



BUDGET COMMENTARY 2017

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BUDGET COMMENTARY, 2017

This commentary has been prepared for our clients and staff for information and guidance only and is available for interested persons at our website <http://www.bdo.com.pk>. The notes contained herein are based on the Finance Bill, 2017 which upon enactment with or without modification shall be issued as Finance Act, 2017.

Clients are advised to consult the actual text of the Bill while interpreting the specific provisions and to consult our tax department for clear advice on specific issues. The budget provisions are applicable for tax year 2018 unless otherwise stated.

BDO EBRAHIM & CO.

Dated: May 27, 2017

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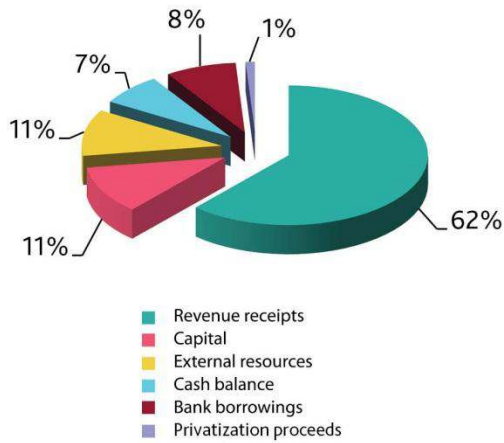
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COMPARATIVE BUDGET AT A GLANCE
(AMOUNTS ROUNDED TO NEAREST BILLION)

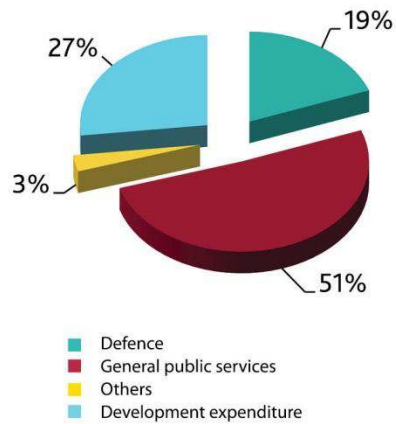
	2017-18		2016-17	
	Rs.	%	Rs.	%
Receipts				
Revenue Receipts				
Direct taxes	1,593	30	1,558	32
Indirect taxes	2,737	52	2,398	49
	<u>4,330</u>	<u>83</u>	<u>3,956</u>	<u>80</u>
Non-tax revenue	980	17	960	20
Gross revenue receipts	5,310	100	4,916	100
Less: Provincial share	(2,384)	(50)	(2,136)	(49)
Net revenue receipts	2,926	62	2,780	63
Capital receipts	528	11	539	12
External resources	512	12	234	5
Cash balance	347	7	389	9
Bank borrowings	390	8	453	10
Privatization proceeds	50	1	-	-
Total Resources	<u>4,753</u>	<u>100</u>	<u>4,395</u>	<u>100</u>
Expenditure				
Current Expenditure				
Defence	920	19	860	19
General public services	2,418	51	2,540	58
Others	139	3	195	4
	<u>3,477</u>	<u>73</u>	<u>3,595</u>	<u>82</u>
Development expenditure	1,276	27	800	18
Total Expenditure	<u>4,753</u>	<u>100</u>	<u>4,395</u>	<u>100</u>

COMPARATIVE BUDGET AT A GLANCE

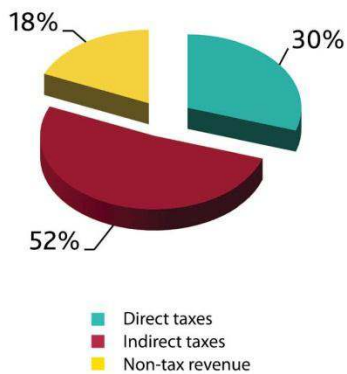
Sources of Funds



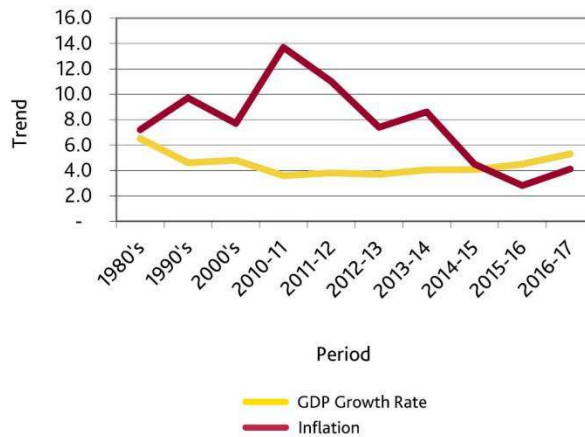
Utilisation of Funds



Breakup of Revenue Receipts

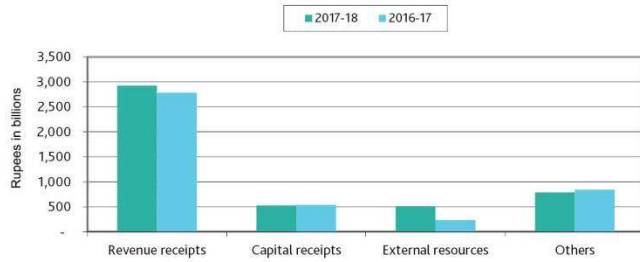


Trends in Growth and Inflation

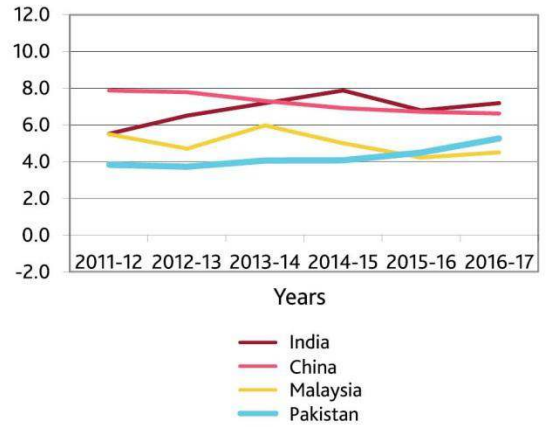


COMPARATIVE BUDGET AT A GLANCE

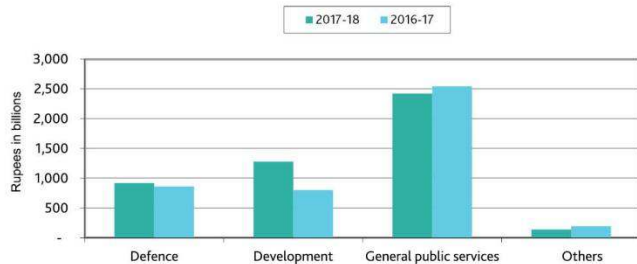
Comparison of Revenue



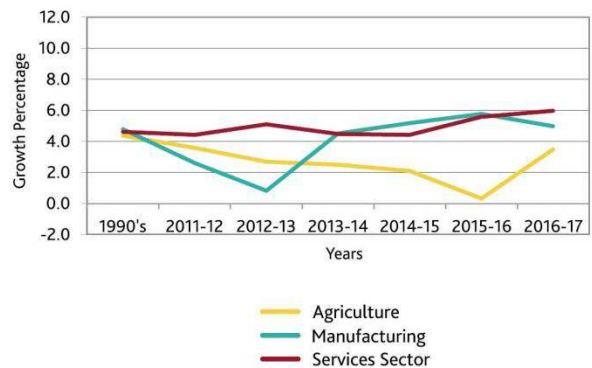
Comparative Real GDP Growth Rate



Comparison of Expenses



Growth Performance of Components of Gross Domestic Product



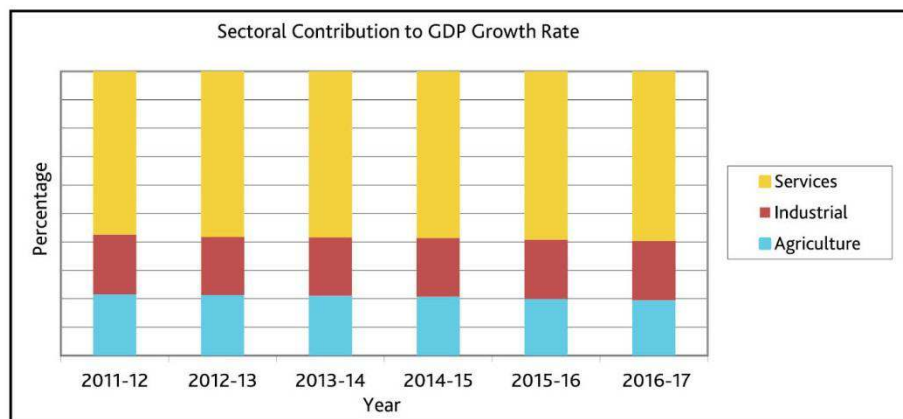
Overview

"Nothing succeeds like success"; an idiom which confers the thought that success breeds further success appears to be an idiom well understood and applied by Finance Minister Ishaq Dar. Despite a predictably raucous start, the Finance Minister confidently presented the Budget 2017-18 in the backdrop of clearly visible stable macroeconomic indicators. With the backdrop of a historic 10 year high 5.28% real GDP growth rate, expected ascent to the Morgan Stanley Capital International Index (MSCI Index) on June 1, 2017, improvements in international credit ratings, expected economic impact of CPEC initiatives, the Minister was unequivocally clear that the economy had turned the corner. Though several targets were missed, many marginally, some important metrics exhibited declining trends, including, continuing decline in exports, decline in workers' remittances and subdued performance of the industrial sector. Whilst many of the factors leading to these trends are externally driven, these continue to remain challenges to address. Those amongst us who circulate and operate within the organized sectors of the economy as well as those amongst ordinary hardworking and unsuspecting citizens would tend to concur with the Minister's buoyant view. Although, whilst the stage is set and casting complete, the show is yet to be unveiled.

Set with a total outlay of Rs 4,750 billion, the proposed Budget, sets a continuing ambitious tax revenue target of Rs. 4,331 billion, despite the fact that the prior year target was not achieved. In the prior year, the Fiscal Responsibility and Debt Limitation Act, 2005 was promulgated which sought to limit the Federal fiscal deficit from 4 percent to 3.5 percent within a period three years and cap the public debt to GDP ratio at 60% in the short term. Notwithstanding macroeconomic stability and strength on other fronts, the Government's public debt management remains a concern. A perusal of the various components of the Economic Survey will provide a useful insight as to the key pillars of the economy.

Growth

Pakistan's economy measured through GDP is estimated to have grown towards the end of the year at a rate of 5.28 percent as compared a rate of 4.50 percent in the prior year. Whilst all sectors contributed positively, the contribution of the industrial sector remained sub-par. The growth rate of 5.28 percent is on the back of growth of 5.02 percent from industry and 5.98 percent from services sector and growth in agriculture sector at 3.46 percent. To understand the growth achieved and its momentum, a perusal of the components would provide useful insight.



Agriculture

With a 19.53 percent share of the GDP and employing 42.30 percent of the country's labour force, the agricultural sector continues to be a cornerstone in the economy of Pakistan. The agriculture growth stood at a dismal 0.27 percent in the prior year compared to a growth of 3.46 percent in the current year. The growth of crops increased by 3.02 percent, while the other sub component of Agriculture sector like Livestock, Forestry and Fishing posted positive growth of 3.43 percent, 14.49 percent and 1.23 percent, respectively. Important crops having a share of 23.85 percent in agricultural value added has witnessed growth of 4.12 percent on account of increase in sugarcane (12.5%), cotton production (7.59 percent), rice production (0.71 percent) and maize production (16.3 percent) during 2016-17.



The Finance Minister in his speech highlighted the performance of this Sector, attributing the better performance this year to the Kissan Package introduced in 2015 with a total outlay of Rs. 341 billion. Current budget initiatives include reduced mark up rates, enhancement in target of agricultural credit, maintaining fertilizer prices amongst other concessionary measures. The more astute economists and geographers amongst us would recall that 2015-2016 was a low-base year for the agriculture sector; therefore, the performance of this sector needs to be reviewed in the context of the baseline.

Industry

The industrial sector contributes 20.88 percent to the GDP of the country. The manufacturing is the most important sub-sector of the industrial sector. Growth of manufacturing is registered at 5.30 percent compared to the growth of 3.70 percent last year. Large Scale Manufacturing (LSM) during July-March 2016-17 registered a growth of 5.1 percent as compared to 4.6 percent in the same period last year. The sub sectors which recorded positive growth of note included Iron and Steel which recorded highest growth of 16.58 percent (compared to -7.48 percent last year); Electronics 15.24 percent (compared to -5.69 percent last year); Automobiles 11.31 percent (compared to 23.51 percent last year); Negative growth during the period July-March FY 2016-17 over corresponding period of last year includes Wood Product (-95.03 percent), Chemicals (-2.02 percent) and Leather products (-17.97 percent).

The performance of the Industrial sector, particularly Large Scale Manufacturing (LSM) remained below the budgeted levels of 5.5 percent at 4.93 percent. The Finance Minister did not make any significant comment on how this dismal trend in LSM growth may be improved, although certain measures specific to the textile sector were mentioned.

The declining trend in exports is a continuing concern, although the statistics provided indicate that the decline has "bottomed out" in March 2017. The Minister, whilst attributing this to global demand conditions, also recognized this alarming trend and indicated that targeted export refinance concessionary measures were being implemented to improve competitiveness of Pakistan's export markets. The Budget and associated measures do not appear to address the issue of declining exports substantively.

Investment and Savings

Investment plays a key role in the determination of economic growth of a country. Total investment has indicated a growth of 11.05 percent in FY 2017 and Investment to GDP ratio has reached 15.78 percent in FY 2017 compared to 15.21 percent in FY 2016, while fixed investment recorded growth of 11.23 percent and fixed investment as percentage of GDP is recorded at 14.18 percent compared to 13.61 percent in the prior year. Private investment has recorded a growth of 6.63 percent and private investment as percentage of GDP reached to 9.90 percent. Although the total investment to GDP ratio has improved, it is still below the targeted rate of 17.70 percent.

Despite the improvements on the investments front, domestic savings were recorded at 7.5 percent of GDP as compared to 8.2 percent of GDP in the prior year. Net foreign resource inflows finance the savings to investment gap and this has widened to Rs. 858 billion in 2017.

Balance of payments

The adverse balance of payments remains a source of concern for the economists. The current account balance reached 2 percent of GDP as compared to a deficit of 0.6 percent in the prior year. This was primarily owing to a 33.1 percent widening of the trade deficit. Revival of international oil prices has led the import bill to surge by 14.2 percent. This coupled with declining exports has exacerbated the overall trade deficit. This year, the workers' remittances have declined by 2.3 percent to USD 14 billion. The declining trend in workers' remittances is heightened in the case of GCC countries primarily owing to a decline in economic activity in these regions. In terms of capital flows, Foreign Direct Investment (FDI) increase by 14.8 percent to USD 1.6 billion in the July 2016 to March 2017 period, with a significant flow from China. Although improved, the FDI is said to have been recorded at below budgeted levels. In terms of the foreign exchange reserves, as at March 31, 2017, foreign exchange reserves stood at USD 21.57 billion, which is considered a "reasonable level" sufficient to allow for exchange rate regime stability. However, the widening current account deficits are putting pressure on the exchange rate parity.

Monetary policy

Monetary policy is primarily focused on stimulating and sustaining economic growth through containment of inflationary pressures. Monetary policy in Pakistan has remained accommodative in the past year that has led to a historically low interest rate at 5.75 percent. In the prior fiscal year, SBP slashed the policy rate to a historically low level of 5.75 percent with effect from May, 2016 which is the lowest rate in last 44 years reflecting improved macroeconomic conditions towards the end of FY2016. This interest rate has remained the same during the year. As a result of the low interest rates, credit to private sector has also increased by 14.1 percent as compared to 7.9 percent recorded in the same period in prior year. This private sector credit is critical to ensure fixed capital formation in the country. Current policy stance is the reflection of improved macroeconomic conditions on the basis of which international agencies have upgraded outlook for Pakistan's economy.

Inflation

The inflationary trend in the economy increased during 2016-17 and during the period from July 2016 to March 2017 was recorded at 4.1 percent. The increase correlates with recovery in oil prices internationally. Food and non-food inflation during July 2016 to April 2017 have been estimated at 3.86 percent and 4.25 percent, respectively, as compared to 2.06 percent and 3.31 percent in the same period last year. The inflation target for the ensuing year is set at 6 percent perhaps in recognition of continuing increase expected in oil prices and other commodity prices.

Taxation measures

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

Direct taxes

- Reduction in corporate tax rate to 30% for companies other than banking companies as per earlier commitments
- Extension of Super Tax for the Tax Year 2017
- Reduction in withholding tax rates for mobile subscribers
- Concept of start-up introduced with tax exemptions for 3 years
- Tax credit of 10% of tax payable for enlistment in stock exchange of Pakistan under section 65C is now available for 3 years. Presently, tax credit of 20% of tax payable is available for first two years of enlistment
- Increase in limit of allowable expenditure in respect of sales promotion, advertisement and publicity by a pharmaceutical company is being enhanced from 5% of turnover to 10% of turnover.
- Tax rate on dividend income is increased from 12.5% to 15%. Tax rate on dividend received from mutual funds is increased from 10% to 12.5%.
- Applicable tax rates, based on holding period, on capital gains arising on disposal of securities are proposed to be simplified and flat rates of tax of 15% and 20% are being introduced for filers and non-filers, respectively.
- Rate of minimum tax enhanced from 1% to 1.25% of turnover.
- Reduction in threshold for equity contribution for purposes of tax credit on investments.
- Increase in withholding tax rates on payments to non-residents
- Proposal to allow excess amounts paid by non-filers to be adjustable

Indirect taxes

- Zero-rated supplies would be charged with further tax of 2% on supplies to persons other than the registered persons.
- Automatic stay against recovery of sales tax demand will be available till decision by the Commissioner Inland Revenue (Appeals) on payment of 25% of the sales tax demand
- Rate of sales tax for steel sector is proposed to be increased from Rs.9 to Rs.10.5 per unit of electricity
- Withdrawal of Sales Tax withholding on supplies between registered persons with the exception of advertisement services

Looking ahead

As we prepare for the onset of the holy month of Ramadan, looking back at the year gone by, our citizens should recognize and appreciate achievements of the year and the continuing overall macro-economic stability. The Budget 2017-2018 read with the Economic Survey of Pakistan should reinforce and build upon some of the positive sentiment from macroeconomic stability.

The cynics amongst us continue to question the benefit versus costs relating to the China Pakistan Economic Corridor; however, that implementation is in progress is an undeniable fact. As Pakistan prepares for entry to Emerging Market status, global fund managers and economists are predicting continued growth. Opposition leaders in the country, continue to challenge the Government regarding lack of substantial measures in improving health and social indicators which continue to plague our society as a whole. One hopes that the multiplier effect from CPEC and other economic and infrastructure based initiatives will impact these indicators as well. Notwithstanding that this is an Election Year budget, the experienced and astute readers amongst us will be able to see that whilst macro-economic stability is achieved, the Budgetary planning lacks a strategic focus and structural reforms addressing key areas of concern continue to remain unaddressed.

Increasingly, happiness is considered to be a proper measure of social progress and the ultimate goal of public policy. Interestingly, Pakistan ranks as 80 out of 155 countries in the Ranking of Happiness index. Success does breed success and building on the "feel good" vibe that is prevailing and exuberance permeating, it is certainly helping the Happiness Index ratings. These perceptions and feelings must also translate to our economic indicators and to the pockets of the teeming millions who have demonstrated resilience and patience; to achieve this, those in power will have to move beyond brand building to developing substantive structural reforms to put the country on a sustained path to continuous development.

BDO EBRAHIM & CO.

DATED: MAY 27, 2017

HIGHLIGHTS

INCOME TAX

- The bill proposes to define a “startup” as a business of resident individual, Association of Person or a company registered or incorporated in Pakistan on or after the first day of July 2012 and which is engaged or intends to be engaged in technology driven products or services to any of the economy provided the business is registered with Pakistan Software Export Board and having turnover of less than one hundred million rupees in each of the last five tax years.
- Super tax on rehabilitation of temporarily displaced persons was imposed on companies having income in excess of Rs. 500 million. The bill proposes to extend this tax to Tax Year 2017.
- Every public company other than a scheduled bank and a Modaraba is proposed to be taxed at 10% if they do not distribute at least 40% of its after tax profits within six months of the tax year through cash or bonus shares.
- The bills propose increase the limit of any expenditure in respect of sales promotion, advertisement and publicity from 5% of the turnover to 10% incurred by pharmaceutical companies.
- The bill proposes to amend the formula for calculating the amount of tax credit for investment in health insurance by increasing the monetary limit from Rs 100,000 to Rs 150,000.
- Tax credit of 3% of tax payable available to manufacturers making 90% of the sales to persons registered under the Sales Tax Act, 1990 is proposed to be withdrawn.
- The tax credit would be available to a company listing on the stock exchange at 20% of the tax payable for the year of enlistment and the year thereafter and at 10% of the tax payable for 2 more tax years.
- The bill proposes to exempt widow, orphan below the age of 25, disable person and non-resident person from filing return of income merely because they own property or motor vehicle..
- The bill proposes to empower Chief Commissioner to grant extension where the extension has not been granted by the Commissioner due to exceptional circumstances.
- The bill proposes to increase the monetary limit from Rs. 500,000 to Rs. 1 million for requirement to pay advance tax for individuals.
- The proposed amendment seeks to bring importers of fertilizers by manufacturers in the final tax regime.
- The bill proposes to provide for filing of revised withholding tax statements within 60 days of filing the statement.
- The bill proposes to broaden the applicability of section 165B by requiring financial institutions to provide information to the Federal Board of Revenue with respect to “all reportable persons” other than non-resident persons to whom it is presently applicable.
- The rate of tax imposed on the taxable income of a company other than banking company has been reduced from 31% to 30% for Tax Year 2018 and onwards.
- The rate of tax is proposed to be increased in case of dividend received from a company from 12.5% to 15% while in case of dividend received from a mutual fund from 10% to 12.5%.
- The rate of tax for profit on debt has been changed.
- Applicable tax rates, based on holding period, on capital gains arising on disposal of securities are proposed to be simplified and flat rates of tax of 15% and 20% are being introduced for filers and non-filers, respectively.
- The rate of minimum tax under section 113 is proposed to be increased from 1% to 1.25%.
- The rate of advance tax on dividend to be deducted for filer is proposed to be increased from 12.5% to 15%.
- The rate of advance tax to be deducted on dividend received from stock fund by individual, company and AOP is proposed to be increased from 10% to 12.5%
- The rate of advance tax to be deducted on dividend received from Money market fund, income fund or REIT scheme or any other fund by individual and AOP who is filer is proposed to be increased from 10% to 12.5%.
- The rates of tax to be deducted from various payments made to non-resident person who is a non-filer under section 152 are proposed to be increased.
- The rate of tax to be deducted from a payment for the sale of goods to resident person is proposed to be reduced in the case of supplies made by the distributor of fast moving consumer goods.
- The rates of tax to be deducted from various payments made to resident person who is a non-filer under section 153 are proposed to be increased.
- The rate of tax to be deducted on income from property is proposed to be prescribed, in the case of company, at 17.5% of the gross amount of rent for non-filers.

- The rate of tax to be deducted on a prize on prize bond or cross-word puzzle for non-filers is proposed to be increased from 20% of the gross amount paid to 25%.
- The rate of collection of tax on commission or discount allowed to the petrol pump operator is proposed to be increased from 15% of the amount of payment for non-filers to 17.5%.
- The rate of tax to be collected is proposed to be prescribed, in the case of a Compressed Natural Gas station, at 6% of the gas consumption charges for non-filers.
- The rates of collection of tax is proposed to be reduced, in the case of subscriber of internet, mobile telephone and pre-paid internet or telephone card, from 14% to 12.5% of the amount of bill or sales price.
- The rate of tax on purchase, registration and transfer of motor vehicles upto 1300cc for filers is proposed to be reduced.
- The rate of collection of tax at the time of sale by auction is proposed to be prescribed for non-filer at 15% of the gross sale price of any property or goods sold by auction.
- The rate of collection of tax on sale to retailers is proposed to be prescribed at 1% of the gross amount of sale of electronics and 0.5% for others in case of filer and 1% in case of non-filer.
- The bill proposes to increase threshold for collection of tax from non-filers in case of life insurance premium from Rs. 0.2 million per annum to Rs. 0.3 million per annum.
- The bill proposes to grant exemption from any income derived by Asian Infrastructure Investment Bank and persons as provided in Article 51 of Chapter IX of the Articles of Agreement signed and ratified by Pakistan and entered into force on December 25, 2015, Gulab Devi Chest Hospital, Pakistan Poverty Alleviation Fund and National Academy of Performing Arts.
- The bill proposes to exempt any profit on debt received by Japan International Cooperation Agency (JICA), from Islamabad-Burhan Transmission Reinforcement Project (Phase-I) undertaken in pursuance to the loan agreement for Islamabad-Burhan Transmission Reinforcement Project (Phase-I).
- The bill proposes to exempt any income derived by a political party registered under the Political Parties Order, 2002 with the Election Commission of Pakistan.
- The bill proposes to exempt profit and gains derived by a start-up for the tax year in which the start-up is certified by the Pakistan Software Export Board and the following two tax years. The bill also proposes to grant exemption to start-ups from applicability of the turnover tax. The bill further proposes to grant exemption from applicability of withholding tax to start-ups.
- The bill proposes to increase threshold for the quantity of raw material to be imported which is sought to be exempted from tax under section 148 from 110 per cent to 125 per cent of the quantity of raw material imported and consumed during the previous tax year.
- The bill proposes to grant exemption from applicability of withholding tax in respect of cash withdrawal made from a "Branchless Banking (BB) Agent Account" utilized to render branchless banking services to customers.
- The bill proposes to grant exemption from applicability of withholding tax to light commercial vehicles leased under the Prime Minister's Youth Business Loan Scheme.
- The bill proposes to enhance the time period from thirty days to forty five days of the end of each quarter within which NCCPL has furnish to the Board, a statement of capital gains and tax computed thereon in that quarter in the prescribed manner and format.
- The bill proposes to extend the date for payment of the tax collected by NCCPL to the Board along with interest accrued thereon on yearly basis from July 31st to August 15th next following the financial year in which the amount was collected.

SALES TAX

- The Bill seeks to insert a new definition in Section 2 to define Tier-1 Retailers for the purpose of payment of sales tax.
- The Bill proposes a clarificatory amendment regarding application of sales tax on imports destined for non-tariff areas.
- The Bill proposes to charge further tax on zero rated supplies to un-registered persons.
- The Bill seeks to substitute the words "Board with the approval of the Minister In-charge of the Federal Government" for the words "Federal Government" in various sections of the Sales Tax Act, 1990
- The Bill seeks to District Taxation Officer, Deputy Commissioner Inland Revenue, Assistant Commissioner Inland Revenue and Assistant Director Audit in the list of Inland Revenue authorities.
- The Bill proposes that the Federal Board of Revenue may assign jurisdiction to Chief Commissioners Inland Revenue who may further assign jurisdiction to Commissioners Inland Revenue under his administrative control.

- The Bill seeks to propose penalties on persons manufacturing, possessing, transporting, distributing, storing, selling non-duty paid/counterfeit cigarettes.
- The Bill proposes to provide automatic stay against recovery of Sales Tax demand till decision by the Commissioner Inland Revenue (Appeals) subject to 25 percent of the amount of sales tax demand has been paid by taxpayer.
- The Bill proposes to include service of electronically sent notices to Companies to be construed as proper service.
- The Bill proposes that all notifications and orders issued by Federal Government before the Finance Act, 2017 shall be deemed to be validly issued and notified notwithstanding anything contained in any judgement of the High Court or Supreme Court.
- The Bill proposes to reduce sales tax on various fertilizers to substitute subsidy with reduction in sales tax rates and specific rates have been proposed to support farmers.
- The Bill proposes to reduce sales tax on imported poultry machinery. Sales tax on import of certain types of poultry machinery is proposed to be reduced from 17 percent to 7 percent.
- The Bill proposes to provide exemption from sales tax on combined harvesters up to five years old.
- Sales tax on import and local supply of agricultural diesel engines between 3 to 36 Horse Power for tube-wells currently having rate of 17 percent is proposed to be exempted.
- The Bill proposes removal of sales tax on imported sunflower and canola hybrid seeds.
- The Bill proposes to provide exemption from sales tax on import of multimedia projectors by educational institutions.
- The Bill proposes to provide exemption from sales tax on gifts and donations received from foreign governments.
- The Bill proposes to provide exemption from sales tax on premises to fight growth stunting.
- The Bill proposes for exemption of vehicles for development of Gwadar Port.
- The Bill proposes to provide exemption from sales tax to items for renewable sources of energy.
- The Bill proposes to provide exemption to parts and components for manufacturing LED lights.

- The Bill seeks to merge sales tax rates of Rs. 300 and Rs. 1000 per set on import and local supply of Mobile Phones to Rs. 650 per set in order to promote use of information technology.

CUSTOMS ACT

- "Controlled Delivery" operations allowed to be regulated, aimed at using espionage to infiltrate illegal movement of goods.
- Directorate General China Pakistan Economic Corridor established
- Officers of Inland Revenue, National Highway and Motorway police brought in to assist Customs.
- Valuation allowed to be considered as higher of assessed value and declared/invoiced value.
- Refund disallowed in cases where the burden of levy has been passed on to the consumer
- Chief Collector authorized to provide second extension for warehousing period.
- Right of appeal with Chief Collector created in case of de-registration
- Penalty introduced in case of failure to entertain a delay and detention certificate by a customs officer.
- Relief to poultry industry:
 - Reduction and rationalization of duties on fowls of the species *Gallus domesticus* from 11 to 3%.
 - Similar reduction for hatching eggs
- Relief to construction industry provided through reduction in duty on sheets of veneering (11 to 3%) and pre-fabricated modular clean rooms panels from 20 to 3%.
- Duty reduced on non-woven fabric for pharma industry from 16 to 5%.
- For manufactures of metallized yarn, duty on uncoated polyester film and metallized yarn has been reduced from 20 to 11.
- Substantial reductions for manufacturers of baby diapers: for adhesives based on polymer or rubber, duty reduced from 16 to 11% and for tapes, laminate sheet and poly back sheets, from 20 to 16%.



- Incentives to energy sector:
 - Duty on coal reduced from 11 to 5%, while that on bituminous coal by power projects reduced to 3%
 - Exemption from condition of local manufacturing to solar panel manufacturers extended till June 30, 2018
- Exemption on import or donation of specified items for emergency/rescue services expanded to include Federal, Provincial, AJK, Gilgit Baltistan Governments and NDMA and PDMA.
- Custom duty increased from 11% to 20% on aluminum beverage cans and from 3 to 5% on bituminous coal.
- Exemption from CD proposed on the following items:
 - Raw skins and hides
 - Stamping foils
 - Ostriches
 - 5 years old combined harvester threshers
 - Cellular phones (this has been converted into Regulatory Duty)
 - Certain telecom equipment
- Regulatory Duty levied or increased as under:
 - 10% on import of five to ten years harvesters/threshers and 20% on older machines
 - 5% on synthetic filament yarn
 - 10% on animal protein meals
 - Imposed at 5 to 15% on 565 non-essential items
 - Rs250 per set on mobile phones
 - Levy on betelnuts increased from 10% to 25% and Rs200/kg levied on betel leaves
- Regulatory Duty decreased from 5% to 0% on chicken fowls, and from 10 to 5% on aluminum waste and scrap

Note: The Amended First and Fifth Schedules to the Customs Act, 1969 are yet to be issued; the above information is based on 'Salient Features' issued with the budget document.

FEDERAL EXCISE DUTY

- Duty on locally produced cigarettes has been enhanced
- Duty on all types of cement increased from Rs. 1 per KG to Rs. 1.25 per KG
- Duty on telecommunication services has been reduced from 18.5% to 17% of the charges

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
2	Definitions
(22A)	The proposed amendment to the definition of "Fast moving consumer goods" seeks to clarify that the definition does not include "durable goods". There is, however, no definition of durable goods for making a clear distinction between the goods.
(38A)	The proposed amendment to the definition of "Officer Inland Revenue" seeks to include "District Taxation Office" and "Assistant Director Audit" as a result of which the officers with these titles would be deemed to be Officer Inland Revenue.
(62A)	This proposed new clause seeks to define a "startup" as a business of resident individual, Association of Person or a company registered or incorporated in Pakistan on or after the first day of July 2012 and which is engaged or intends to be engaged in technology driven products or services to any of the economy provided the business is registered with Pakistan Software Export Board and having turnover of less than one hundred million rupees in each of the last five tax years. Although the currency is not identified with the monetary limit it is implied the reference is to Pakistan rupees.
4B	Super tax on rehabilitation of temporarily displaced persons This proposed section was introduced in Finance Act, 2015 and was an additional tax levied on companies having income in excess of Rs 500 million. The proposed amendment to this section seeks to extend this tax to Tax Year 2017.
5A	Tax on undistributed profits The proposed amendment to this section seeks to replace the existing provisions with new provisions applicable for tax year 2017 onwards as follows: <ul style="list-style-type: none">(a) Every public company other than a scheduled bank and a Modaraba will be liable to tax at 10% if they do not distribute at least 40% of its after tax profits within six months of the tax year through cash or bonus shares(b) Transitional provisions are available for tax year 2017 in respect of which the distribution can be made up to the last of filing of return of income of the company.(c) As previously this tax is not applicable on companies enjoying exemption under section 132 of the Second Schedule of the Ordinance (power generation companies) and public sector entities where at least 50% of the shares are owned by the Government.
7C	Tax on builders This section was introduced in Finance Act 2016 and it provided for a tax regime applicable to builders deriving income from the business of construction and sale of residential, commercial and other buildings for projects initiated and approved after July 1, 2016. The proposed amendment seeks to restrict the applicability of the tax regime to tax year 2017 only and it clarifies that this regime is applicable to projects during tax year 2017 only for which payment under rule 13S of the Income Tax Rules, 2002 has been made by the builder during tax year 2017 and in respect of which the Chief Commissioner has issued online schedule of advance tax installments to be paid by the builder in accordance with rule 13ZB of the Income Tax Rules, 2002.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
7D	<p>Tax on developers</p> <p>This section was introduced in Finance Act 2016 and it provided for a tax regime applicable to developers deriving income from the business of construction and sale of residential, commercial and other buildings for projects initiated and approved after July 1, 2016.</p> <p>The proposed amendment seeks to restrict the applicability of the tax regime to tax year 2017 only and it clarifies that this regime is applicable to projects during tax year 2017 only for which payment under rule 13S of the Income Tax Rules, 2002 has been made by the developer during tax year 2017 and in respect of which the Chief Commissioner has issued online schedule of advance tax installments to be paid by the developer in accordance with rule 13U of the Income Tax Rules, 2002.</p>
8	<p>General provisions relating to taxes imposed under sections 5, 5A, 6, 7, 7A, 7B, 7C and 7D</p>
(a) and (b)	<p>The proposed amendment to this section seeks to exclude Tax on builders under section 7C and Tax on developers under section 7D from the final tax regime.</p>
13	<p>Value of perquisites</p> <p>The existing provisions relating to taxing of perquisites on employees deriving income from salary require the employer to include in the value of perquisites the amount of profit not charged or less charged on loans obtained by the employees in excess of Rs 500,000. The proposed amendment seeks to increase this limit to Rs 1,000,000. As a result loans obtained by employees on soft terms for up to Rs 1,000,000 will not result in the inclusion in the value of perquisites for the amount of profit not charged or less charged by the employer.</p>
21	<p>Deductions not allowed</p>
(o)	<p>Clause (o) was inserted by Finance Act, 2016 as a result of which any expenditure in respect of sales promotion, advertisement and publicity in excess of 5% of the turnover incurred by pharmaceutical companies was added to the income. The proposed amendment seeks to increase the limit to 10% of turnover.</p>
22	<p>Depreciation</p>
(15)	<p>The proposed amendment to this clause seeks to clarify that an asset co-owned by a taxpayer and an Islamic Financial Institution licensed by State Bank of Pakistan or Securities and Exchange Commission of Pakistan would be treated as a depreciable asset of the taxpayer.</p>
53	<p>Exemptions and tax concessions in the Second Schedule</p>
(1) and (4)	<p>The proposed amendment seeks to add provisos that clarify that all notifications issued with respect to exemptions and concessions, by the Federal Board of Revenue on approval of the Minister, on first of July 2016 shall continue to be in force until 30th day of June 2018 unless earlier rescinded.</p>
64A and 64AB	<p>Deductible allowance for profit on debt and Deductible allowance for education expenses</p> <p>The proposed amendment is of editorial nature and seeks to re-number the sections as 60C and 60 D.</p>

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
60D	<p>Deductible allowance for education expenses</p> <p>(1) The proposed amendment seeks to increase maximum ceiling of income for claiming allowance under this section from Rs 1 million to Rs 1.5 million.</p> <p>The allowance that can be claimed is the lesser of:</p> <ul style="list-style-type: none"> • 5% of the total tuition fee • 25% of the taxable income • An amount computed by multiplying Rs 60,000 with number of children
62A	<p>Tax credit for investment in health insurance</p> <p>The proposed amendment to this section seeks to amend the formula for calculating the amount of tax credit for investment in health insurance by increasing the monetary limit from Rs 100,000 to Rs 150,000.</p>
65A	<p>Tax credit to a person registered under the Sales Tax Act, 1990</p> <p>Every manufacturer making sales to persons registered under the Sales Tax Act, 1990 was entitled to a tax credit at 3% provided 90% of the sales were to persons registered under the Sales Tax Act, 1990. This section is now proposed to be deleted.</p>
65C	<p>Tax credit for enlistment</p> <p>The existing provisions of this section entitle a company listing on the stock exchange to claim tax credit at 20% in the year of enlistment and for the year thereafter. The proposed amendment seeks to increase the period of tax credit for another 2 years at a lower rate of 10%. As a result the tax credit would be available at 20% of the tax payable for the year of enlistment and the year thereafter and at 10% of the tax payable for 2 more tax years.</p>
94	<p>Principles of taxation of companies</p> <p>(3) The Bill proposes to omit this clause regarding dividend paid by a non-resident company to a resident person as it is not relevant to the principles of taxation of companies.</p>
100	<p>Special provisions relating to the production of oil and natural gas, exploration and extraction of other mineral deposits</p> <p>(2) Proviso This proposed new proviso seeks to bring the profit and gains derived from sui gas field within the purview of the Fifth Schedule applicable to the oil and gas sector.</p>
100C	<p>Tax credit for certain persons</p> <p>(1) This section was inserted by Finance Act 2014 as a consequence of which the non profit organizations, trusts and welfare institutions were allowed 100% tax credit if they met the conditions specified in clause (1). The proposed amendment seeks to add another condition that the administrative and management expenses of the entity should not exceed 15% of the total receipts. This condition is in addition to the existing conditions that the return of income is filed, the tax required to be deducted or collected has been deducted or collected and paid and withholding tax statements for the immediately preceding tax year have been filed.</p>

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
(1A)	<p>The Bill proposes to add this new sub-section as per which surplus funds of the entity are taxable at 10%. The term "surplus funds" is defined as funds or moneys:</p> <ul style="list-style-type: none"> • Not spent on charitable and welfare activities during the tax year • Received during the tax year as donations, voluntary contributions, subscriptions and other incomes • More than 25% of the total receipts of the non-profit organization received during the tax year • Are not part of restricted funds – (means funds received but could not be spent and treated as revenue during the year due to obligation placed by the donor).
113	<p>Minimum tax on income of certain persons</p> <p>The proposed amendment seeks to increase the minimum tax on income from 1% to 1.25%.</p>
114	<p>Return of income</p>
(6)	<p>The proposed amendment is of a technical nature excluding the requirement for the income as per revised return to exceed the income as per provisional assessment under section 122C.</p>
115	<p>Persons not required to furnish a return of income</p>
(3)	<p>The proposed amendment to this clause seeks to exempt certain persons from filing return of income merely because they own property or motor vehicle. The persons exempted are widow, orphan below the age of 25, disable person and non-resident person.</p>
116	<p>Wealth statement</p>
(2A)	<p>The proposed amendment seeks to amend this section as a consequence of deletion of section 122C regarding provisional assessments.</p>
(3)	<p>The proposed amendment is as a consequence of the deletion of section 122C regarding provisional assessments.</p>
119	<p>Extension of time for furnishing returns and other documents</p>
(4) Proviso	<p>This proposed new proviso seeks to empower Chief Commissioner to grant extension where the extension has not been granted by the Commissioner due to exceptional circumstances.</p>
121	<p>Best judgment assessment</p>
(1)	<p>The proposed amendment seeks to provide for best judgment assessment on non-filing of return of income in response to notice under section 114 of the Ordinance.</p>
122	<p>Amendment of assessments</p> <p>The proposed amendment is of an editorial nature as a consequence of deletion of section 122C relating to provisional assessments.</p>
122C	<p>Provisional assessment</p> <p>The Bill seeks to omit this section relating to provisional assessments as the subject is covered under section 121 on best judgment assessment.</p>

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
127	<p>Appeal to the Commissioner (Appeals)</p> <p>The proposed amendment is of an editorial nature as a consequence of deletion of section 122C relating to provisional assessments.</p>
130	<p>Appointment of the Appellate Tribunal</p> <p>The proposed amendment seeks to remove an officer of the Inland Revenue from the eligibility criteria for admission as a judicial member of the Appellate Tribunal.</p>
137	<p>Due date for payment of tax</p> <p>The proposed amendment is of an editorial nature as a consequence of deletion of section 122C relating to provisional assessments.</p>
146	<p>Recovery of tax from persons assessed in Azad Jammu and Kashmir</p> <p>The proposed amendment is of an editorial nature to include references to Gilgit-Baltistan.</p>
147	<p>Advance tax paid by the taxpayer</p>
(2) and (4B)	<p>The proposed amendment seeks to increase the monetary limit from Rs 500,000 to Rs 1 million for requirement to pay advance tax for individuals.</p>
148	<p>Imports</p>
(7)	<p>The proposed amendment seeks to bring importers of fertilizers by manufacturers in the final tax regime.</p>
152	<p>Payment to non-residents</p>
(1AAA)	<p>The proposed amendment is of an editorial nature changing the reference to rates from Division IIIA to Division II.</p>
(1B)	<p>The proposed amendment is of an editorial nature consolidating the provision from clause 41 of Part IV of the Second Schedule.</p>
(2A)	<p>The proposed amendment is of an editorial nature changing the references from numerals to alphabet.</p>
(4A)	<p>The proposed amendment is of an editorial nature seeking to correct references with respect to application to Commissioner for approval payments to non-residents without deduction of tax or deduction at a lower rate.</p>
153	<p>Payments for goods, services and contracts</p>
(1) Proviso	<p>The proposed amendment seeks to clarify that where the recipient of a payment receives payment for services from an agent who retains their fee/service charge than the agent shall be treated to have been paid the fees/service charges by the recipient and the recipient shall collect tax along with the payment received.</p>
165	<p>Statements</p>
(2A)	<p>The proposed new sub section seeks to provide for filing of revised withholding tax statements within 60 days of filing the statement.</p>

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

165B Furnishing of information by financial institutions including banks

The proposed amendment seeks to broaden the applicability of this section by requiring financial institutions to provide information to the Federal Board of Revenue with respect to "all reportable persons" other than non-resident persons to whom it is presently applicable. The term "reportable persons" and "financial institutions" are as defined in Chapter XIIA of the Income Tax Rules, 2002.

176 Notice to obtain information or evidence

The proposed amendment is of an editorial nature to provide reference to Cost and Management Accountants in addition to the Chartered Accountants.

182 Offences and penalties

(1)Serial (7) and (9) The proposed amendment is of an editorial nature which seeks to introduce references to applicable section 108 with respect to transaction with associates.

(1)Serial 17 and 18 The following serial items are proposed to be included in the chart as follows:

Serial	Offences	Penalties	Applicable section of the Ordinance
17	Any reporting financial institution or reporting entity who fails to furnish information or country by country report to the Board as required under section 107, 108 or 165B within the due date	Such reporting financial institution or reporting entity shall pay a penalty of two thousand rupees for each day of default subject to a minimum of twenty five thousand rupees.	107, 108 and 165B
18	Any person who fails to keep and maintain document and information required under section 108 or Income Tax Rules, 2002	1% of the value of transactions, the record of which is required to be maintained under section 108 and Income Tax Rules, 2002	

191 Prosecution for non-compliance with certain statutory obligations

(1)(a) The proposed amendment is of an editorial nature to include section 114 (4) of the Ordinance with respect to non-compliance with notice issued by Commissioner.

(1)(c) The proposed amendment is of an editorial nature to include reference to Chapter XII relating to advance tax provisions.

205 Default surcharge

(1B)Proviso The proposed new proviso seeks to be of an editorial nature to provide for the method for calculating default surcharge with respect to taxpayers having a special tax year.

206A Advance ruling

(3)Proviso The proposed amendment seeks to omit the proviso as a consequence of which advance ruling obtained by a non-resident having a permanent establishment in Pakistan will take preference over a Circular issued by the Federal Board of Revenue.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
207	Income tax authorities
(1)	The proposed amendment seeks to include District Taxation Officer and Assistant Director Audit in the list of tax authorities.
(3A)	The proposed amendments are amendments to include District Taxation Officer and Assistant Director in the reporting hierarchy of the tax authorities.
(4) and (4A)	The proposed amendments are amendments to include District Taxation Officer and Assistant Director in the reporting hierarchy of the tax authorities.
208	Appointment of income tax authorities
	The proposed amendment is to make provision for appointment of District Taxation Officer and Assistant Director Audit.
216	Disclosure of information by a public servant
(3) (ka)	The proposed amendment seeks to empower tax authorities to disclose information to Employees Old Age Benefit Institution in respect of information regarding salaries in statements furnished under section 165 of the Ordinance.
(5)	The proposed amendment is of an editorial nature regarding publishing information with approval of Minister in charge of the Federal Government.
227A	Reward to officers and officials of Inland Revenue
(1)	The proposed amendments are of an editorial nature to enumerate and correct the contents.
227B	Reward to whistleblowers
(3)(aa)	The proposed new clause is of an editorial nature to clarify that if information is not supported by evidence the claim for reward would be rejected.
230D	Directorate-General of Broadening of Tax Base
	This new section seeks to provide for the creation and resourcing of a new Directorate for Broadening of Tax Base.
230E	Directorate-General of Transfer Pricing
	This new section seeks to provide for the creation and resourcing of a separate Directorate for Transfer Pricing whose purpose would be to conduct transfer pricing audits. It is clarified that these audits would be separate from audits under section 177, 214C and 214D and the scope of the audit would be to determine if transaction between associates are at arm's length.
	It is also clarified that the Federal Board of Revenue would specify in the Official Gazetteer the criteria for selection of the taxpayer for the transfer pricing audit in addition to specifying the powers and functions of the Directorate-General of Transfer Pricing.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
231B	Advance tax on private motor vehicles
(1A)	The proposed amendment to this sub section seeks to elaborate on the type of institutions financing the leasing of motor vehicle and type of financing as per which the entity is required to collect advance tax at 3% of the value of the motor vehicle when entering into a transaction with a non-filer.
233A	Collection of tax by a stock exchange registered in Pakistan
(2)	The proposed clause seeks to make the tax collected at the time of purchase and sale of shares to be final tax on the commission income earned by the members on these transactions.
234A	CNG stations
(3) and (4)	The proposed amendment to this section seeks to make the tax collected with the gas bill under section (1) and in the electricity bill under section 235 of the Ordinance to be the final tax of the CNG station. Through an explanation it is also clarified that the tax collected on amount inclusive of sales tax and incidental charges is the tax collected under section (1).
235	Electricity consumption
(2)	Through an explanation it is clarified that the tax is to be collected on amount inclusive of sales tax and all incidental charges and this represents the electricity consumption bill.
(4)	The proposed amendment is of an editorial nature converting the monetary limit of Rs 30,000 per month to Rs 360,000 per annum for taxpayers other than companies for whom this is the minimum tax.
235A	Domestic electricity consumption
(1)	Through an explanation it is clarified that the tax is to be collected on amount inclusive of sales tax and all incidental charges and this represents the electricity consumption bill.
236C	Advance tax on sale or transfer of immovable property
(1)	The proposed amendment is of an editorial nature as it seeks to include recording of the transaction at the time of registering and attesting for collecting advance tax.
Explanation	The proposed new explanation seeks clarify that the person responsible for registering, recording or attesting transfer includes person responsible for local authority, housing authority, cooperative society and registrar of properties.
(2) Proviso	The proposed new proviso stipulates that for immovable property acquired and disposed within the same tax year the tax collected under this section shall be the minimum tax.
236G	Advance tax on sales to distributors, dealers and wholesalers
(1)	The proposed amendment seeks to add manufacturers of batteries to the list of manufacturers who are required to collect tax from distributors, dealers and wholesalers at the time of making sales. The tax collected is adjustable for the distributor, dealers and wholesalers.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
236H	Advance tax on sales to retailers
(1)	The proposed amendment seeks to add manufacturers of batteries to the list of manufacturers who are required to collect tax from retailers at the time of making sales. The tax collected is adjustable for the retailers.
236K	Advance tax on purchase of immovable property
(1)	The proposed amendment is of an editorial nature as it seeks to include recording of the transaction at the time of registering and attesting for collecting advance tax.
Explanation	The proposed new explanation seeks clarify that the person responsible for registering, recording or attesting transfer includes person responsible for local authority, housing authority, cooperative society and registrar of properties.
236W	Advance tax on purchase or transfer of immovable property
(1)	The proposed amendment is of an editorial nature as it seeks to include recording of the transaction at the time of registering and attesting for collecting advance tax.
Explanation	The proposed new explanation seeks clarify that the person responsible for registering, recording or attesting transfer includes person responsible for local authority, housing authority, cooperative society and registrar of properties.
236X	Advance tax on tobacco
	This proposed new section seeks to require Pakistan Tobacco Board to collect advance tax at 5% of the value of the tobacco at the time of collecting cess from every person purchasing tobacco including manufacturers of cigarettes. The tax collected under this section is adjustable.
241	Validation
	As per this proposed new section all notifications and orders issued and notified, in exercise of the powers conferred upon the Federal Government, before the first day of July 2017 shall be deemed to have been validly issued and notified in exercise of those powers notwithstanding anything contained in any judgment of a High Court or the Supreme Court.

SECTION (CLAUSE) THE INCOME TAX ORDINANCE, 2001
FIRST SCHEDULE RATES OF TAX
Part I Rates of tax
Division III Rate of Dividend Tax

(b) The bill proposes to increase the rate of tax imposed on dividend received from a company from 12.5% to 15%.

(c) The bill proposes to increase the rate of tax imposed on dividend received by a person from a mutual fund from 10% to 12.5%.

Division IIIA Rate for Profit on Debt

The bill proposes to substitute the existing table prescribed for rate of tax for profit on debt under section 7B with new one which is as follows:

Proposed table

Profit on debt	Rate of tax
Where profit on debt does not exceed Rs. 5,000,000	10%
Where profit on debt exceeds Rs. 5,000,000 but does not exceed Rs. 25,000,000	12.5%
Where profit on debt exceeds Rs. 25,000,000	15%

Existing table

Profit on debt	Rate of tax
Where profit on debt does not exceed Rs. 25,000,000	10%
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
Where profit on debt exceeds Rs. 50,000,000	Rs. 5,625,000 + 15% of the amount exceeding Rs. 50,000,000

Division VII Capital Gain on Disposal of Securities

The bill proposes to substitute the existing division with a new one to prescribe the rate of tax to be paid under section 37A by filer and non-filer for Tax Year 2018 and onwards as follows:

Period	Tax Year 2015	Tax Year 2016	Tax Year 2017		Tax Year 2018 and onwards	
			Filer	Non-Filer	Filer	Non-Filer
Where holding period of a security is less than twelve months	12.5%	15%	15%	18%	15%	20%
Where holding period of a security is twelve months or more but less than twenty-four months	10%	12.5%	12.5%	16%	15%	20%
Where holding period of a security is twenty-four months or more but the security was acquired on or after 1st July, 2013	0%	7.5%	7.5%	11%	15%	20%
Where the security was acquired before 1st July, 2013	0%	0%	0%	0%	0%	0%
Future commodity contracts entered into by members of Pakistan Mercantile Exchange.	0%	0%	5%	5%	5%	5%

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
Division IX	Minimum Tax under section 113
	The bill proposes to increase the rate of minimum tax under section 113 from 1% to 1.25%.
Part III	Deduction of tax at source
Division I	Advance Tax on Dividend
(b)	The bill proposes to increase the rate of advance tax on dividend to be deducted for filer from 12.5% to 15%.
(c)	The bill proposes to increase the rate of advance tax to be deducted on dividend received from stock fund by individual, company and AOP from 10% to 12.5%
	The bill also proposes to increase the rate of advance tax to be deducted on dividend received from money market fund, income fund or REIT scheme or any other fund by individual and AOP who is filer from 10% to 12.5%.
Division II	Payments to Non-residents
(1)	The bill proposes to increase the rate of tax to be deducted from a payment referred to in sub-section (1A) of section 152 from 12% of the gross amount payable to 13% in case the person is a non-filer.
(4)	The bill proposes to increase the rate of tax to be deducted from a payment made to non-filer for sale of goods referred to in clause (a) of sub-section (2A) of section 152 as follows: (i) in case of a company, from 6% of the gross amount payable to 7% and (ii) in any other case, from 6.5% of the gross amount payable to 7.75%.
(5)	The bill proposes to increase the rate of tax to be deducted from a payment made to non-filer for rendering or providing services other than transport services referred to in clause (b) of sub-section (2A) of section 152 as follows: (a) in case of a company, from 12% of the gross amount payable to 14% and (b) in any other case, from 15% of the gross amount payable to 17.5%.
(6)(ii)	The bill proposes to increase the rate of tax to be deducted from a payment made to a person other than sportsperson who is a non-filer for execution of contract referred to in clause (c) of sub-section (2A) of section 152 from 12% of the gross amount payable to 13%.
Division III	Payments for Goods or Services
(1)(a)	The bill propose to insert an explanation to the clause as follows: For the removal of doubt, it is clarified that "cotton seed and edible oils" means cotton seed oil and edible oils.
(1)(ab)	The bill proposes to substitute the existing clause with a new one. By virtue of the proposed substitution, the rate of tax to be deducted from a payment for the sale of goods referred to in clause (a) of sub-section (1) of section 153 has been reduced in the case of supplies made by the distributor of fast moving consumer goods as follows: (i) in case of a company, from 3% of the gross amount payable to 2% and (ii) in any other case, from 3.5% of the gross amount payable to 2.5%.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
(1)(b)	<p>The bill proposes to increase the rate of tax to be deducted from a payment referred to in clause (a) of sub-section (1) of section 153 made to non-filer for the sale of goods as follows:</p> <p>(i) in case of a company, from 6% of the gross amount payable to 7% and (ii) in any other case, from 6.5% of the gross amount payable to 7.75%.</p>
(2)(ii)	<p>The bill proposes to increase the rate of tax to be deducted from a payment made to non-filer for rendering or providing services other than transport and advertising services referred to in clause (b) of sub-section (1) of section 153 as follows:</p> <p>(a) in case of a company, from 12% of the gross amount payable to 14.5% and (b) in any other case, from 15% of the gross amount payable to 17.5%.</p>
(3)	<p>The bill proposes to increase the rate of tax to be deducted from a payment made to a person other than sports person who is a non-filer for execution of contract referred to in clause (c) of sub-section (1) of section 153 as follows:</p> <p>(ii) in case of a company, from 10% of the gross amount payable to 12% and (iii) in any other case, from 10% of the gross amount payable to 12.5%.</p>
Division V	Income from Property
(b)	<p>The bill proposes to prescribe the rate of tax to be deducted under section 155, in the case of company, at 17.5% of the gross amount of rent for non-filers.</p>
Division VI	Prizes and Winnings
(1)	<p>The bill proposes to increase the rate of tax to be deducted under section 156 on a prize on prize bond or cross-word puzzle for non-filers from 20% of the gross amount payable to 25%.</p>
Division VIA	Petroleum Products
	<p>The bill proposes to increase the rate of collection of tax under section 156A from 15% of the amount of payment for non-filers to 17.5%.</p>
Division VIB	CNG Stations
	<p>The bill proposes to prescribe the rate of tax to be collected under section 234A, in the case of a Compressed Natural Gas station, at 6% of the gas consumption charges for non-filers.</p>
Part IV	Deduction or Collection of Advance Tax
Division IV	Electricity Consumption
	<p>The bill proposes to make amendment of explanatory nature.</p>
Division V	Telephone users
	<p>The bill proposes to reduce the rates of collection of tax under section 236, in the case of subscriber of internet, mobile telephone and pre-paid internet or telephone card, from 14% to 12.5% of the amount of bill or sales price of internet pre-paid card or prepaid telephone card or sale of units through any electronic medium or whatever form.</p>

**SECTION
(CLAUSE)** **THE INCOME TAX ORDINANCE, 2001**
DIVISION VII **Advance Tax on Purchase, Registration and Transfer of Motor Vehicles**

(1) The bill propose to reduce the rate of tax under sub-sections (1) and (3) of section 231B for filers as follows:

Engine capacity	Tax for filers	
	Existing	Proposed
upto 850cc	Rs. 10,000	Rs. 7,500
851cc to 1000cc	Rs. 20,000	Rs. 15,000
1001cc to 1300cc	Rs. 30,000	Rs. 25,000

Division VIII **Advance tax at the time of Sale by Auction**

The bill proposes to prescribe the rate of collection of tax under section 236A for non-filer at 15% of the gross sale price of any property or goods sold by auction.

Division XV **Advance Tax on Sale to Retailers**

The bill proposes to substitute the existing division with a new one thereby prescribing separate rate of collection of tax under section 236H on the gross amount of sale for filer and non-filer against each category of sale as follows:

Category of sale	Rate of tax	
	Filer	Non-filer
Electronics	1%	1%
Others	0.5%	1%

Division XXI **Advance Tax on Banking Transactions Otherwise Than Through Cash**

The bill proposes to make technical amendment in the second proviso to Division XXI.

Division XXV **Advance tax on Insurance Premium**

The bill proposes to increase threshold for collection of tax from non-filers under section 236U in case of life insurance premium from Rs. 0.2 million per annum to Rs. 0.3 million per annum.

**SECOND
SCHEDULE** **EXEMPTIONS AND TAX CONCESSIONS**
PART I **EXEMPTIONS FROM TOTAL INCOME**

(66)(xxxii) The proposed amendment seeks to grant exemption from tax on any income derived by Society for the Welfare of SIUT by correcting its name.

(66)(xxxvi),
(xxxvii),
(xxxviii),(xxxix) The proposed new insertion seeks to grant exemption from tax on any income derived by Asian Infrastructure Investment Bank and persons as provided in Article 51 of Chapter IX of the Articles of Agreement signed and ratified by Pakistan and entered into force on December 25, 2015, Gulab Devi Chest Hospital, Pakistan Poverty Alleviation Fund and National Academy of Performing Arts.

(126A), (126AA),
(126AC) and
(126D) The proposed amendment seeks to make editorial correction.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
(140A)	The proposed new insertion seeks to exempt any profit on debt received by Japan International Cooperation Agency (JICA), from Islamabad-Burhan Transmission Reinforcement Project (Phase-I) undertaken in pursuance to the loan agreement for Islamabad-Burhan Transmission Reinforcement Project (Phase-I).
(143)	The proposed new insertion seeks to exempt any income derived by a political party registered under the Political Parties Order, 2002 with the Election Commission of Pakistan.
(144)	The proposed new insertion seeks to exempt profit and gains derived by a start-up as defined in clause (62A) of section 2 for the tax year in which the start-up is certified by the Pakistan Software Export Board and the following two tax years.
PART IV	EXEMPTION FROM SPECIFIC PROVISIONS
(11A)(xxix)	The proposed new insertion seeks to grant exemption to start-up as defined in clause (62A) of section 2 from applicability of the provisions of section 113, regarding minimum tax.
(41)	The bill proposes to make editorial changes with respect to option available to non-resident for being taxed in the final tax regime.
(43F)	The proposed new insertion seeks to grant exemption from applicability of the provisions of section 153 in the case of a start-up, being recipient of payment, as defined in clause (62A) of section 2.
(56)(ia)	The proposed insertion seeks to grant exemption from applicability of the provisions of section 148, regarding withholding tax on imports in respect of Z&M Oils (Pvt.) Ltd., Exceed Petroleum (Pvt.) Ltd., Petrowell (Pvt.) Ltd., Quality-1 Petroleum (Pvt.) Ltd., Horizon Oil Company (Pvt.) Ltd., Outreach (Pvt.) Ltd., Kepler Petroleum (Pvt.) Ltd.
(56A)	The proposed amendment seeks to omit the clause as the same was redundant due to omission of section 236E by Finance Act, 2016.
(72A)	The proposed amendment seeks to grant exemption from applicability of the provisions of clause (l) and section 21, sections 113 and 152 in case of a Hajj Group Operator in respect of Hajj operations for the tax year 2017 provided that the tax has been paid at the rate of Rs.5,000 per Hajji for the tax year 2017 in respect of income from Hajj operations.
(72B)	The proposed amendment seeks to increase threshold for the quantity of raw material to be imported which is sought to be exempted from tax under section 148 from 110 per cent to 125 per cent of the quantity of raw material imported and consumed during the previous tax year:
(91)(i), (ii)	The bill proposes to amend PCT Code of certain tillage and seed bed preparation equipment and seeding or planting equipment.
(94)	<p>The proposed amendment seeks to extend the exemption from applicability of the provisions of clause (b) of the proviso to sub-section (3) of section 153 till June 30, 2018 to a company being a filer and engaged in providing or rendering freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, IT services and IT enabled services as defined in clause (133) of Part I of this Schedule, tracking services, advertising services (other than by print or electronic media), share registrar services, engineering services or car rental services and services rendered by Pakistan Stock Exchange Limited.</p> <p>The tax payable or paid on the income from providing or rendering aforesaid services shall not be less than two percent of the gross amount of turnover from all sources and the company furnishes in writing an irrevocable undertaking by November 2017 to present its accounts to the Commissioner within thirty days of filing of return, for audit of its income tax affairs for the tax year 2018.</p>
(101)	The proposed new insertion seek to grant exemption from applicability of the provisions of section 231A in respect of cash withdrawal made from a "Branchless Banking (BB) Agent Account" utilized to render branchless banking services to customers.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
(102)	The proposed new insertion seek to grant exemption from applicability of the provisions of section 231B(1A) to light commercial vehicles leased under the Prime Minister's Youth Business Loan Scheme.
SEVENTH SCHEDULE	RULES FOR THE COMPUTATION OF THE PROFITS AND GAINS OF A BANKING COMPANY AND TAX PAYABLE THEREON
1(g)	<p>The proposed amendment seeks to add explanation to Rule 1(g) as follows:</p> <p>For the removal of doubt, it is clarified that nothing in this sub-rule shall be so construed as to allow a notional loss, or charge to tax any notional gain on any investment under any regulation or instruction unless all the events that determine such gain or loss have occurred and the gain or loss can be determined with reasonable accuracy.</p>
THE EIGHTH SCHEDULE	RULES FOR THE COMPUTATION OF CAPITAL GAINS ON LISTED SECURITIES
1(6)	The proposed amendment seeks to enhance the time period from thirty days to forty five days of the end of each quarter within which NCCPL has to furnish to the Board, a statement of capital gains and tax computed thereon in that quarter in the prescribed manner and format.
4	The proposed amendment seeks to extend the date for payment of the tax collected by NCCPL to the Board along with interest accrued thereon on yearly basis from July 31st to August 15th next following the financial year in which the amount was collected.

**SECTION
(CLAUSE)** **SALES TAX ACT, 1990****Section 2 (43A)** **Tier -1 Retailer**

The Bill seeks to insert a new clause (43A) in Section 2 to define "Tier -1 retailer". As per the proposed definition Tier -1 retailer means:

- (a) a retailer operating as a unit of a national or international chain of stores;
- (b) a retailer operating in an air-conditioned shopping mall, plaza or centre, excluding kiosks;
- (c) a retailer whose cumulative electricity bill during the immediately preceding twelve consecutive months exceeds rupees six hundred thousand; and
- (d) a wholesaler-cum-retailer, engaged in bulk import and supply of consumer goods on wholesale basis to the retailers as well as on retail basis to the general body of the consumers.

Section 3 (1)(b) **Scope of Tax**

The Bill seeks to insert a clarificatory amendment in clause (b) of sub-section (1) of Section 3 with respect to application of sales tax on imports. Goods imported into Pakistan are subject to sales tax. However in order to clarify the matter in view of some court judgements, clarificatory amendment is being made to Section 3 that sales tax is applicable on imports irrespective of their final destination in territories of Pakistan as specified in clause (2) of Article 1 of the Constitution of Islamic Republic of Pakistan. It means that sales tax is also applicable on imports destined for non-tariff areas.

Section 3 (1A) **Scope of Tax**

The Bill seeks to insert a clarificatory amendment in sub-section (1A) of Section 3 that further tax at the rate of 2 percent is required to be charged by persons who are making zero rated supplies to unregistered persons. Zero rated supplies are covered under section 4 of Sales Tax Act, 1990. However, Zero rated supplies made to diplomats, privileged persons, duty free shops and similar categories shall be excluded from the purview of further tax.

Section 3(2)(b) **Scope of Tax**

The bill seeks to substitute the words "Board with the approval of the Minister In-charge of the Federal Government" for the words "Federal Government" in clause (b) of sub-section (2) of Section 3 to empower the Board to issue notifications to charge sales tax at such higher or lower rate in respect of any class of goods. The proposed amendment seems to be of editorial nature.

Section 3 (5) **Scope of Tax**

The bill seeks to substitute the words "Board with the approval of the Minister In-charge of the Federal Government" for the words "Federal Government" in sub-section (5) of Section 3 to empower the Board after obtaining Minister approval to charge extra sales tax in respect of any class of goods The proposed amendment seems to be of editorial nature.

Section 3(9A) **Scope of Tax**

The Bill seeks to insert a new sub-section 9A after sub section (9) of section 3 to regularize retailer's regime. Tier-1 retailers are under obligation to pay sales tax under normal regime and also to file monthly sales tax returns in the manner prescribed in Chapter-II of Sales Tax Special Procedure Rules, 2007. Alternatively they have also been granted the option to pay sales tax at the rate of 2 percent on total turnover including exempt supplies without any input tax adjustment. However, retailers opting to pay sales tax on the basis of their total turnover shall have to file an option to the Chief Commissioner of Regional tax office or Large Taxpayer Unit up to July 15, 2017 and such an option will remain in force for whole financial year.

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

Retailers making supplies of finished goods of the five sectors specified in S.R.O. 1125/2011 dated December, 31, 2011 shall pay sales tax in respect of such supplies at the rates prescribed in the said notification.

The said regime had been introduced previously through S.R.O in Chapter-II of Sales tax Special Procedure Rules, 2007 which has been struck down by the Lahore High Court. Now the Bill proposes to regularize the Tier-1 retailer regime through Sales Tax Act, 1990.

Section 4**Zero rating**

The Bill seeks to insert a clarificatory amendment that further tax at the rate of 2 percent is also applicable in respect of persons who are making zero rated supplies to unregistered persons. Zero rated supplies are covered under section 4 of Sales Tax Act, 1990. However, Zero rated supplies made to diplomats, privileged persons, duty free shops and similar categories shall be excluded from the purview of further tax.

The Bill seeks to substitute the words "Board with the approval of the Minister In-charge of the Federal Government" for the words "Federal Government" in clause (c) of section 4 to empower the Board after obtaining Minister approval to issue notifications to include any goods in the ambit of Zero Rating. The proposed amendment seems to be of editorial nature.

Section 7 (3)**Determination of Tax Liability**

The Bill seeks to substitute the words "Board with the approval of the Minister In-charge of the Federal Government" for the words "Federal Government" in sub-section (3) of Section 7 to empower the Board after obtaining approval of the Minister to allow a registered person by special order to adjust input tax from output tax. The proposed amendment seems to be of editorial nature.

Section 7A**Levy and Collection of Tax on Specified Goods on Value Addition**

The Bill seeks to substitute the words "Board with the approval of the Minister In-charge of the Federal Government" for the words "Federal Government" in sub-section (1) and (2) of Section 7A to empower the Board after obtaining approval of the Minister to levy and collect sales tax on specified goods on value addition and also to specify certain persons to declare minimum value addition in order to waive the requirement of audit or scrutiny of records if such minimum value addition is declared. The proposed amendment seems to be of editorial nature.

Section 8**Tax credit not allowed**

The Bill seeks to substitute the words "Board with the approval of the Minister In-charge of the Federal Government" for the words "Federal Government" in clause (b) of sub-section (1) of Section 8 to empower the Board after obtaining approval of the Minister In-charge of the Federal Government to specify various items or class of goods on which sales tax is not admissible. The proposed amendment seems to be of editorial nature.

Section 13**Exemption****Section 13(2)(a)**

The Bill seeks to substitute the words "Board with the approval of the Minister In-charge of the Federal Government" for the words "Federal Government" in clause (a) of sub-section (2) of Section 13 to empower the Board after obtaining approval of the Minister following the approval of Economic Coordination Committee of Cabinet to allow exemption under Section 13. The proposed amendment seems to be of editorial nature.

SECTION (CLAUSE)	SALES TAX ACT, 1990
Section 13 (6)	The Bill also seeks to amend sub –section (6) of Section 13 to empower the Board instead of Federal Government to place before the National Assembly all notifications issued under Section 13 in a financial year.
Section 13 (7)	Presently sub –section (7) of Section 13 prescribes time limitation of enforcement of exemption notifications to one year. The proposed amendment seeks to enforce all the exemption notifications issued under Section 13 till June 30, 2018 if not earlier rescinded.
Section 30	Appointment of authorities. The proposed amendment seeks to include Inland Revenue Authorities. District Taxation Officer, Deputy Commissioner Inland Revenue, Assistant Commissioner Inland Revenue and Assistant Director Audit are proposed to be included in the list of Inland Revenue authorities. The Bill also seeks to insert new sub –sections (2A) and (2B) in Section 30 to assign jurisdiction of sales tax to Chief Commissioners Inland Revenue. Presently, Federal Board of Revenue assigns jurisdiction of Sales Tax and Federal Excise directly to Commissioners Inland Revenue. It is proposed that the Federal Board of Revenue may assign jurisdiction to Chief Commissioners Inland Revenue who may further assign jurisdiction to Commissioners Inland Revenue under his administrative control.
Section 33	Offences and penalties The Bill seeks to add a new serial number 23 and entries relating thereto in column (1), (2) and (3) after serial number 22 in the Table in Section 33 in order to propose penalties on persons manufacturing, possessing, transporting, distributing, storing, selling non-duty paid/counterfeit cigarettes.
Section 48	Recovery of arrears of tax The Bill seeks to add a proviso in clause (f) in sub –section (1) of Section 48 to provide automatic stay against recovery of Sales Tax demand till decision by the Commissioner Inland Revenue (Appeals) subject to 25 percent of the amount of sales tax demand has been paid by taxpayer.
Section 56	Service of orders, decisions, etc. The Bill seeks to add a new clause (d) in sub –section (1) of Section 56 to include service of electronically sent notices to Companies whether public or private to be construed as proper service. Notices sent to Companies through electronic medium are proposed to be treated as proper service along with other prescribed modes such as notices or orders sent by registered post or courier service.
Section 60	Powers to deliver certain goods without payment of tax The Bill seeks to substitute the words "Federal Government" with the words "Board with the approval of the Minister In charge of the Federal Government" to empower the Board after approval of Minister to provide exemptions to importers who are importing goods temporarily with a view to subsequent exportation. The proposed amendment seems to be of editorial nature.
Section 65	Exemption of tax not levied or short levied as a result of general practice The Bill seeks to substitute the words "Federal Government" with the words "Board with the approval of the Minister In charge of the Federal Government" to empower the Board to provide exemption of sales tax which was not levied or short levied as a result of general practice. The proposed amendment seems to be of editorial nature.

SECTION (CLAUSE)	SALES TAX ACT, 1990
Section 71	<p>Special Procedure</p> <p>The Bill seeks to substitute the words "Federal Government" with the words "Board with the approval of the Minister In charge of the Federal Government" to empower the Board after Minister approval to prescribe special procedure for scope and payment of tax, registration, book keeping and invoicing requirements and returns in respect of specified supplies.</p>
Section 74A	<p>Validation</p> <p>The Bill seeks to insert a new section 74A after section 74 to validate all the notifications and orders issued and notified by Federal Government, before the commencement of Finance Act, 2017 notwithstanding anything contained in any judgement of the High Court or Supreme Court.</p>
Third Schedule	<p>Sales tax is charged by a manufacturer at the rate of 17 percent in respect of goods falling under this category on the recommended retail price. The bill seeks to omit column (2) and (3) and entries relating thereto against serial no 32 in the Third Schedule relating to Fertilizers in order to reduce sales tax rates from 17 percent to specific fix rates on fertilizers under Eighth Schedule in order to support farmers.</p>
Fifth Schedule	<p>Goods specified in fifth schedule are chargeable to sales tax at zero percent. The Bill seeks to substitute the words "preparations suitable for infants or young children, put up for retail sale" for the words "preparations for infant use put up for retail sale" in sub -serial number (Xvii) in serial number 12 in the Fifth Schedule.</p>
Sixth Schedule (Table-I)	<p>Goods and imports falling under this category are outside the scope of sales tax and therefore not subject to sales tax. .</p>
Serial No. 1	<p>Live Animals and live poultry</p> <p>The Bill seeks to substitute the figure "0101.3000" for the figure "0101.3100" and seeks to omit the figure "0102.1010 and also seeks to omit the figure "0105.1900" against serial number 1 in Table-I in the Sixth Schedule.</p>
Serial No. 15	<p>Edible fruits excluding imported fruits</p> <p>The Bill seeks to omit the figure "803.0000"and seeks to substitute the figure "0805.2910" for the figure "0805.2010" against serial number 15 in Table - I in the Sixth Schedule.</p> <p>The Bill also seeks to substitute the figure "0805.2100, 0805.2200 and "0805.2990" for the figure "0805.2090" against serial number 15 Table-1 in the Sixth Schedule.</p>
Serial No. 17	<p>Ginger excluding those sold in retail packing bearing brand names and trademarks</p> <p>The Bill seeks to substitute the figure "09.10" for the figure "0910.1000"against serial number 17 in Table-1 in the Sixth Schedule.</p>
Serial No. 19	<p>Cereals and products of milling industry</p> <p>The Bill seeks to omit the figure "1102.3000" in serial number 19 in Table-1 in the Sixth Schedule.</p>
Serial No. 20	<p>Seeds, fruit and spores of a kind used for sowing</p> <p>The Bill seeks to omit the figure "1209.1010" in serial number 20 in Table-1 in the Sixth Schedule.</p>

SECTION (CLAUSE)	SALES TAX ACT, 1990
Serial No. 23	Sugar cane The Bill seeks to substitute the figure "1212.9300" for the figure "1212.9990" against serial number 23 in Table-1 in the Sixth Schedule.
Serial No. 26	Fruit juices, whether fresh, frozen or otherwise preserved but excluding those bottled, canned or packaged. The Bill seeks to omit the figure "2009.8000" in serial number 26 in Table -1 in the Sixth Schedule.
Serial No. 31	Holy Quran, complete or in parts, with or without translation; Quranic Verses recorded on any analogue or digital media; other Holy books. The Bill seeks to omit the figures "8523.5100 and 8523.5200" in serial number 31 in Table-1 in the Sixth Schedule.
Serial No. 33	Currency notes, bank notes, shares, stocks and bonds The Bill seeks to substitute the figure "49.07" for the figure "4907.0000" against serial number 33 in Table-1 in the Sixth Schedule
Serial No. 38	Monetary gold The Bill seeks to substitute the figure "7108.1390" for the figure "7108.2000" against serial number 38 of Table- I of the Sixth Schedule
Serial No. 81	Cotton seed The Bill seeks to substitute the figure "1207.1000" for the figure "1207.2000" against serial number 81 of Table I of the Sixth Schedule.
Serial No. 83	Meat and similar products of prepared, frozen or preserved meat or meat offal of all types including poultry meat and fish The Bill seeks to omit the figure "1604.3000" in serial number 83 of Table of the Sixth Schedule.
Serial No. 84	Preparations for infant use, put up for retail sale The Bill seeks to substitute the words "preparations suitable for infants or young children put up for retail sale" for the words "preparations for infant use put up for retail sale" against serial number 84 of Table I of the Sixth Schedule.
Serial No. 91	Energy saver lamps The Bill seeks to substitute the figure "8539.3110" for the figure "8539.3910" against serial number 91 of Table I of the Sixth Schedule.
Serial No. 97	Pens and ball pens The Bill seeks to substitute the words "pens, ball pens, markers and porous tipped pens" for the words "pens and ball pens" against serial number 97 of Table I of the Sixth Schedule.

SECTION (CLAUSE)	SALES TAX ACT, 1990
Serial No. 100A	<p>Materials and equipment's for construction and operation of Gawadar Port</p> <p>The Bill seeks to add the words "plant, machinery, equipment, appliances and accessories" after the words "materials and equipment" against serial number 100A of Table I of the Sixth Schedule to clarify the scope of exemption already provided to materials and equipment by extending exemption to plant, machinery, equipment, appliances and accessories.</p> <p>The Bill seeks to substitute the word "GWADAR" wherever appearing for the word "GAWADAR" in serial number 100A of Table I of the Sixth Schedule</p>
Serial No. 100C	<p>The Bill seeks to insert a new serial 100C after serial number 100B in Table I of the Sixth Schedule to provide exemption to vehicles for development of Gawadar Port. It is proposed to provide exemption from sales tax to vehicles for construction and development of Gawadar Port and Gawadar Free Zone on the line of exemption available to vehicles under the Customs Act, 1969.</p>
Serial No. 106	<p>Import of Halal edible offal of bovine animals</p> <p>The Bill seeks to omit the figure "0206.2000" against serial number 106 in Table-I of the Sixth Schedule</p>
Serial No. 108	<p>Components or sub- components of energy saver lamps</p> <p>The Bill seeks to substitute the figure "3824.8400" for the figure "3824.9099" against serial number 108 in Table-I of the Sixth Schedule</p>
Serial No. 110	<p>Items for renewable sources of energy.</p> <p>Exemption from sales tax to items for renewable sources of energy. Existing exemption available to items for renewable sources of energy is proposed to be aligned with exemption available to these items under the Customs Act, 1969. Therefore the Bill seeks to substitute the figures "8539.5010 and 8539.5020" for the figure "8543.7090" against serial number 110 in Table-1 of the Sixth Schedule</p>
Serial No. 113	<p>High Efficiency Irrigation Equipment</p> <p>The Bill seeks to substitute the figure "8524.4100" for the figure "8524.8100" against serial number 113 in Table-1 of the Sixth Schedule</p>
Serial No. 114	<p>Green House Farming and Other Green House Equipment</p> <p>The Bill seeks to substitute the figures "9406.1010 and 9406.9010" for the figure "9406.0010" against serial number 114 in Table-1 of the Sixth Schedule</p>
Serial No. 130	<p>Premixes for growth stunting</p> <p>The Bill seeks to substitute the serial number 130 in Table-1 of the Sixth Schedule. It is proposed to provide for exemption from sales tax on premixes to fight growth stunting.</p>
Serial No. 133	<p>Pesticides and active ingredients</p> <p>The Bill seeks to omit the words "ingredients for pesticides", in column (2) against serial number 133 in Table-1 of the Sixth Schedule</p>

**SECTION
(CLAUSE)**

SALES TAX ACT, 1990

The Bill seeks to omit the words "Tiethanolamine and its salts", in column (2) against serial number 133 in Table-1 of the Sixth Schedule

The Bill seeks to omit the words "ingredients for pesticides", in column (2) against serial number 133 in Table-1 of the Sixth Schedule

The Bill seeks to omit the figure "2903.3040" in column (3) against serial number 133 in Table-1 of the Sixth Schedule

The Bill seeks to omit the figure "2903.6900" in column (3) against serial number 133 in Table-1 of the Sixth Schedule

The Bill seeks to omit the figure "2918.9010" in column (3) against serial number 133 in Table-1 of the Sixth Schedule

The Bill seeks to omit the figure "2919.0010" in column (3) against serial number 133 in Table-1 of the Sixth Schedule

The Bill seeks to omit the figure "2919.0090" in column (3) against serial number 133 in Table-1 of the Sixth Schedule

The Bill seeks to omit the figure "2922.1300" in column (3) against serial number 133 in Table-1 of the Sixth Schedule

The Bill seeks to omit the figure "2924.2930" in column (3) against serial number 133 in Table-1 of the Sixth Schedule

The Bill seeks to substitute the figure "2939.8010" for the figure "2939.9910" in column (3) against serial number 133 in Table-1 of the Sixth Schedule

The Bill seeks to substitute the figure "2939.8010" for the figure "2939.9910" in column (3) against serial number 133 in Table-1 of the Sixth Schedule

The Bill seeks to substitute the figure "3824.9999" for the figure "3824.9099" in column (3) against serial number 133 in Table-1 of the Sixth Schedule

Serial No. 134

Gifts and donations From Foreign Government

The Bill seeks to insert a new serial no. 134 to provide exemption from sales tax on gift and donations received from foreign governments and organizations to the Federal and Provincial Governments and public sector organizations.

Serial No. 135

Sunflower and Canola hybrid seeds meant for sowing

The Bill seeks to insert a new serial no. 135 to provide exemption to Sunflower and Canola seeds meant for sowing. Presently imported oil seeds are subject to sales tax at the rate of 5 percent under Eighth Schedule.

Serial No. 136

Combined Harvesters up to five years old

The Bill seeks to insert a new serial no. 136 to provide complete exemption to combined harvesters up to five years old. Presently, combined harvesters are subject to sales tax at 7 percent ad valorem under Eight Schedule.

Serial No. 137

Single cylinder agriculture diesel engines

The Bill seeks to insert a new serial no. 137 to provide exemption to single cylinder agriculture diesel engines. Sales tax on agriculture engines from 3 to 36 HP is proposed to be exempted.

**Sixth Schedule
(Table -3)**

The Bill seeks to substitute new serial numbers 14, 14A, 15 and 15A for serial numbers 14 and 15 in the Annexure to Table-3 of the Sixth Schedule to provide exemption from sales tax on to items for conservation of energy, Solar energy and to systems and items for dedicated use with renewable source of energy like solar, wind and geothermal etc. and parts and components for manufacturing LED lights.

SECTION (CLAUSE)	SALES TAX ACT, 1990
Eighth Schedule (Table -1)	Eighth Schedule specifies import or supply of certain goods on which sales tax is chargeable at reduced rates.
Serial No. 26	Tillage and seed bed preparation equipment The Bill seeks to substitute the figure "8432.3900" for the figure "8432.3090" in column (3), in sub-serial (iv) in serial number 26 in Table-1 of the Eighth Schedule
Serial No. 27	Seeding or planting equipment The Bill seeks to substitute the figure "8432.4100" for the figure "8432.4000" in sub-serial (iv), in column (3), in serial number 27 in Table-1 of the Eighth Schedule The Bill seeks to substitute the figure "8432.3100" for the figure "8432.3010" in sub-serial (vi), in column (3), in serial number 27 in Table-1 of the Eighth Schedule The Bill seeks to substitute the figure "8432.3900" for the figure "8432.3090" in sub-serial (vii), in column (3), in serial number 27 in Table-1 of the Eighth Schedule
Serial No. 34	Set top boxes for gaining access to internet, TV broadcast transmitter and Reception apparatus for receiving satellite signals and Other set top boxes The Bill seeks to substitute the figure "2018" for the figure "2017" in column (5) in serial number 34 of Table-1 of the Eighth Schedule
Additions of Items in the Eighth Schedule (Table -1)	The Bill seeks to insert the following new serial numbers and entries relating thereto in columns (2), (3),(4) and (5) after serial number 34 of Table-1 of the Eighth Schedule to charge sales tax at reduced rates on various fertilizers to support farmers. The Bill also seeks to reduce rate of sales tax from 17 percent to 7 percent on import of certain types of poultry machinery.
Serial No. 35	DAP The Bill seeks to insert serial no. 35 on which sales tax is chargeable at Rs. 100 per 50 kg bag.
Serial No. 36	NP (22-20) The Bill seeks to insert serial no. 36 on which sales tax is chargeable at Rs. 168 per 50 kg bag subject to conditions.
Serial No. 37	NP (18-18) The Bill seeks to insert serial no. 37 on which sales tax is chargeable at Rs. 165 per 50 kg bag subject to conditions.
Serial No. 38	NPK-I The Bill seeks to insert serial no. 38 on which sales tax is chargeable at Rs. 251 per 50 kg bag subject to conditions.
Serial No. 39	NPK-II The Bill seeks to insert serial no. 39 on which sales tax is chargeable at Rs. 222 per 50 kg bag subject to conditions
Serial No. 40	NPK-III The Bill seeks to insert serial no. 40 on which sales tax is chargeable at Rs. 341 per 50 kg bag subject to conditions

SECTION (CLAUSE)	SALES TAX ACT, 1990
Serial No. 41	<p>SSP</p> <p>The Bill seeks to insert serial no. 41 on which sales tax is chargeable at Rs. 31 per 50 kg bag subject to conditions</p>
Serial No. 42	<p>CAN</p> <p>The Bill seeks to insert serial no. 42 on which sales tax is chargeable at Rs. 98 per 50 kg bag subject to conditions</p>
Serial No. 43	<p>Natural gas</p> <p>The Bill seeks to insert serial no. 43 on which sales tax is chargeable at 10 percent but subject to certain conditions.</p>
Serial No. 44	<p>Phosphoric acid</p> <p>The Bill seeks to insert serial no. 44 on which sales tax is chargeable at 5 percent but subject to certain conditions</p>
Serial No. 45	<p>Machinery for Poultry Sector</p> <p>The Bill seeks to insert serial no. 45 on which sales tax is chargeable at 7 percent but subject to certain conditions</p>
Serial No. 46	<p>Multimedia projectors</p> <p>The Bill seeks to insert serial no. 46 on which sales tax is chargeable at 10 percent but subject to certain conditions</p>
Serial No. 47	<p>Locally produced coal</p> <p>The Bill seeks to insert serial no. 47 on which sales tax is chargeable at Rs. 425 per metric tonne or 17 percent ad valorem whichever is higher</p>
Ninth Schedule	<p>MOBILE PHONES</p> <p>Ninth Schedule specifies import or supply of cellular mobile phones on which sales tax is charged on fixed basis. The Bill seeks to rationalize sales tax on mobile phones. Presently mobile phones are chargeable to sales tax at the rates of Rs. 300, Rs. 1,000 and Rs. 1,500 per mobile phone set depending upon categories of mobile phones. It is proposed to merge sales tax rates of Rs. 300 and Rs. 1,000 per set to Rs. 650 per set. The proposal will promote use of information technology and will also reduce disputes on categorization of mobile phones.</p> <p>Announcement Through Salient Features</p> <p>The following items were noted as Salient "Features" and Budget Speech, however separate amendments to laws are awaited.</p> <ul style="list-style-type: none"> • According to Salient Features issued along with the Budget documents, extra tax on lubricating oil is exempted enabling the industrial consumers to claim input tax adjustment thereon. • As per the Salient Features, requirement of withholding tax is being withdrawn on supplies from registered persons with the exception of advertisement services. • As per the Salient Features, sales tax on commercial import of fabrics is Zero-rated under SRO 1125/ (I)/2011 dated December 31, 2011. It is proposed to levy sales tax at the rate of 6 percent on commercial import of fabrics. • As per the Salient Features, Steel sector is currently paying sales tax on the basis of consumption of electricity at the rate of Rs. 9 per unit of electricity. The existing rate of Rs. 9/unit of electricity is proposed to be enhanced to Rs 10.5 and corresponding increase shall be made in ship breaking and other allied industry. • As per the Salient Features, services which are subjected to sales tax on turnover basis without input tax adjustment under Provincial Sales Tax laws are proposed to be taxed in the similar manner under the Islamabad Capital Territory (Tax on Services) Ordinance, 2001. • As per Salient Features, retail sales of five export oriented sectors are chargeable to sales tax at the rate of 5 percent. It is proposed to increase the said rate to 6 percent. • As per the Salient Features, exemption from sales tax is also proposed on export of IT services.

SECTION (CLAUSE)	THE FEDERAL EXCISE ACT, 2005
2 (8a)	The proposed amendment seeks to empower FBR to notify the due date for filing return under section 4. Before the amendment these powers were held by the Federal Government
3(1)(c)	The proposed amendment seeks to transfer the powers from the federal government to FBR to specify the dutiable goods produced or manufactured in the non-tariff areas are brought to the tariff areas for sale. FBR will exercise the powers only with approval of the Minister-in charge of the Federal Government
3(4)	The proposed amendment seeks to empower FBR, to levy and collect duty on any class or classes of goods and services by notification in the Official Gazette with the approval of the Minister-in charge of the Federal Government. These powers were with the Federal Government earlier
16(2)	The proposed amendment seeks to empower FBR to exempt any goods or classes of goods or services or class of services by notification in the Official Gazette with the approval of the Minister-in charge of the Federal Government. These powers were with the Federal Government earlier
16(5)	The proposed amendment seeks to give responsibility to FBR, instead of Federal Government, to place before the National Assembly all notification issued under this section in a financial year
16(6) First Proviso	The insertion of new proviso seeks to give life to all un-rescinded notifications which shall be deemed to be in force with effect from July 1, 2016 to June 30, 2018
16(6) Second Proviso	The insertion of new proviso seeks continuance of all notifications issued on or after July 1, 2016 to be in force till June 30, 2018 if not earlier rescinded
19(10)	The insertion of new sub-section seeks to give powers to the Commissioner to destroy the cigarettes confiscated for the specified offences, in addition to any other penal action
29(1)(ea)	District Taxation Officer is proposed to be inserted in the list of Federal Excise officers
29(1)(fa)	Assistant Director Audit is also proposed to be inserted in the list of Federal Excise officers
29(1AA)	The new insertion of sub-section seeks to empower the Chief Commissioner Inland Revenue to perform their functions in accordance with the directions of FBR
29(1AB)	The new insertion of sub-section seeks to empower the Commissioner Inland Revenue to perform their functions in accordance with the directions of the Chief Commissioner to whom they are subordinate
29(1B) & (1C)	District Taxation Officer and District Taxation Officer are proposed to be included in the list of officers and they will perform their functions in respect of such persons or class of persons as the Commissioner may direct
37 Second Proviso	Second proviso is proposed to be inserted with a view to restrict the Commissioner not to issue notice under this section or recovery rules made under the Federal Excise Rules, 2005 if the taxpayer has filed an appeal under section 33 and the appeal has not been decided by the Commissioner (Appeals)
43A	The new insertion seeks to revalidate the notifications issued before commencement of the Finance Act, 2017 notwithstanding anything contained in any judgment of a High Court or the Supreme Court
47(1)(d) & (2)(d)	The insertion of new clauses seeks to legalize notices sent electronically through email or to the e-folder maintained for e-filing of Sales Tax-cum-Federal Excise returns by the limited companies

SECTION (CLAUSE) THE FEDERAL EXCISE ACT, 2005
The First Schedule Table-1

Duties on the following goods are proposed to be amended as follows:

Item	Existing Duty	Proposed Duty
Locally produced cigarettes	Rs. 3,705 per 1,000 cigarettes, if their on pack printed retail price (RP) exceeds Rs. 4,400 per thousand cigarettes	Rs. 3,740 per 1,000 cigarettes, if their on pack printed retail price (RP) exceeds Rs. 4,500 per thousand cigarettes
Locally produced cigarettes	Rs. 1,649 per 1,000 cigarettes, if their on pack printed RP does not exceed Rs. 4,400 per 1,000 cigarettes	Rs. 1,670 per 1,000 cigarettes, if their on pack printed RP does not exceed Rs. 2,925 per 1,000 cigarettes but does not exceed Rs. 4,500 per 1,000 cigarettes
Locally produced cigarettes	Rs. 1,649 per 1,000 cigarettes, if their on pack printed RP does not exceed Rs. 4,400 per 1,000 cigarettes	Rs. 800 per 1,000 cigarettes, if their on pack printed RP does not exceed Rs. 2,925 per 1,000 cigarettes .
Cement	Rs. 1 per KG	Rs. 1.25 per KG

Restriction-1 – Reduction

The proposed replacement of clause seeks to restrict the cigarette manufacturers not to reduce the retail prices from the level adopted on the day of announcement of latest budget

Restriction-3 – Minimum Price

The proposed replacement of clause seeks to restrict that no brand shall be priced and sold at a retail price (excluding Sales Tax) lower than 45% of the retail price

Table-2

The duty on telecommunication services are proposed to be reduced from 18.5% to 17%

Third Schedule Table-1

19. The proposed amendments are of editorial nature with respect to material and equipment for Gwadar port
- 20A The clause is proposed to be inserted to give exemption from duty for a period of 23 years to Chinese company and its operating companies.

SECTION (CLAUSE)	CUSTOMS ACT, 1969 (IV OF 1969)
2 (la)	This amendment brings goods declaration made under Section 147 (Entry of Coastal Goods) under the definition of "goods declaration"
2(z)	This is a new clause defining 'controlled delivery' as supervised and coordinated operational activities that allow suspected consignments of prohibited and restricted goods, including items mentioned in clause (s), to pass out of, through or into the territory of Pakistan, with a view to identifying persons involved in the commission of an offence cognizable under this Act."
3AAA	This section has been added to constitute Directorate General of China Pakistan Economic Corridor, operating under a Director General and additional officials as appointed by the Board via Official Gazette.
7	Officers of Inland Revenue (instead of Federal Excise), as well as officers of National Highway and Motorway police have been added to those empowered to assist Customs in discharge of its duties.
8	Officers and staff of customs services may be prescribed to wear a uniform as prescribed by the Board
19 (1)	The general power to grant exemption from customs duties now rests with the FBR with prior approval of minister-in-charge, previously with Federal Government
19(5)	The amendment to this sub section grants validity to notifications of exemptions issued by Federal Government under sub section (1), till June 30, 2018.
25A(2)	Customs value is now higher of the value determined by Customs and the value declared in the Goods Declaration or invoice
26 (1A)	This is a new sub section allowing the Board to require any person to furnish information for the purposes of end user verification of goods
33	This section has been amended to allow refund falling due as a result of overpayment or inadvertence, even if the burden has been passed on to buyers. However, another amendment to subsection (3) disallows refunds falling due as a result of decision through provisional assessment, court or appellate order if the levies have been passed on to consumers.
98	This section has been amended to empower a Chief Collector to extend the period for which goods may remain in warehouse by one month for perishable goods and for 3 months for non perishable goods. It also allows the Federal Government to regulate warehousing period of goods rather than just limit it overriding the powers granted to Collector and Chief Collector in this regard
155F	This section has been amended to grant right of appeal before Chief Collector against a decision to cancel registration by Collector
156	A new clause 7A has been added to the table enabling imposition of penalty on relevant authority for failure to entertain a delay or detention certificate issue by a Customs officer.
193, 194A	These sections have been amended to allow filing of appeal before Collector (Appeals) and Appellate Tribunal, respectively, against an order passed under Section 195
195	The amendment to this section allows Collector of Customs (Adjudication), in addition to Board and Collector, to call for and examines records of proceedings. These authorities have also been granted the power to pass a fresh order themselves or assign the case to an officer equal to or higher in rank than the officer who passed the earlier order.

SECTION (CLAUSE)	CUSTOMS ACT, 1969 (IV OF 1969)
219A	This new section empowers the Board to enter into MoU with international bodies and authorities with respect to mutual legal assistance, border management, data sharing, special operations including controlled delivery, capacity building and other matters. This can be done by the Board on its own, or Federal Government's behalf
General	Pakistan as a signatory to HS Convention has adopted HS 2017, and consequently its nomenclature has been adopted in Customs Tariff; such changes have also been made in Fifth Schedule and SROs/Notifications.
221A	This new section provides validity for earlier issued notifications.

TARIFF REVISIONS

RELIEF MEASURES:

1. Reduction of duty from 11% to 3% and removal of 5% RD on grandparent and parent stock of chicken
2. Reduction of duty on import of hatching eggs from 11% to 3%
3. Reduction of RD on aluminum waste or scrap from 10% to 5%
4. Exemption of 3% CD on raw skins & hides
5. Exemption of 16% CD on stamping foils
6. Reduction of CD on sheets for veneering from 16% to 11%
7. Reduction of CD on pre-fabricated modular clean rooms panels from 20% to 3%
8. Exemption of 3% CD on import of ostriches
9. Reduction of CD on fabric (non-woven) for pharmaceutical industry from 16% to 5%

PROTECTION TO LOCAL INDUSTRY

10. 5% RD levied on import of synthetic filament yarn (of polyesters)
11. Increase of CD on aluminum beverage cans from 11% to 20% 2
12. CD reduced on uncoated polyester film and aluminum wire from 20% to 11% for manufacturers of metalized yarn
13. CD reduced from 20% to 16% and from 16% to 11%, on raw materials for manufacturers of Baby Diapers TARIFF RATIONALIZATION
14. CD rate on Bituminous coal and other coal equalized @ 5%. However, for the Power Projects in IPPs Mode, CD on import of both types of coal reduced to 3%
15. Separate PCT code for compressors of vehicle @ 35% CD created
16. Separate PCT code for classification of electric cigarettes created at 20% CD
17. RD @ 10% levied on animal protein meals

REVENUE MEASURES:

18. RD levied/increased on 565 non-essential items by various rates ranging from 5% to 15%
19. CD @ Rs. 250 per set converted into RD @ Rs. 250 per set on mobile phones
20. CD @ 11% and 16% exempted and instead RD at uniform rate of 9% levied on the telecom equipment
21. RD on betel nuts increased from 10% to 25% while RD @ Rs.200/kg levied on betel leaves 3
22. Concession in duty/taxes on Hybrid Electric Vehicles above 2500 cc withdrawn MISCELLANEOUS:
23. ADOPTION OF WCO HS VERSION 2017,- Pakistan being a signatory to the HS Convention is obliged to adopt the HS 2017, incorporated its nomenclature/New HS Codes in Pakistan Customs Tariff with addition, creation and deletion of local PCT codes and also made relevant changes in the Fifth Schedule and SROs/Notifications where HS Codes have changed.
24. Exemption from CD extended on import of combined harvesters threshers up to 5 years old while 10% and 20% RD levied on five to ten years and more than ten years old respectively.
25. Additional duty on cylinder head for motorcycles levied

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

26. Extension of concession on 11 more components of trailers
27. Concessionary rate of 11% available on Set top boxes, TV broadcast transmitter and Reception apparatus etc. extended till 30.6.2018.
28. Surcharge in excess of 0.25% for cargo in-bonded at Karachi for upcountry Bonds exempted
29. Expansion of scope of exemption on import/donation by allowing imports and donation of Federal, Provincial, AJ&K, Gilgit-Baltistan Governments, NDMA, PDMA and Govt. emergency/ rescue services
30. Import of solar panels and related components were exempted from the condition of 'local manufacturing' till 30th June 2017 which is extended till 30th June, 2018.

Note: The Amended First and Fifth Schedules to the Customs Act, 1969 are yet to be issued; the above information is based on 'Salient Features' issued with the budget document

INFORMATION ABOUT WITHHOLDING TAXES

APPENDIX – I

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

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
	<ul style="list-style-type: none"> • Dividend received from a Stock Fund by: <ul style="list-style-type: none"> ➤ Individual ➤ Company ➤ AOP • Dividend from Stock fund is less than capital gains • Dividend received from Money Market Fund, Income Fund or any other fund by: <ul style="list-style-type: none"> ➤ Individual <ul style="list-style-type: none"> • Filer • Non-Filer ➤ Company <ul style="list-style-type: none"> • Filer • Non-Filer ➤ AOP <ul style="list-style-type: none"> • Filer • Non-Filer 	12.5 12.5 12.5 12.5 12.5 12.5 15 25 25 12.5 15	Collective Investment Scheme REIT Scheme or mutual fund Collective Investment Scheme REIT Scheme or mutual fund Collective Investment Scheme REIT Scheme or mutual fund	Final Final Final
151	Payment of profit / yield to resident in respect of following after deducting zakat thereon: <ul style="list-style-type: none"> • Deposit or account maintained with banking company or financial institution by: <ul style="list-style-type: none"> ➤ Filers ➤ Non-filers ➤ Non-filers having profit / yield payment is Rs. 500,000 or less • Yield on National Saving Schemes and Post Office Saving Account by: <ul style="list-style-type: none"> ➤ Filers ➤ Non-filers ➤ Non-filers having profit / yield payment is Rs. 500,000 or less 	10 17.5 10 10 17.5 10	Payer of the profit or yield Payer of the profit or yield	Final (for Indv. & AOP) Adjustable (for companies) Final (for Indv. & AOP) Adjustable (for companies)

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
	<ul style="list-style-type: none"> • Royalty • Fees for technical services • Shipping income • Air Transport income • Contract or sub contract under a construction, assembly or installation project • Advertisement services rendered by T.V. Satellite Channel • Advertisement services relaying from outside Pakistan • Any other contract for construction or services • Insurance premium or re-insurance premium • Other cases 	15 15 8 3 6 6 10 6 5 20		Final Final Final Final Final Final Adjustable Final Final Adjustable
153	Payments to resident person or permanent establishment of non-resident person on account of: <ul style="list-style-type: none"> • Supplies made by distributors of fast moving consumer goods <ul style="list-style-type: none"> ➢ In the case of companies ➢ In the case of other than company • Sale of goods on amount inclusive of Sales Tax <ul style="list-style-type: none"> ➢ General <ul style="list-style-type: none"> i) In the case of companies <ul style="list-style-type: none"> ➢ Filer ➢ Non-Filer ii) In the case of other taxpayers <ul style="list-style-type: none"> ➢ Filer ➢ Non-Filer 	2 2.5 4 7 4.5 7.75	Federal Government, Company, Association of Persons (under law), non-profit organization, Foreign Contractor or Consultant and Consortium or Joint Venture, Individual (turnover of Rs. 50M or above), AOP (normal) (turnover of Rs. 50M or above), A person registered under the Sales Tax Act, 1990, an exporter or an export house	Final (Adjustable for manufacturer company or listed companies) Final (Adjustable for manufacturer company or listed companies)

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
	<ul style="list-style-type: none"> • Rice, cotton seed oil and edible oil other than mentioned below 	1.5		Final
	<ul style="list-style-type: none"> • Edible oil purchased locally by manufacturers of cooking oil and vegetable ghee or both 	2		Final
	<ul style="list-style-type: none"> • From distributor of cigarette and pharmaceuticals products and for large distribution houses 	1		Final (Adjustable for manufacturer company or listed companies)
	<ul style="list-style-type: none"> • Payment to electronic and print media for advertising services <ul style="list-style-type: none"> i) In case of a filer ii) In the case of companies <ul style="list-style-type: none"> ➤ Non-Filer iii) In the case of other taxpayers <ul style="list-style-type: none"> ➤ Non-Filer 	1.5		Final
	<ul style="list-style-type: none"> ➤ Non-Filer 	12		
	<ul style="list-style-type: none"> ➤ Non-Filer 	15		
	<ul style="list-style-type: none"> • Rendering of services <ul style="list-style-type: none"> ➤ General <ul style="list-style-type: none"> i) In the case of companies <ul style="list-style-type: none"> ➤ Filer ➤ Non-Filer ii) In the case of other taxpayers <ul style="list-style-type: none"> ➤ Filer ➤ Non-Filer ➤ Transport ➤ Rendering of or providing of stitching, dyeing, printing, embroidery, washing, sizing and weaving 	8		Minimum
	<ul style="list-style-type: none"> ➤ Non-Filer 	14.5		
	<ul style="list-style-type: none"> ➤ Filer 	10		
	<ul style="list-style-type: none"> ➤ Non-Filer 	17.5		
	<ul style="list-style-type: none"> ➤ Transport 	2		Minimum
	<ul style="list-style-type: none"> ➤ Rendering of or providing of stitching, dyeing, printing, embroidery, washing, sizing and weaving 	1		Final
	<ul style="list-style-type: none"> • Execution of contract <ul style="list-style-type: none"> i) In the case of companies <ul style="list-style-type: none"> ➤ Filer ➤ Non-Filer ii) In the case of other taxpayers <ul style="list-style-type: none"> ➤ Filer ➤ Non-Filer iii) In case of sportspersons 	7		Final (Adjustable for listed companies)
	<ul style="list-style-type: none"> ➤ Non-Filer 	12		
	<ul style="list-style-type: none"> ➤ Filer 	7.5		
	<ul style="list-style-type: none"> ➤ Non-Filer 	12.5		
	<ul style="list-style-type: none"> iii) In case of sportspersons 	10		Final

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/FINAL
156	Payment of prize on prize bond or crosswords puzzle ➤ Filer ➤ Non-Filer	15 25	Person paying the amount where the payment is not in cash	Final
	Payment of prize on winning of raffle, lottery, a quiz, offered by companies for promotion of sale.	20		Final
156A	Payment of commission or discount allowed to a petrol pump operator ➤ Filer ➤ Non-Filer	12 17.5	Person selling petroleum products to a petrol pump operator	Final
231A	Cash withdrawal from a bank (all payments in a day amount exceeding 50,000) for: ➤ Filers ➤ Non-filers	0.3 0.6	Every Banking Company	Adjustable
231AA	Advance tax on transactions in bank if the payment for withdrawal is made through any mode of banking transactions including Demand Draft, Payment Order, Online Transfer, Telegraphic Transfer, CDR, STDR, RTC, or the sum total of the payments for such transaction in a day, exceeds twenty-five thousand rupees ➤ Filer ➤ Non-Filer	0.3 0.6	Every Banking Company, non-banking financial institution, exchange company, or authorized dealer of foreign exchange	Adjustable
231B	Purchase, Registration of Transfer of Motor Vehicles ➤ Filer ➤ Non-filers	Rs. 7,500 to 250,000 Rs. 10,000 to 450,000	Excise and Taxation (Motor Vehicle)	Adjustable
231B(2)	Transfer of Registration or ownership of a private motor vehicle: ➤ Filer ➤ Non-filers	Rs. 0 to 62,500 Rs. 5,000 to 300,000	Excise and Taxation (Motor Vehicle)	Adjustable

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/FINAL
233	Payment of Brokerage and Commission <ul style="list-style-type: none"> • Advertising Agents <ul style="list-style-type: none"> ➤ Filer ➤ Non-Filer • Life Insurance Agents where commission received is less than Rs. 0.5 million per annum <ul style="list-style-type: none"> ➤ Filer ➤ Non-Filer • Person not covered in Advertising and Life Insurance Agents above <ul style="list-style-type: none"> ➤ Filer ➤ Non-Filer 	10 15 8 16 12 15	Federal Government, Local Government, Local Government, Company and Association of Person constituted by or under any law	Final
233A	On purchase of shares On sale of shares	0.02 0.02	Registered Stock Exchange	Final
233AA	On margin financing in shares business or on providing of any margin financing, margin trading or securities lending under Securities (Leveraged Markets and Pledging) Rules, 2011 in share business	10% of profit or mark-up or interest earned by the member, margin financier or securities lender	National Clearing Company Pakistan Limited	Adjustable

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/FINAL
234	On collection of motor vehicle tax of : <ul style="list-style-type: none"> • Passenger transport vehicle with registered seating capacity of 4 to 10 persons <ul style="list-style-type: none"> ➤ Filer ➤ Non-Filer • Passenger transport vehicle with registered seating capacity of 10 to 20 persons <ul style="list-style-type: none"> ➤ Filer ➤ Non-Filer • Passenger transport vehicle with registered seating capacity of 20 or more <ul style="list-style-type: none"> ➤ Filer ➤ Non-Filer • Goods transport vehicle. <ul style="list-style-type: none"> ➤ Filer ➤ Non-Filer • In the case of goods transport vehicles with minimum laden weight of 8,120 Kg, advance tax after a period of ten years from the date of first registration of vehicle in Pakistan. • Other private motor vehicle. <ul style="list-style-type: none"> ➤ Filer ➤ Non-Filer 	per seat per annum Rs. 50 Rs. 100 Rs. 100 Rs. 200 Rs. 300 Rs. 500 per kilogram of the laden weight per annum Rs. 2.50 Rs. 4 Rs. 1,200 per annum Rs. 800 to 10,000 Rs. 1,200 to 30,000	Person collecting motor vehicle tax Person collecting motor vehicle tax Person collecting motor vehicle tax Person collecting motor vehicle tax Person collecting motor vehicle tax Person collecting motor vehicle tax	Adjustable Adjustable Adjustable Adjustable Adjustable Adjustable
	<ul style="list-style-type: none"> • Where the motor vehicle tax is collected in lump sum <ul style="list-style-type: none"> ➤ Filers ➤ Non-filers 	Rs. 10,000 to 120,000 per annum Rs. 10,000 to 240,000 per annum	Person collecting motor vehicle tax	Adjustable

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
234A	<ul style="list-style-type: none"> In the case of a compressed natural gas station <ul style="list-style-type: none"> ➤ Filer ➤ Non-Filer 	4 6	Person preparing Gas Consumption bills	Final
235	On collection of amount of electricity bill: <ul style="list-style-type: none"> Where the amount of electricity bill is exceeding Rs 400 but does not exceed Rs 20,000 Where bill exceeds Rs 20,000 <ol style="list-style-type: none"> For commercial consumers For industrial consumers 	Rs. 80 to 1,500 per month 12 5	Person preparing electricity consumption bill	Adjustable for Companies (minimum for others for bill amounting to Rs. 30,000 per month / adjustable for the amount of bill exceeds 30,000)
235A	On collection of amount of electricity bill of: <ul style="list-style-type: none"> Domestic consumer having monthly bill of less than Rs. 75,000 Domestic consumer having monthly bill of Rs. 75,000 or more 	0 7.5	Person preparing electricity consumption bill	Adjustable
235B	Production of steel billets, ingots and mild steel excluding stainless steel	Rs. 1/units of electricity consumed	Person preparing electricity consumption bill	Final
236	On collection of amount of telephone charges of: <ul style="list-style-type: none"> Telephone subscriber (bill exceeds Rs. 1,000) subscriber of internet, mobile telephone and pre-paid internet or telephone card 	10 12.5	Person preparing telephone bills	Adjustable
236A	On the sale by public auction or auction by tender <ul style="list-style-type: none"> ➤ Filer ➤ Non-Filer 	10 15	Any person making sale by public auction or auction by tender	Adjustable
236B	Domestic air tickets	5	Airline issuing air tickets	Adjustable

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)		DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/FINAL
236C	On sale or transfer of immovable property for: <ul style="list-style-type: none"> ➤ Filer ➤ Non-Filer 	1	2	Any person responsible for registering or attesting transfer of immovable property	Adjustable
236D	On arranging or holding a function in a marriage hall, marquee, hotel, restaurant, commercial lawn, club, a community place or any such place used for such purpose	5		Owner, a lease holder, an operator or a manager of marriage hall, marquee, hotel, restaurant, commercial lawn, club, a community place or any other place used for such purpose	Adjustable
236F	Cable operators and other electronic media on issuance of license for distribution services or renewal of license <ul style="list-style-type: none"> • In case of Cable Television Operator License category H to B-10 In case of IPTV, FM Radio, MMDS, Mobile TV, Mobile Audio, Satellite TV Channel, and landing rights 	Tax On License Fee Rs 7,500 to Rs 875,500	Tax On Renewal Rs 10,000 to Rs 900,000	Pakistan Electronic Media Regulatory Authority	Adjustable
236G	Sales to distributors, dealers and wholesalers Fertilizers: <ul style="list-style-type: none"> ➤ Filer ➤ Non-Filer Other than fertilizers <ul style="list-style-type: none"> ➤ Filer ➤ Non-Filer 	0.7	1.4	Every manufacturer or commercial importer of electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector	Adjustable in the year tax was collected
		0.1	0.2		
236H	Advance tax on Sales to retailers <ul style="list-style-type: none"> • In case of filer <ul style="list-style-type: none"> • Electronic • Others • In case of non-filers 	1	0.5	Every manufacturer, distributor, dealer, wholesaler or commercial importer of electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector	Adjustable in the year tax was collected
		1			
236I	Fee paid to an educational institution Where annual fee exceeds Rs 200,000	5		The person preparing fee voucher or challan	Adjustable against the liability of either of the parents or guardian making payment of fee

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
236J	On the issuance or renewal of licenses of dealers, commission agents and arhatis etc: Group or Class A Group or Class B Group or Class C Any other category	(per annum) Rs 10,000 Rs 7,500 Rs 5,000 Rs 5,000	Every market committee	Adjustable
236K	On purchase or transfer of immovable property: Where value of immovable property is upto Rs. 3 million Where value of immovable property is more Rs. 3 million <ul style="list-style-type: none"> ➤ Filer ➤ Non-Filer ➤ For non-filer up to the date appointed by the Board 	0 2 4 1	Any person responsible for registering or attesting transfer of any immovable property	Adjustable
236L	On purchase of international air ticket (one-way or return) issued from Pakistan on: <ul style="list-style-type: none"> ➤ First Executive Class ➤ Other excluding Economy: ➤ Economy 	Rs. 16,000 per person Rs. 12,000 per person Rs. 0	Every airline issuing ticket for journey originating from Pakistan	Adjustable
236P	Banking Transaction Otherwise Than Through Cash for Non-Filer	0.6	Every banking company	Adjustable
236Q	On use or right to use industrial, commercial and scientific equipment	10	Federal Government, Company, Association of Persons (under law), non-profit organization, Foreign Contractor or Consultant and Consortium or Joint Venture, Individual (turnover of Rs. 50M or above), AOP (normal) (turnover of Rs. 50M or above), A person registered under the Sales Tax Act, 1990, an exporter or an export house	Final

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
236R	On education related expenses remitted abroad	5	Banks, financial institutions, foreign exchange companies or any other person	Adjustable
236S	Payments of dividend declared / distributed by: <ul style="list-style-type: none"> • Purchaser of a power project privatized by WAPDA • Company set up for power generation • Company supplying coal exclusively to power generation projects • Any other filer • Any other Non-filer • Dividend received from a Stock Fund by: <ul style="list-style-type: none"> ➤ Individual ➤ Company ➤ AOP • Dividend from Stock fund is less than capital gains • Dividend received from Money Market Fund, Income Fund or any other fund by: <ul style="list-style-type: none"> ➤ Individual <ul style="list-style-type: none"> • Filer • Non-Filer ➤ Company <ul style="list-style-type: none"> • Filer • Non-Filer ➤ AOP <ul style="list-style-type: none"> • Filer • Non-Filer 	7.5 7.5 7.5 12.5 20 12.5 12.5 12.5 12.5 12.5 15 25 25 12.5 15	Every person paying dividend Collective Investment Scheme REIT Scheme or mutual fund Collective Investment Scheme REIT Scheme or mutual fund	Final Final Final
236U	For Non-Filers <ul style="list-style-type: none"> • General Insurance premium • Life Insurance premium if exceeding Rs. 0.3 million per annum • Others 	4 1 0	Every Insurance Company	Adjustable

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/FINAL
236V	Extraction of Minerals <ul style="list-style-type: none"> • Filer • Non-Filer 	0 5	Provincial Authority collecting royalty per metric ton	Adjustable
236W	Advance tax on purchase or transfer of immovable property	3	Every person responsible for registering or attesting transfer of any immovable property	Adjustable
236X	Advance tax on tobacco	5% of purchase value	Pakistan Tobacco Board	Adjustable

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

The proposed new section 236X added whereby advance tax on tobacco shall collect at the rate of 5% of the purchase value of tobacco from every person purchasing tobacco including manufacturers of cigarettes.

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