018, tax imposed on dividend received by a person from such Developmental REIT Scheme shall be reduced by fifty percent for three years from thirtieth day of June, 2018."



Rate for Profit on Debt

The rate of tax for profit on debt imposed under section 7B shall be—

TABLE

S.No	Profit on Debt	Rate of tax
(1)	(2)	(3)
1.	Where profit on debt does not exceed Rs 25,000,000	10%
2.	Where profit on debt exceeds Rs 25,000,000 but does not exceed Rs 50,000,000	2,500,000 + 12.5% of the amount exceeding Rs 25,000,000
3.	Where profit on debt exceeds Rs 50,000,000	Rs 5,625,000 + 15% of the amount exceeding Rs.50,000,000

Rate of Tax on Certain Payments to Non-residents

The rate of tax imposed under section 6 on payments to non-residents shall be 15% of the gross amount of the royalty or fee for technical services.

Rate of Tax on Shipping or Air Transport Income of a Non-resident Person

The rate of tax imposed under section 7 shall be –

- in the case of shipping income, 8% of the gross amount received or receivable; or
- in the case of air transport income, 3% of the gross amount received or receivable.

Income from Property

The rate of tax to be paid under section 15, in the case of individual and association of persons, shall be

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”;



Capital Gains on disposal of Securities

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

In case of individuals and AOPs

S.No.	Holding Period	Existing Tax Year 2016	Proposed Tax Year 2017	
			Filer	Non-Filer
(1)	(2)	(3)	(4)	(5)
1.	12 months	15%	15%	18%
2.	Between 12 to 24 Months	12.5%	12.5%	16%
3.	Between 24 to 48 Months	7.5%	7.5%	11%
4.	Security acquired before 1 st July, 2012.	0%	0%	0%
5.	Future commodity Contracts entered into by the members of Pakistan Mercantile Exchange	0%	5%	5%;

In case of Companies

S.No.	Holding Period	Existing Tax Year 2016	Proposed Tax Year 2017	
			Filers	Non Filers
(1)	(2)	(3)	(4)	(5)
	12 months	32%	15%	18%
	Between 12 to 24 Months	32%	12.5%	16%
	Between 24 to 48 Months	32%	7.5%	11%
	Security acquired before 1 st July, 2012.	32%	0%	0%

Mutual Fund or a Collective Investment Scheme or a REIT scheme shall deduct Capital Gains Tax at the rates as specified below, on redemption of securities as prescribed, namely:—

Category	Rate
Individual and association of persons	10% for stock funds 10% for other funds
Company	10% for stock funds 25% for other funds

In case of a Stock Fund if Dividend receipts of the Fund are less than Capital Gains the rate of tax deduction shall be 12.5%:

No capital gains tax shall be deducted, if the holding period of the security is more than four years.

Capital Gains on disposal of Immovable Property

The rate of tax to be paid under sub-section (1A) of section 37 shall be as follows:—



S.No	Holding Period	Existing	Proposed
(1)	(2)	(3)	(4)
1.	Upto 1 Year	10%	10%
2.	From 1 to 2 Years	5%	10%
3.	From 2 to 5 Years	0%	10%
4.	More than 5 Years	0%	0%

TAX ON BUILDERS

The rate of tax under section 7C shall be 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 & more	Rs. 70	1501 and more	Rs. 55	1501 and more	Rs. 35

TAX ON DEVELOPERS

The rate of tax under section 7D shall be 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"



Advance Tax on Dividend

(c) 20% for non-filers other than mentioned in (a) above:

"Person (1)	Stock Fund (2)	Money market fund, income fund or REIT scheme or any other fund	
		Filer (3)	Non-Filer (4)
Individual	10%	10%	15%
Company	10%	25%	25%
AOP	10%	10%	15%

(i) in Division III, in clause (1), after sub-clause (a), the following shall be inserted, namely:-

“(ab) in the case of the supplies made by the distributors of fast moving consumer goods, 3% of the gross amount payable, if the supplier is a company and 3.5% if the supplier is other than a company.”;

(a) in clause (2), in sub-clause (ii), in paragraph (c), in sub- paragraph (i), for the figure “1%” the figure “1.5%” shall be substituted;

(i) in case of a filer, 1.5% of the gross amount payable; and

(iii) in Division V, in clause (a), for the Table, the following shall be substituted, namely:-

S.No (1)	Gross amount of rent (2)	Rate of tax (3)
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”; and

(iv) in Division VI, in paragraph (1), after the word “paid” the expression “for filers and 20% of the gross amount paid for non- filers” shall be inserted;



- (1) The rate of tax to be deducted under section 156 on a prize on prize bond or cross-word puzzle shall be 15% of the gross amount paid “for filers and 20% of the gross amount paid for non-filers”.

- (A) in Part IV, for Division II, the following shall be substituted, namely:-

Division II
BROKERAGE AND COMMISSION

S.No.	Person	Rate applicable on the amount of payment.	
		Filer	Non-filer
(1)	(2)	(3)	(4)
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%”;

- (i) for Division IIA, the following shall be substituted, namely:-

Division IIA
RATES FOR COLLECTION OF TAX BY A STOCK EXCHANGE REGISTERED IN PAKISTAN

S.No	Description	Rate
(1)	(2)	(3)
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 as per clause (b) of sub- section (1) of section 233A.	0.02% of sale value”;

in Division IV, in the Table, in the first column, against serial number (l), in column (3), for the figure “10” the figure “12” shall be substituted;

- | | | |
|-----|---|----------|
| (a) | does not exceed Rs. 400 | Rs. 0 |
| (b) | exceeds Rs. 400 but does not exceed Rs. 600 | Rs. 80 |
| (c) | exceeds Rs. 600 but does not exceed Rs. 800 | Rs. 100 |
| (d) | exceeds Rs. 800 but does not exceed Rs. 1000 | Rs. 160 |
| (e) | exceeds Rs. 1000 but does not exceed Rs. 1500 | Rs. 300 |
| (f) | exceeds Rs. 1500 but does not exceed Rs. 3000 | Rs. 350 |
| (g) | exceeds Rs. 3000 but does not exceed Rs. 4500 | Rs. 450 |
| (h) | exceeds Rs. 4500 but does not exceed Rs. 6000 | Rs. 500 |
| (i) | exceeds Rs. 6000 but does not exceed Rs. 10000 | Rs. 650 |
| (j) | exceeds Rs. 10000 but does not exceed Rs. 15000 | Rs. 1000 |
| (k) | exceeds Rs. 15000 but does not exceed Rs. 20000 | Rs. 1500 |



- (i) exceeds Rs. 20000.
- (i) at the rate of 12 per cent for commercial consumers;
- (ii) at the rate of 5 per cent for industrial consumers.]
- (ii) in Division X,- for the figure "0.5" the figure "1" shall be substituted; and
- for the figure "1" the figure "2" shall be substituted;

The rate of tax to be collected under section 236C shall be 1% of the gross amount of the consideration received for filers and 2% of the gross amount of the consideration received for non-filers.

In Division XVIII, in the Table, in column (1), against S.No.2, in column (3),—

- (a) for the figure "1" the figure "2" shall be substituted; and
(b) for the figure "2" the figure "4" shall be substituted;

S. No.	Period	Rate of Tax
(1)	(2)	(3)
1.	Where value of Immovable property is up to 3 million.	0%
2.	Where the value of Immovable property is more than 3 million	Filer 2%
		Non-Filer 4%

- (iii) in Division XIX, in clause (ii), for the figure "100,000", the figure "75,000" shall be substituted;
- (i) 7.5% if the amount of monthly bill is Rs. "75,000" or more; and
(ii) 0% the amount of monthly bill is less than Rs. 75,000.
- (iv) in Division XXI, in the proviso, after the word "Division" the words "for the period it deems appropriate" shall be inserted;
- (v) Division XXII shall be omitted; and
(vi) after Division XXIV, the following new Divisions shall be added, namely:-



Division XXV
ADVANCE TAX ON INSURANCE PREMIUM

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

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

Division XXVI
ADVANCE TAX ON EXTRACTION OF MINERALS

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



SECOND SCHEDULE

EXEMPTIONS AND TAX CONCESSIONS

PART I

EXEMPTIONS FROM TOTAL INCOME

iw- insert word

ic- insert clause

ow- omitted word

oc- omitted clause

a- amendment

cs- clause substitute

S.No.	Particulars	iw	ic	ow	oc	a	ws	cs	Clause
1	Micro Finance Banks for a period of five years starting from first day of July 2007:				✓				(66) (xviii)
2	Any income derived by any Board or other organization established by Government in Pakistan for the purposes of controlling, regulating or encouraging major games and sports recognised by Government:	✓							(98)
3	Any income derived from inter- corporate dividend within the group companies entitled to group taxation under section 59AA 2[or section 59B [—subject to the condition that return of the group has been filed for the tax year.			✓					(103A)
4	income derived by China Overseas Ports Holding Company Limited from Gwadar Port operations for a period of 2[twenty three] years, with effect from the sixth day of February, 2007.] 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.							✓	(126A)
5	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.		✓						(126AA)
6	Profit on debt derived by-		✓						(126AB)



	(a) any foreign lender; or (b) any local bank having more than 75 percent shareholding of the Government or the State Bank of Pakistan, under a Financing Agreement with the China Overseas Ports Holding Company Limited;								
7	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.”; and		✓						(126AC)
8	(1) 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. (2) 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.		✓						(126AD)
9	Income from exports of computer software or IT services or IT enabled services upto the period ending on 30th day of June, 2016 2019- ; “Provided that eighty per cent of the export proceeds is brought into Pakistan in foreign exchange remitted from outside Pakistan through normal banking channels.” Explanation.- For the purpose of this clause –	✓					✓		(133)



<p>(a) —IT Services include software development, software maintenance, system integration, web design, web development, web hosting, and network design, and</p> <p>(b) —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.]</p>								
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PART II
REDUCTION IN TAX RATES

S.No.	Particulars	iw	ic	ow	oc	a	ws	cs	Clause
1	<p>The tax in respect of income from services rendered 2[and construction contracts]outside Pakistan shall be charged at the rate of one per cent of the gross receipts, provided that 3[receipts from services and income from contracts] are brought into Pakistan in foreign exchange through normal banking channel.</p> <p>(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.</p> <p>(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.”;</p>							✓	(3)



2	<p>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:</p> <p><i>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:</i></p> <p><i>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:</i></p> <p><i>Provided further that the outstanding tax liability payable under this clause up to tax year 2015 is paid by 30th June, 2016.”;</i></p>	✓								(3B)
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PART IV
EXEMPTION FROM SPECIFIC PROVISIONS

S.No.	Particulars	iw	ic	ow	oc	a	ws	cs	Clause
1	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) (xxvi)
2	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.”;		✓						(11A) (xxvii)
3	The provisions of section 150 shall not apply in respect of inter-corporate dividend within the group companies entitled to group taxation under section								(11B)



	59AA or section 59B 2[—subject to the condition that the return of the group has been filed for the latest completed tax year .].]			✓				
4	The provisions of section 150 shall not apply in respect of inter-corporate dividend within the group companies entitled to group taxation under section 59AA or section 59B 2[—subject to the condition that the return of the group has been filed for the latest completed tax year .].]			✓				(11C)
5	The provisions of section 150 shall not apply 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.”;		✓					(38AA)
6	The provisions of [sections] [113 and] section [] [] 153 shall not apply to companies operating Trading Houses which— have paid up capital of exceeding Rs.250 million; (ii) own fixed assets exceeding Rs.300 million at the close of the Tax Year; (iii) maintain computerized records of imports and sales of goods; (iv) maintain a system for issuance of 100% cash receipts on sales; (v) present accounts for tax audit every year; and (vi) is registered 1[under the Sales Tax Act, 1990] Provided that the exemption under this clause shall not be available if any of the aforementioned conditions are not fulfilled for a tax year					✓		(57)



	<p>Provided further that the exemption from application of section 113 shall be available for the first ten years, starting from the tax year in which the business operations commenced.</p> <p>Provided further that minimum tax under section 113 shall be 0.5% upto the tax year 2019 and one per cent thereafter</p>							
7	<p>The provisions of section 151, regarding withholding tax on profit on debt, shall not apply—</p> <p>(i) 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;</p> <p>(ii) to any payment made by way profit or interest to any person on Term Finance Certificates being the instruments of redeemable capital under the Companies Ordinance, 1984 (XLVII of 1984), issued by Prime Minister's Housing Development Company (Pvt) Limited (PHDCL);</p> <p>(iv) in the case of any resident individual, no tax shall be deducted from income or profits paid on,-</p> <p>(b) Investment in monthly income Savings Accounts Scheme of Directorate of National Savings, where monthly installment in an account does not exceed one thousand rupees.]</p>							(59)
8	<p>The provisions of clause (l) and section 21, sections 113 and 152 shall not apply in case of a Hajj Group Operator in respect of Hajj operations provided that the tax has been paid at the rate of Rs.3,500 per Hajji for the tax year 2013 and Rs.5,000 per Hajji for the tax year 2014 [and 2015] to 2016 in respect of income from Hajj operations</p>						✓	(72A)
9	<p>The provisions of section 148 shall not apply to an industrial undertaking if the tax liability for the current tax year, on the basis of determined tax liability for</p>							(72B)



	<p>any of the preceding two tax years, whichever is the higher, has been paid and a certificate to this effect is issued by the concerned Commissioner:</p> <p>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:</p> <p>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:</p> <p>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.”;</p>	✓						
10	<p>The provisions of sub-section (2) of section 116 shall not apply for the tax the tax year [2014] to an individual or a member of an association of persons whose last declared or assessed income, or the declared income for the year is less than one million rupees.</p>	✓						(82)
11	<p>(a) The provisions of section 111 shall not apply to-</p> <p>(i) investment made by an individual in a Greenfield industrial undertaking directly or as an original allottee in the</p>							(86)



	<p>purchase of shares of a company establishing an industrial undertaking or capital contribution in an association of persons establishing an industrial undertaking;</p> <p>(ii) investment made by an association of persons in an industrial undertaking; and</p> <p>(iii) investment made by a company in an industrial undertaking; If the said investment is made on or after the 1st day of January, 2014, and commercial production commences on or before the 30th day of June, 2017 2019.</p>						✓	
12	<p>the provisions of sections 147, 151, 152, 231A, 231AA, 236A and 236K shall not apply to "The Second Pakistan International Sukuk Company Limited", as a payer."</p> <p>the provisions of sections 147, 151, 152, 231A, 231AA, 236A and 236K shall not apply to "The Second Pakistan International Sukuk Company Limited", as a payer.";</p>						✓	(91) Substituted as (95)
13	<p>the provisions of sections 147, 151 and 155 shall not apply to "The Second Pakistan International Sukuk Company Limited", as a recipient."</p> <p>the provisions of sections 147, 151 and 155 shall not apply to "The Second Pakistan International Sukuk Company Limited", as a recipient.";</p>							(92) Substituted as (96)
14	<p>the provision of section 236C shall not apply to "Pakistan International Sukuk Company Limited";</p> <p>the provision of section 236C shall not apply to "Pakistan International Sukuk Company Limited.";</p>							(93) Substituted as (97)
15	<p>for the figure "2016", occurring for the first time, the figure "2017" shall be substituted;</p>							(94)



	<p>(b) after the words and comma "development services," the words "IT services and IT enabled services as defined in clause (133) of Part I of this Schedule" shall be inserted; and</p> <p>(c) in the proviso, for the full stop at the end a colon shall be substituted and thereafter the following new proviso shall be added, namely:-</p> <p>"Provided further that for tax year 2017, the company shall furnish irrevocable undertaking by November, 2016, to present its accounts to the Commissioner.";</p>								
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SECOND SCHEDULE

EXEMPTIONS AND TAX CONCESSIONS

PART I

EXEMPTIONS FROM TOTAL INCOME

<u>CLAUSE</u>	<u>SECTOR WISE</u>
(66) (xviii)	MICRO- FINANCE BANK Exemption available from Total Income of Micro Finance Banks for a period of five years starting from first day of July 2007 is proposed to be withdrawn.
(98)	GAMES AND SPORTS BOARD / ORGANISATION ESTABLISHED IN PAKISTAN PROPOSED FOR RESTRICTION OF THE ESTABLISHMENT OF BOARD BY THE GOVERNMENT OF PAKISTAN ONLY Currently exemption is available to any Board or other organization established in Pakistan for the purposes of controlling, regulating or encouraging major games and sports recognized by the government is proposed to be restricted only where such Board or organization is established by or under the umbrella of Government . Previously, the word "Government" omitted by Finance Act, 2003.
(103A)	INCOME DERIVED FROM INTER-CORPORATE DIVIDEND WITHIN THE GROUP COMPANIES Any income derived from inter-corporate dividend within the group companies entitled to group taxation is currently available under section 59 which is facility for Carry forward of capital losses is proposed to be withdrawn. Previously the word/ condition <i>"subject to the condition that return of the group has been filed for the tax year"</i> in the clause inserted in the Finance Act, 2015.
(126A)	PROPOSED EXEMPTIONS FOR GAWADAR FREE ZONE Currently exemptions available is an (a) Income derived by China Overseas Ports Holding Company Limited (COPHCL) from Gwadar Port operations for a period of 23 years only with effect from the 06-02-2007. Now, the budget is proposed to extend of exemptions of a companies Income deriving by (a) China Overseas Ports Holding Company Limited (COPHCL); (b) China Overseas Ports Holding Company Pakistan (Private) Limited (COPHLPL);



- (c) Gawadar International Terminal Limited (GITL)
- (d) Gawadar Marine Services Limited (GMSL); and
- (e) Gawadar Free Zone Company Limited (GFZCL)

from Gawadar Port operations for a period of twenty-three years, with effect from the sixth day of February, 2007.

New Clauses inserted for raise of exemption and provide incentives to Gawadar Free Zone investment are as follows:

(12AA) Budget proposed to extend of exemptions of 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.

(12AB) Budget proposed to extend of exemptions Profit on debt derived by any foreign lender; or any local bank having more than 75% shareholding of the Government or the State Bank of Pakistan, under a Financing Agreement with the China Overseas Ports Holding Company Limited.

(12AC) Budget proposed to extend of exemptions as income derived by contractors and subcontractors of

- (a) China Overseas Ports Holding Company Limited,
- (b) China Overseas Ports Holding Company Pakistan (Private) Limited,
- (c) Gawadar International Terminal Limited,
- (d) 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.”; and

(12AD) (1) Any income derived by China Overseas Ports Holding Company Limited being dividend received from

- (a) China Overseas Ports Holding Company Pakistan (Private) Limited,
- (b) Gwadar International Terminal Limited
- (c) Gwadar Marine Services Limited and
- (d) Gwadar Free Zone Company Limited.

(2) Any income derived by China Overseas Ports Holding Company Pakistan (Private) Limited being dividend received from

- (a) Gwadar International Terminal Limited
- (b) Gwadar Marine Services Limited and
- (c) Gwadar Free Zone Company Limited.



(133) **INCOME FROM EXPORTS OF COMPUTER SOFTWARE OR IT SERVICES OR IT ENABLED SERVICES**

Exemption of income from exports of computer software or IT services or IT enabled services extended period from 30th day of June, 2016 to 30th June, 2019 with inclusion of the proviso "Provided that 80% of the export proceeds is brought into Pakistan in foreign exchange remitted from outside Pakistan through normal banking channels."

**PART II
REDUCTION IN TAX RATES**

CLAUSE

SECTOR WISE

(3) **SERVICES RENDERED AND CONSTRUCTION CONTRACTS OUTSIDE PAKISTAN**

Currently, the tax in respect of income from services rendered and construction contracts outside Pakistan shall be charged at the rate of 1% of the gross receipts.

Provided that receipts from services and income from contracts are brought into Pakistan in foreign exchange through normal banking channel.

The budget proposed to be raised with 50% of the withholding rate applicable on services and contracts under section 153 of the Ordinance, 2001 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."; provided that receipts from services and income from contracts are brought into Pakistan in foreign exchange through normal banking channel.

Services rendered outside Pakistan

For Corporate Sector

Current Position: 1%
Proposed Position: 4%

For Non- Corporate Sector

Current Position: 1%
Proposed Position: 5%

Construction Contracts executed outside Pakistan

For Corporate Sector

Current Position: 1%
Proposed Position: 3.5%

For Non- Corporate Sector

Current Position: 1%
Proposed Position: 3.75%



(3B) **INCOME OF PAKISTAN CRICKET BOARD DERIVED FROM SOURCES OUTSIDE PAKISTAN**

The new clause proposed inserted first time about 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 4% of the gross receipts from such sources:

Provided that Pakistan Cricket Board may opt to pay tax at the rate of 4% 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 PROVISIONS**

CLAUSE

SECTOR WISE

PROPOSED EXEMPTIONS FROM SPECIFIC PROVISIONS FOR GAWADAR FREE ZONE

(11A) (xxvi)

The new clause proposed inserted where the provisions of Section 113- Minimum tax on the income of certain persons shall not apply to

- (a) China Overseas Ports Holding Company Limited,
- (b) China Overseas Ports Holding Company Pakistan (Private) Limited,
- (c) Gwadar International Terminal Limited,
- (d) Gwadar Marine Services Limited and
- (e) Gwadar Free Zone Company Limited

for a period of twenty three years, with effect from the sixth day of February, 2007.

(11A) (xxvii)

COMPANIES QUALIFYING FOR EXEMPTION UNDER CLAUSE (126M) OF PART-I OF THIS SCHEDULE,

Proposed inserted clause in exemption from specific provisions where 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 where Profits and gains derived by a taxpayer from a transmission line project set up in Pakistan on or after the 1st day of July, 2015 for a period of ten years. The exemption under this clause shall apply to such project which is—



- (a) owned and managed by a company formed for operating the said project and registered under the Companies Ordinance, 1984 (XLVII of 1984), and having its registered office in Pakistan;
- (b) not formed by the splitting up, or the reconstruction or reconstitution, of a business already in existence or by transfer to a new business of any machinery or plant used in a business which was being carried on in Pakistan at any time before the commencement of the new business; and
- (b) owned by a company fifty per cent of whose shares are not held by the Federal Government or Provincial Government or a Local Government or which is not controlled by the Federal Government or a Provincial Government or a Local Government: Provided that the exemption under this clause shall not apply to projects set up on or after the thirtieth day of June, 2018.

(11B) & (11C)

INTER-CORPORATE DIVIDEND WITHIN THE GROUP COMPANIES ENTITLED TO GROUP TAXATION

Specific exemption on U/s. 59B regarding Group relief in respect of the provisions of section 150 shall not apply in respect of inter-corporate dividend within the group companies entitled to group taxation is to be proposed withdrawn.

(38AA)

PROPOSED EXEMPTIONS FROM SPECIFIC PROVISIONS FOR GAWADAR FREE ZONE

New clause inserted regarding the provisions of section 150 shall not apply to

- (a) China Overseas Ports Holding Company Limited,
- (b) China Overseas Ports Holding Company Pakistan (Private) Limited,
- (c) Gwadar International Terminal Limited,
- (d) Gwadar Marine Services Limited and
- (e) Gwadar Free Zone Company Limited

for a period of twenty-three years.

(57)

PROPOSED WITHDRAWAL OF SPECIFIC EXEMPTION AVAILABLE ON U/S. 113 AVAILABLE FOR TRADING HOUSES:

The Budget proposes withdrawal facility of Specific Exemption on Minimum Tax Turnover available on Trading Houses

Currently, the provisions of 113 & 153 shall not apply to companies operating Trading Houses have paid up capital of exceeding Rs.250 million. Alongwith some conditions describe under the clause of (57) and the exemption from application of section 113 shall be available for the first 10 years, starting from the tax year in which the business operations commenced..



Now it is to be proposed a proviso provided that minimum tax under section 113 shall be 0.5% upto the tax year 2019 and 1% thereafter.

(59) **TERM FINANCE CERTIFICATES**

Specific Exemption from withholding tax on 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 is proposed to be withdrawn.

(72A) **HAJJ OPERATORS**

Proposed for the Tax year 2016, tax paid at the rate of Rs. 5,000 per Hajji is remained same as per last tax year, in case of a Hajj Group or in respect of income from Hajj operations/ Operator and provisions of clause (l) and section 21, sections 113 and 152 shall not apply as well.

(72B) **SPECIFIC EXEMPTION FROM TAX COLLECTION ON IMPORT OF RAW MATERIALS**

Recently, Taxpayers are restrict to apply for exemption certificate from tax collection on import of raw materials U/s. 148, provided that tax liability of current tax year, determined on the basis of tax liability of higher of the two preceding tax years, is paid along with the restriction of a restriction that exempted quantity of raw material should not exceed 110% of the quantity imported / consumed in the last tax year and a certificate to this effect is issued by the concerned Commissioner.

In this budget, it is to be proposed 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 with also condition 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 selected by FBR/ Board.

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 tax exemption certificate issued and shall proceed to recover the tax not collected under tax on imports for the period prior to such cancellation and all the provisions of the Ordinance shall apply accordingly.

(82) **SPECIFIC EXEMPTION FOR WEALTH STATEMENT BY AN INDIVIDUAL OR A MEMBER OF AN ASSOCIATION OF PERSONS**

Specific exemption for not mandatory for submission of Wealth Statement is currently available to an individual or a member of an association of persons



whose last declared or assessed income, or the declared income for the year is less than one million rupees is proposed to be withdrawn.

(86) **INVESTMENT IN INDUSTRIAL UNDERTAKING - IMMUNITY FROM SECTION 111**

The Immunity available for the investors on or after the 1st day of January, 2014, and commercial production commences on or before the 30th day of June, 2017 is proposed to be extend upto 2019. The specific exemptions available for

(i) investment made by an individual in a Greenfield industrial undertaking directly or as an original allottee in the purchase of shares of a company establishing an industrial undertaking or capital contribution in an association of persons establishing an industrial undertaking;

(ii) investment made by an AOP in an industrial undertaking; and

(iii) investment made by a company in an industrial undertaking;
If the said investment is made

(95, 96 & 97) It is proposed to be the clauses substituted as clause (91) substituted as (95), (92) substituted as clause (96) and clause (93) substituted as (97).



Fourth Schedule

Rules for the computation of profits and gains of insurance business

Rule (6B) Existing rule (6B) of the Fourth Schedule was taxing income of insurance companies from investment and earning capital gain from disposal of shares of listed companies, vouchers of PTCL, modaraba certificates or instruments of redeemable capital and derivative products with below given reduced rates;

Description	Tax Years	
	2015	2016
Security Held:		
Below 12 months	12.5%	15%
12 to 24 months	10%	12.5%
Above 24 months	0%	7.5%

The bill completely proposes take U-turn, to abolish reduced rates and collect revenue from insurance companies from capital gain and investment by taxing it with Corporate Rates including DIVIDEND INCOME as provided under Division II of Part I of First Schedule.

Tax Year	Rate
2016	32%
2017	31%
2018	30%

Sixth Schedule

Recognition of Provident Fund

Rule (3) Limitation of contribution According to Rule 3(a) the Employer had to make contribution to the Provident Fund to the extent of 1/10th of the salary or level filled amount of Rs.100,000 and payment in excess thereof treating income. This ceiling limit is enhanced from Rs.100,000 to 150,000.

Seventh Schedule

Rules for computation of the profits and gains of a banking company

Rule (7C) One time levy of Super Tax for Rehabilitation of Temporarily Displaced Persons was introduced only for the tax year 2015. The Federal Government considered it on philosophy of necessitate to be payable also for the tax year 2016.

Seeks to amend rule (7C) of Seventh Schedule to extend provision of section 4b for banking companies till tax year 2016.



Eighth Schedule

Rules for the computation of capital gain on listed securities

- | | |
|---|---|
| sub rule (1A)
in Rule 1 of
Eighth
Schedule | New sub rule inserted to provide parameters for taxation of capital gain on disposal of units of open ended mutual fund by assets management company to which special provision relating to capital gain tax applies under section 100B |
| sub rule (1B)
in Rule 1 of
Eighth
Schedule | Whereas sub rule (1B) inserted to provide structure for taxation of gain or loss through trading of future commodity contract on Pakistan mercantile Exchange.

The NCCPL is directed to develop automatic system regarding capital gain or loss arising from disposal of units of open ended mutual fund and gain or loss arising through trading of future commodity contract on Pakistan mercantile Exchange as a result of insertion of new sub rules (1A) and (1B) in Rule 1 of Eighth Schedule. |
| Proviso to Sub
Rule (3) in Rule
1 of Eighth
Schedule | A proviso is inserted saying that in case of defaulters not provided information the NCCPL shall forward detail to the Commissioner to collect detail by coercive measures provided under his power given by the law |
| Sub rule (3A)
in Rule 1 | Asset Management Companies, Pakistan mercantile exchange and any other person to furnish information required by NCCPL. |



COMMENTS ON AMENDMENTS PROPOSED THROUGH FINANCE BILL 2016 TO THE SALES TAX ACT, 1990

This is a general guide prepared for providing relevant information relating to the changes proposed to be made by the Finance Bill 2016 in the Sales Tax Act, 1990 and the Rules made there under. This is not meant to be an exhaustive commentary on the amendments proposed through the Finance Bill, 2016 and certain changes proposed in the speech for which changes were required to be made in certain Special Procedures Rules have not been uploaded and hence not included in this commentary.

The Budget including the fiscal proposals is to be discussed and approved by the Parliament. The fiscal proposals are proposed to become effective from 1st day of July 2016.

LEGAL AMENDMENTS IN SALES TAX ACT, 1990

1.1 DEFINITIONS – INSERTIONS/SUBSTITUTIONS/AMENDMENTS IN SECTION 2:

1.1.1. Clause (5AB) Relief to Cottage Industry

It is proposed to raise the threshold limit from Rs.5 million to Rs.10 million for cottage industry that is exempted from Sales Tax based on threshold limit and electric consumption. This is likely to address the case of hardship of cottage industry operated mainly by low income sector and now only those cottage industry manufacturers would be required to be mandatorily registration whose annual turnover exceeds Rupees Ten Million or whose electricity bill for the year is eight hundred thousand.

1.1.2. Clause (9) due date

This is a procedural change made to bring the law to be inconsonance with the automated filing system being introduced to facilitate online filing of sales tax and federal excise return and to allow FBR to set different dates for that purpose. Clause (9) has been amended accordingly wherein a registered person may be required to file different parts of return at different dates as against a particular date. In this respect, a proposal of early submission of Annexure-C is under consideration so that the buyer can automatically upload his purchases directly from the system and it will result in reduction of CREST discrepancies, reporting error, it may also be helpful in supporting input tax adjustment in case of future, blockage, blacklisting of suppliers.

Clause (d) of section 2(14)

Section 2(14) of the ST provides various categories of input tax adjustment against the output tax liabilities inter-alia includes the provincial sales tax levied on services rendered or provided to the person. The aforesaid adjustment is now proposed to be omitted.

1.1.3. Section (6) sub-clause (2) mode and manner of payment of sales tax

This change is proposed to be made to bring it in harmony with the proposed change in clause 9 above to require the payment of sales tax to be made at the time prescribed by the FBR in this respect.



1.1.4. Section (7) sub-clause (2) input tax adjustment not allowed

As separate date for filing of Annexure-C of return is proposed in the automated system for the purpose of input tax adjustment taken by the buyers. This step is proposed to reduce the automatic mismatch thrown by the system and limit that to such cases only where there is actual non declaration of supplies and non-payment of sales tax by the suppliers and in such event the input tax adjustment is proposed to be disallowed systematically.

1.1.5. Section (8) sub-clause (1) clause (I) Tax Credit not allowed

This section is proposed to be amended to cover supplies where input tax adjustment shall not to be allowed in the event the tax return of the supplier show that tax has not been deposited by it . A notification is expected to be issued in this respect for guidance of the filers.

1.1.6. Section (11) Assessment of Tax

A new sub-section (4A) has been inserted to fill the gap in Section 11 so as to address the impact of decision from Appellate Tribunal against the revenue regarding dispute on recovery of withholding of sales tax by the buyer. This proposal is made to make requirements amendments in Section11 to recover short paid or not paid amount of sales tax withheld.

1.1.7. Section (13) sub-section (2) clause (a) exemption of sales tax

By amending this sub-section the government has proposed to extend its existing power to include the grant of exemption from payment of sales tax to matters of agreement with international financial institutions or foreign government owned financial institutions under an agreement with government of Pakistan.

1.1.8. Section (26) sub-section (2) filing of return

This is a corrective change, the taxpayer while filing manual return was required to file two separate returns for the same tax period if there was any change in rate of sales tax, however, after electronic filing this was not required, therefore, the said clause has become redundant and hence omitted.

1.1.9. Section (33) Penalties

This is omnibus provision to cover the levy of penalty where penalty provision is missing so as to impose of penalty in case of violation of any of provision of the Act and the Rules made there under.

1.1.10. Section (49) Sub-section(2)

The said sub-section is proposed to be substituted so that now in case of sale or transfer of ownership of a taxable activity or part thereof to another registered person as an ongoing 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. However, no procedure has been prescribed in case the transferor has un-adjusted input tax while issuance of zero rated sales invoice. This is likely to cause hardship for the seller as he will have to claim refund of the amount of input tax paid on taxable goods transferred at zero rated to the buyer. A revenue measure which appears to be uncalled for.



1.1.11. Section 56B

The amendment is proposed to bring the local law in line with the international agreement and treaty for disclosure of certain information by a public servant, which previously was restricted to be provided only to Court etc.

1.1.12. Third Schedule to the Sales Tax Act, 1990

Third schedule is prescribed for supplies on which sales tax is charged on the basis of retail price and paid by the manufacturer. This amendment is proposed to ensure collection of sales tax at manufacturing stage on mineral water/bottled water and for that purpose to include it in the list of Third Schedule items by adding it in column (1), after serial number 36 and entries relating thereto in columns (2) and (3), the following new entry and corresponding entries relating thereto has been 37. Mineral/bottled water Respective heading.

1.1.13. Fifth Schedule of the Sales Tax Act, 1990

This schedule provides for zero rating of taxable goods listed in this schedule. It is proposed to amend clause (i) to (ix) and clause (xviii) of serial number 12 so as to withdraw zero rating facility for supply and purchase raw material for manufacturing of following goods:-

- i. Colours in sets
- ii. Writing, drawing and marking inks
- iii. Erasers.
- iv. Exercise books.
- v. Pencil sharpeners.
- vi. Geometry Box.
- vii. Pens, ball pens, markers and porous tipped pens.
- viii. Pencils including colour pencils
- ix. Mill (PCT Heading 04-01).
- x. Fat Filled milk (PCT heading 1901-9090)

As the above said items are already exempt from payment of sales tax on supply, this proposal will make supply of raw material to them for manufacturing to be subject to sales tax at standard rate.

1.1.14. Sixth Schedule of Sales Tax Act, 1990

The exemption from sales tax under Sixth Schedule Act is proposed to be extended to following activity and it is proposed to insert a new serial number 100A &100B after serial number 100 for that purpose. The government has proposed to grant conditional exemption from payment of sales tax for;

100A. Materials and equipments for construction and operation of Gawadar Port and development of Free Zone for Gwadar Port as imported by or supplied to China Overseas Ports Holding Company Limited (COPHCL) and its operating companies namely:

- (i) China Overseas Ports Holding Company Pakistan (Private) Limited
- (ii) Gwadar International Terminal Limited,
- (iii) Gwadar Marin Services Limited and



- (iv) Gwadar Free Zone Company Limited, their contractors and sub-contractors; and Ship Bunker Oils bought and sold to the ships calling on/visiting Gwadar Port, having Concession Agreement with the Gwadar Port Authority, for a period of forty year.

100B. Supplies made by the businesses to be established in the Gwadar Free Zone for a period of twenty-three years within the Gwadar Free Zone, subject to the condition that the sales and supplies outside the Gwadar Free Zone and into the territory of Pakistan shall be subjected to sales tax.

By omitting Serial number 111 from Sixth Schedule the exemption of sales tax on supply of sugar has been withdrawn as the same is proposed to be subject to tax at reduced rate of sales tax 8%, under Eighth Schedule of Sales Tax Act, 1990.

A further amendment in Sixth Schedule has also been proposed by inserting new serial number 130, 131, 132 and 133 in Table-I, wherein, exemption from payment of sales tax used for agriculture has been granted on following goods which were liable to sales tax at the rate of 7% under Eighth Schedule of Sales Tax Act, 1990 besides items like PCs and Laptops have been included to promote genuine import as against informal and illegal imports:-

"130.	Premixes for growth stunting	Respective Headings, and subject to conditions imposed for importation under the Customs Act, 1969;
131.	Laptop computers, notebooks whether or not incorporating multimedia kit	8471.3010
132.	Personal computers	8471.3020
133.	Pesticides and their active ingredients registered by the Department of Plant Protection under the Agricultural Pesticides Ordinance, 1971 (II of 1971), stabilizers, emulsifiers and solvents, namely:-	38.03
	Xylol (xylenes)	2707.3000
	Beta Pinene/ Agrotin 527/ Terpenic derivative	2902.1990
	Toluene	2902.3000
	Mixed xylene isomers	2902.4400
	Naphthalene	2902.9010
	Solvesso-100, 150, 200	2902.9090
	Ingredients for pesticides	2903.3040
	Cadusafos Technical Material	2903.6900
	Methanol (methyl alcohol)	2905.1100
	Propylene glycol (propane-1, 2-diol)	2905.3200
	- Adhesives Polyvinyl Acetate - Polyvinyl Alcohol	2905.4900
	Ingredients for pesticides	2906.2910
	Other Ingredients for pesticides	2906.2990
	- Solvenon MP / 1-Methoxy 2-Propanol	2909.4910



	- Methyglycol Acetate	
	Methanal (formaldehyde)	2912.1100
	Cyclo-hexanone and methyl-cyclo-hexanones	2914.2200
	- Cyclohexanone - Cyclohexanone Mixed petroleum Xylene (1,2 & 1,3 & 1,4 dimethyl benzene and ethyle benzene)	2914.2990
	Acetic anhydride	2915.2400
	Ingredients for pesticides	2916.3920
	Diocetyl orthophthalates	2917.3200
	Ingredients for pesticides	2918.9010
	Ingredients for pesticides	2919.0010
	Other Ingredients for pesticides	2919.0090
	Endosulfan Technical Material	2920.9020
	Other Ingredients for pesticides	2920.9090
	Diethylamine and its salts	2921.1200
	Ingredients for pesticides	2921.4310
	Other Ingredients for pesticides	2921.4390
	Ingredients for pesticides	2921.5110
	Triethanolamine and its salts	2922.1300
	Dimethyl Formamide (DMF)	2924.1990
	Ingredients for pesticides	2924.2930
	Other Ingredients for pesticides	2924.2990
	Alpha cyano,3-phenoxybenzyl (-) cis, trans 3-(2,2-dicloro vinyl) 2,2 dimethyl cyclopropane carboxylate	2926.9010
	(S) Alpha cyano, 3-phenoxybenzyl (S)-2- (4, chloro phenyl)-3 mehtyl butyrate	2926.9020



	Cyano, 3-phenony benzyl 2,2,3,3 tetra methyl cyclopropane carboxalate	2926.9030
	Cypermethrin, Alpha Cypermethrin, Beta-Cypermethrin, Zeta-Cypermethrin, Lambda Cylalothrin, Deltamethrin, Fenpropathrin, Esfenvalerate, Bifenthrin Technical Material-Acetamiprid, Imidacloprid Technical Material- Monomehypo, Chlorothalonil Technical Material- Bromoxynil Technical Material	2926.9050
	Other nitrite compounds-Cyfluthrin, Beta Cyfluthrin Technical Material	2926.9090
	2-N, N-Dimethyl amino-I sodium thiosulphate, 3-thiosulfourpropane	2930.2010
	Ingredients for pesticides	2930.2020
	2-N,N-dimethyamino 1,3 disodium thiosulphate propane	2930.9010
	O,S-dimethyl phosphoramidothioate	2930.9020
	S-S (2 dimethyl amino trimethylene) bis(thio carbamate)	2930.9030
	Diafethiuran technical (itertbutyl) 3-2-6 disopropyl (4-henoxyphenyl) thiourene	2930.9040
	O-O diethyl O-(3,5,6 trichloro pyridinyl) Phosphorothioate	2930.9050
	O-(4-bromo, 2-chloro phenyl) o-ethyl s-propyl (phosphorothioate)	2930.9060
	O,O duethyl O-(3,5,6-trichloro 2-pyridyl) Phosphorothioate	2930.9070
	Ingredients for pesticides	2930.9080
	Other orgonosulpher compounds - Ethion, Methamidophos Technical Material - Dimethylsulfoxid	2930.9090
	Ingredients for pesticides	2931.0010
	Other Ingredients for pesticides	2931.0090
	Ingredients for pesticides	2932.2920
	2,3 Dihydro 2-2 dimethyl-7 benzo furanylmethyl-carbamate	2932.9910
	Other ingredients for pesticides - Carbosulfan Technical Material	2932.9990
	Fipronil	2933.1900
	Ingredients for pesticides	2933.3930
	Other Ingredients for pesticides	2933.3990



Chlorpyrifos, Triazophos, Diazinon Technical Material	2933.5950
Other Ingredients for pesticides	2933.5990
Pyrimethanine	2933.6910
Ingredients for pesticides	2933.6940
- Atrazine Technical Material	2933.6990
Isatin (lactam of istic acid)	2933.7910
1-Vinyl-2-pyrrol-idone	2933.7920
- Triazophos Technical Material	2933.9910
Ingredients for pesticides	2934.1010
Ingredients for pesticides	2934.9920
-Methyl benzimidazol – 2 – ylcarbamate. -Dicopper chloride trihydroxide	2938.9010
Ingredients for pesticides	2939.9910
Abamectin, Emamectin Technical Material	2941.9050
Other Ingredients for pesticides	2941.9090
Sulphonic acid (Soft)	3402.1110
Other surface active agents	3402.1190
Cationic	3402.1290
Non ionic surface active agents	3402.1300
Other organic surface active agents	3402.1990 3402.9000
Chemical preparations	3824.9099
Solvent C-9	2707.5000";

Another amendment is proposed in serial number 4 of Table-III of Sixth Schedule of Sales Tax act, 1990, so as to extend exemption from payment of sales tax on import of dump trucks as included in vehicles already exempted for Thar Coal Field only.

1.1.15. Eighth Schedule of Sales Tax Act, 1990

This Schedule was created to transfer all concessions and exemptions previously given under SRO to phase out the regime of SROs. It has been proposed to enhance the rate of sales tax from 5% to 10% on ingredients of poultry feed and cattle feed by amending serial number 15 of Eighth Schedule. On the other hand incentive to agricultural sector has been proposed by the federal government by proposing exemption from sales tax on pesticides and its active ingredients. It has been proposed to omit serial number 31 of Eighth Schedule and correspondingly proposed to insert serial number 133 in Table-I of Sixth Schedule to grant exemption from payment of sales tax on these goods.

Another major change by proposed in government whereby in place of FED imposed at the rate of 8% in sales tax mode, sales tax under the sales tax law shall be levied on white crystal sugar of PCT heading 1701.9910 and 1701.9920. This change is proposed to make the supply chain to be subject to sales tax and unregistered persons to be subject to further tax of 2% besides 8% sales tax.



Besides above, the government has also withdrawn sales tax from Urea, whether or not in aqueous solution of PCT heading 3102.1000 and imposed reduced rate of sales tax of 5%.

It is further proposed to promote storage facility for grain by extending the exemption under s.no1 of table 2 of Eight Schedule to Silos besides the existing exempted facilities mentioned there under.

For rationalization of exemption in shape o reduced rate of sales tax available for plant, machinery and equipment for production of bio-diesel, the word "Specific items" is proposed to exclude to preclude the possibility of misuse.

1.1.16. Ninth Schedule

It is proposed to enhance fixed rate of sales tax on Medium priced cellular mobile phone or satellite phone and Smart cellular mobile phone from 500 to 1000 and from 1000 to 1500 respectively.

1.1.17. Zero Rating of Sales Tax on export oriented sector

As a measure to provide a no refund no input tax regime for the promotion of five export oriented sectors which were subject to reduced rate of sales tax at the rate of 3% and 5% under SRO.1125 (1)/2011, it is proposed to now subject these to sales tax at zero percent as specified in above said SRO and zero rate on purchase of electricity, gas, furnace oil and coal without any refund of input tax on purchase of other materials. The retail sales of locally manufactured finished goods of these sectors are to be subjected to sales tax @5%.

1.1.18. Withdrawal of Further Sales Tax on Second hand Worn Clothing.

Government has proposed to withdraw further sales tax of 2% levied under section 3(1A) of the Sales Tax Act, 1990, in this regard a notification is expected to issue to insert new entry for second hand and worn clothing in SRO.648(1)/2013.

1.1.19. Introduction Regime of for Tier-1.

Presently the retailers are making payment of sales tax at standard rate after adjustment of input tax. In this finance bill Tier-1, regime has been proposed to provide an option to pay sales tax at fixed rate of 2% on total turnover without any input tax adjustment.

1.1.20. Imposition of Extra Sales Tax on Marble Industry.

Marble and polishing industry which is not presently in sales tax net and consuming electricity as major input. To bring this sector in sales tax net, it is proposed to impose sales tax at the rate of Rs.1.25 per KWh of electricity consumed in addition to standard rate of sales tax and 5%, extra tax. In this respect an amendment in Sales Tax Special Procedure Rules 2007 is expected through a notification.



1.1.21. Enhancement of sales tax on steel sector, ship breaker and steel melters.

Government proposed to enhance rate of sales tax on ship breaker and steel melters who are presently making payment of sales tax on the basis of electricity consumption and on LTD of ships imported for breaking. In this respect an amendment in Sales Tax Special Procedure Rules 2007 is expected through a notification.



**COMMENTS ON
AMENDMENTS PROPOSED THROUGH FINANCE BILL 2016
TO THE
CAPITAL TERRITORY (TAX ON SERVICES) ORDINANCE 2001**

Application of Sales Tax Act, 1990,

Certain provisions of Sales Tax Act, 1990 are proposed to be inserted to apply under the Capital Territory (Tax on Services) Ordinance, 2001.

Exclusion of services

Regulatory and licensing services rendered or provided by an organization established by or under a Federal Statute proposed to be excluded from the ambit of services Act.



**COMMENTS ON AMENDMENTS PROPOSED THROUGH
FINANCE BILL 2016 TO THE FEDERAL EXCISE ACT, 2005**

The following amendments are proposed to be made in the Federal Excise Act 2005 some of which are similar to those proposed in the Sales Tax Act 1990 to bring the law in harmony with the requirement of the automated system for filing of sales tax and federal excise return and to delete certain subsections or clauses that have become redundant for the same reason.

❖ **Section 2 clause (8A)**

Different dates for submission of different part of FED return has been proposed.

❖ **Section 4 sub-section (2)**

Duty shall be deposited at the time as prescribed in this respect.

❖ **Section 4 sub-section (3)**

Requirement of submission of separate return for the same tax period in case of change in the rate of duty has been withdrawn.

❖ **Section 6 sub-section (2A)**

This new section has been introduced wherein the adjustment of duty shall not be admissible if the supplier has not declared supplies and has not deposited amount of duty indicated in the return. This is proposed in view of the changes proposed with regards to filing of annexure to the return at different dates so that unmatched entries are declared inadmissible before the return is filed.

❖ **Section 16 sub-section (2)**

By virtue of amendment in the said section it is proposed to confer necessary power to the government to grant exemption from payment of duty in matters arising out of its agreement with international financial institution or foreign government owned financial institutions.

❖ **Section 19 sub-section (13)**

The under mentioned amendment is similar to the one proposed in Sales tax Act 1990 with the objective to provide penalty where violation under certain provisions or Rules made there under is not specifically provided. This sub-section has been added to existing sections which propose penalty of rupees five thousand or five percent of duty involved in case of violation of any provision of the Act or rules made there under.

❖ **Section 47A&B**

The requirement to disclose certain information under the law or under bilateral agreements with other countries by a public servant is proposed to be covered by amending this provision accordingly which previously was otherwise restricted.



❖ **First Schedule Table-I- Revenue measures**

Excise duty on aerated water, mentioned in serial number 4, 5 & 6 of Table-I of First Schedule has been enhanced from 10.5 % to 11.5% which may make this more costlier for the end consumers.

Rate of duty on cigarettes

Rate of duty on cigarettes has been proposed to be enhanced in two phases from 1st July 2016 to 30th November, 2016 and from 1st December 2016 onwards to curb this injurious habit while those still with that habit may otherwise pay more.

Rate of duty on cement

Rate of duty on Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cement whether or not coloured or in the form of clinkers is presently 5% of the retail price. It is now proposed to substitute it by Rs 1 per kilogram/Rs.1000 per metric ton/Rs.50 per bag.

❖ **First Schedule Table-II**

This proposal is aimed at removal of tax payers difficulty where tax was levied on same service by both FBR and Provincial Revenue Authorities. It is proposed to withdraw duty on certain excisable services that are already subject to sales tax under provincial law. This is proposed through an explanatory note inserted after Table-II to the First Schedule of the FED Act, where by duty has been proposed to be withdrawn on following services which are already liable to provincial sales tax:-

- i) Advertisement services of Tariff heading 9802-3000.
- ii) Advertisement services of Tariff heading 9802-5000.
- iii) Advertisement services of Tariff heading 9802.4000.
- iv) Services of shipping agent of Tariff heading 9805-1000.
- v) Service provided by Bank and FI Tariff heading 98-13.
- vi) Franchise services of Tariff heading 9823-0000.
- vii) Services of stock brokers Tariff heading 9819-1000

❖ **Second schedule: Excise duty on sugar**

Duty on sugar levied under sales tax mode has been proposed to be abolished and replaced by sales tax under Sales Tax Act at the same reduced rate of 8%. This amendment is proposed to put the change into effect.

❖ **Third Schedule: Withdrawal of exemption on white cement**

It has been proposed to omit serial number 18 from list of goods exempted so as to withdraw the exemption on white cement and as such it will now be subject to excise duty at standard rate.

❖ **Exemption of Excise on duty to Gwadar Zone**



It is proposed to provide incentive for the development of Gwadar Port under Federal Excise like that given under Sales Tax. The Government has proposed to provide exemption from excise duty 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. The exemption shall be for a period of 40 years on the import and supply of materials, equipment, ship bunker oils bought and sold to ships calling on/visiting Gwadar Port.

- ❖ Like exemption is proposed for businesses to be established in Gwadar Free Zone. Exemption for a period of 23 years from Excise Duty on 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 of sales tax and federal excise duty.



COMMENTS ON PROPOSED AMENDMENTS TO THE CUSTOMS ACT, 1969

The amendments proposed to be made in the Customs Act 1969 through the Finance Bill 2016 are primarily for rationalization of tariff by reducing the number of slabs through amendment in First Schedule of Pakistan Custom Tariff to the Customs Act and besides granting exemption through amendments proposed in Fifth Schedule to the Customs Act.

Exemption is proposed to be granted on import of Premixes to prevent growth stunting to be extended to import of vitamins, premixes, minerals, and micronutrients (food grade) to combat growth stunting.

Specific exemption is proposed to be granted to Edhi Foundation for disposal of old and used ambulances imported.

The scope of exemption from custom duty for Charitable non-profit making institutions operating hospitals is proposed to be extended.

Summary of the proposal is as follows:

Additional power given to Federal Government to grant exemption from Custom Duties

Previously, the Government was conferred with power to grant exemption from custom duty besides sales tax and Federal Excise Duty after obtaining approval of Economic Coordination Committee of Cabinet in circumstances of national importance such as;

- 1) National security,
- 2) Natural Disaster
- 3) National Food Security in emergency situation
- 4) Protection of national economic interest in situation arising out of abnormal fluctuation in international commodity prices
- 5) Removal of Anomalies in Duties
- 6) Development of backward areas
- 7) Implementation of bilateral and multilateral agreement

Subject to such conditions, limitation or restriction exempt Custom duties, fine, penalty charge on goods imported into or exported from Pakistan.

Such powers are also required to be exercised by the Government to grant exemption to any International Financial Institution or foreign government owned Financial Institution operating under a memorandum of understanding, an agreement or any other arrangement with the Government of Pakistan after approval of ECC. It is accordingly proposed to confer such further powers by amending the existing provisions of Sub Section 1 of Section 19 accordingly.

Confidentiality of information



All trade information gathered by Customs during clearance of goods are confidential and not be used except to the extent provided in the law. The federal government has added further grounds for sharing information and the customs may share trade information in following cases:

1. Sharing of data to the extent of agreed data contents under a memorandum of understanding, bilateral, regional, multilateral agreements or conventions; or
2. Public disclosure of valuation data through any medium containing description of items, origin, currency, declared and assessed unit value without disclosing name and address of the importer or exporter or their suppliers.

Change in Custom Tariff in First and Fifth Schedule of Customs Act 1969

1. Tariff Slab Rationalization

Goods presently subject to customs duty at the rate of 5% and 2% are proposed to be made subject to customs duty at the rate of 3% under a common slab so as to reduce number of tariff slabs from 5 to 4.

2. Custom Duty Rates increased by 1% on certain items

General rate of customs duty of 10% and 15% ad valorem is proposed to be increased to 11% and 16% respectively across the board on all goods falling that were subject to said rate of duty;

3. Exemption from customs duties

Exemption from customs duty is proposed on following items.

- a. Import of Premixes to prevent growth stunting.
- b. Old and used Ambulances imported by Edhi Foundation.
- c. Scope of the exemption from customs duty allowed to Renewable Energy Technologies and Charitable Non-profit making institutions operating hospitals is proposed to be enhanced to certain additional items.

4. Concession in customs duty rates for certain sectors

<u>Description</u>	<u>Decrease in custom duty</u>
Dairy, Livestock, poultry	Customs duty on various machinery used in dairy, livestock and poultry reduced from 5% to 2%.
Fish Farming, Fish feed pellet (floating type)	Decrease in customs duty on feed pellet (floating type) machinery from 5% to 2%. Reduction in customs duty on import of fish and shrimp feed from 10%/20% to 0%.



Cool chain industry	Decrease in customs duty on import of Cool Chain Machinery from 5% to 3% subject to certain conditions
Import of Solar Panels	Import of solar panels is subject to decreased duty till June 30, 2017.

5. Decrease in rates of customs duty on certain items

<u>Item</u>	<u>Existing CD%</u>	<u>Proposed CD%</u>
Water Quality Testing Kits	20	0
local manufacturing of LED Lights	20	5
Linear AkyI Benzene	2	0
raw material of PVC Resin	5	3
White Spirits	10	3
Stamping Foil	20	16
Fatty Alcohol Ethoxylate	15	5
CFC Free Gases	15	11
Aluminium Sheet in Coil	20	11
Thermostats of Deep freezers	20	3
Bead Wire for tyres Manufacturers	RD 10	0
Carbon Steel Strips used by Razor blade manufacturers	RD 17.5	0

6. Increase in rates of custom duty on certain items

<u>Item</u>	<u>Existing CD%</u>	<u>Proposed CD%</u>
Betel nuts and Betel Leaves	10 Rs. 300/kg	20 Rs. 600/kg
Almonds	10	20
Frozen fish	10	20
Medium Density Fibre board	15	20
Cement Clinker	2	11
Semi Printed/Printed Security Paper	5	16
Live Chicken stock and Eggs of chicken	5	11
Birds eggs(not in shell)	5	16
Powdered Milk	20	20+25RD
Whey Powder	20	20+25RD