PKF F.R.A.N.T.S.
Chartered Accountants

BUDGET PRECIS
2017 - 2018

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BUDGET OVERVIEW

As expected, the Government has presented a development oriented budget in line with the previous year's agenda. The overall quantum of the budget is Rs. 4.750 trillion. Main focus on the development sector who's spending has been budgeted to Rs. 1.001 trillion against Rs.715 billion last year depicting a whopping 40% increase. In order to fund the expenditures, tax revenue has been forecasted at Rs. 4.33 trillion out of which Federal Board of Revenue (FBR) shall be collecting Rs.4.01 Trillion. However, the target seems ambitious one considering the fact that FBR is lagging behind to achieve the current year target despite exploiting all the ammunition in its arsenal.

Government performance in 2016-17 showed improvement in certain sectors, however, the revenue and growth targets are missed. Financial Year 2016-17's GDP growth of 5.28% has been the highest for the last decade although it was short of targeted GDP Growth of 5.7%. Per capita income rose from $ 1,531 to $ 1,629 recording 6% increase over the last year which is considerably higher than the growth of last year i.e. 3%. In the current year the agriculture sector has also performed well which has contributed to healthier GDP showing increase of 3.46% against 0.27% last year. However, industrial sector's growth was 5% against 5.8% last year as power shortages have taken its toll on the industrial sector. Services sector performed well and achieved its target by growing at 5.98% against 5.55% last year.

The present Government has increased tax collection in its tenure by smacking various enhanced rates for non-filers along with increasing indirect taxes. The Government in the present budget has also enhanced withholding tax rates for certain transactions by non-filers. However, FBR has by large under performed in identifying and taxing non-filers by making use of all the information which is readily available with them. In order to meet stiffer collection target, FBR will have to focus more on tracking down these non-filers by bringing them in the tax net. However, the government has decided to form Directorate-General of Broadening of Tax Base, which may be a right step in this direction.

Lower foreign direct investment volumes despite the heavy uproar of CPEC related foreign investment, lack of strategic framework for promoting high value addition exports products, continually decreasing exports on the context of very high electricity costs coupled with its vulnerable supply, absorbed taxes in the raw materials' costs for SME export sector on account of import and other withholding taxes resulting uncompetitive Pakistani pricing in the global arena, blockage of refunds and duty draws backs by the Government are the major challenges which are needed to be tackled as a top priority in order to keep the momentum and direction of the economy on the right track.

With the influx of Chinese investment and focus of business world on CPEC, improved security situation, completion of energy projects and keeping in view the economy's performance last year one can safely infer that the economy can take a sustainable growth route if the policy makers act prudently, meticulously and expeditiously in right direction. If the federal development budget along with provincial annual development budget is spent effectively, many mega projects may get completed in 2017-18, which may contribute in the long-term growth and stability of the country economy subject to a proportionate investment to be made in the human development of the country and capacity building of the State institutions.

INCOME TAX

Definition of **fast moving consumer goods** has been proposed to be modified for the exclusion of durable goods.

Finance bill proposes to define **Start-ups** to provide incentives in the form of tax exemption for small to medium sized persons registered with Pakistan Software Export Board having turn-over of less than rupees one hundred million in each of last five years dealing in technology driven products and services.

Super tax which was applicable till Tax Year 2016 has now been proposed to be extended to Tax Year 2017.

Section **5A** regarding tax on undistributed reserves has been proposed to be substituted and now 10 % tax on undistributed profits shall be payable by public companies who do not distribute at least 40 % of their profit through dividend or bonus shares without any condition of reserves being in excess of paid up capital.

Section 7C and 7D have been proposed to be modified to restrict the applicability to the business or projects undertaken for construction and sale of residential, commercial or other buildings initiated and approved during tax year 2017 only and subjected to payment of advance tax and issuance of installment schedules as per respective rules.

Finance bill proposes to increase the **threshold of loan** from five hundred rupees to one million rupees on which either no profit is payable or the rate of profit on loan is less than the benchmark rate for treating the differential rate as perquisite.

Finance bill proposes to enhance the allow-ability limit for **sales promotion related expense** in case of Pharmaceuticals Companies from 5% to 10%.

Finance bill proposes to bring an **asset co-owned by a taxpayer and an Islamic financial institution** licensed by SBP or SECP under Musharika Agreements, within the purview of depreciable asset in the hands of taxpayer.

The Finance bill proposes to amend **Section 53** by adding 2 provisos relating to the applicability of notifications (which have not been earlier rescinded) by providing them legal cover up to June 30, 2018. This is in wake of decision of the Supreme Court where notifications issued without Cabinet approval were declared illegal.

Certain powers have been assigned to Board through Minister In charge to make rules and decisions which were previously exercised only by Federal Government.

The Finance bill proposes to enhance the threshold of maximum taxable income for **deductible allowance for education expenses** from rupees one million to rupees one and a half million.

The limit for contribution for claiming **Tax credit for investment in health insurance** has been proposed to be enhanced from one hundred thousand rupees to one hundred and fifty thousand rupees.

Tax credit of 3% under **Section 65A** for sales to sales tax registered persons is proposed to be withdrawn.

Tax credit for **enlistment on stock exchange** under section 65C is proposed to be further available for one tax year provided that the tax credit for the last two years shall be 10% of tax payable while the rate of 20% will remain valid first year only.

Finance bill proposes to omit sub-section 3 of **Section 94** through which dividend paid by a non-resident company to a resident person was chargeable to tax under the head “Income from Business” or “Income from Other Sources”.

It is proposed to amend **Section 100** to bring the profit and gains derived from sui gas field within the purview of Fifth Schedule.

Finance bill seeks amendments in **Section 100C** by introducing a restriction on the administrative and management expenditure up to 15% of the total receipts. Furthermore, it is proposed to tax surplus funds of Not for Profit organizations at the rate of 10% subjected to certain criteria without suspending the registration as an NPO.

A correction has been proposed in **Section 114 (6)(c)** by omitting provisional assessments from the conditions for revising the returns as the **section 122C** has been omitted.

It is proposed in **Section 115** to allow relief to widows, orphans and disabled in filing of return on account of ownership of immovable property, flat and vehicle as per the requirements of Section 114.

It is proposed to amend **Section 119(4)** to empower the Chief Commissioner to grant extension in time for filing of return in case the same has been refused by the Commissioner.

Finance bill proposes amendment in Section **121** to allow Commissioner to make best judgment assessment on non-filing of return in response to notice under sub-sections (3) and (4) of section 114.

Finance bill proposes to omit **section 130(3)(c)** through which FBR was authorized to appoint a law graduate officer of Inland Revenue Service in BS-20 or above as Judicial Member of Appellate Tribunal.

It is proposed to enhance the threshold for payment of **advance tax u/s 147** from five hundred thousand to one million for individuals.

Section 148(7) is proposed to be amended to make the tax withheld on import of fertilizer by the manufacturer as final tax.

Section 152(B) is proposed to be amended to make the tax withheld from non-residents as final tax on the option of non-residents. This option was earlier available under clause 41 of Part IV of the Second Schedule to the Ordinance.

A proviso to **Section 153(1)** is proposed to be added in which service provider has been made liable for collection of tax from service charge retained by 3rd party or agent for collection of their fee. It appears that this amendment is a result of dismissal of FBR appeal by Supreme Court against Pakistan Television and Distribution Companies.

It is proposed to make provision for **revision of withholding statements** under section 165 within 60 days of filing of the statement which is currently missing in the statute and causing many undue practical hurdles.

Finance bill proposes to make Cost and Management firms eligible for audit **under section 176.**

Finance bill seeks to amend **Section 182** for penalty on Financial Institutions and reporting entities for failure to disclose certain information.

Section 205 is proposed to be amended to cater for the calculation of default surcharge in the case of persons having a special tax year. It is proposed that the default surcharge shall be calculated on and from the first day of the fourth quarter of tax year.

Advance ruling u/s 206A is proposed to be applicable to non-residents having permanent establishment in Pakistan.

The finance bill proposes to add **District Taxation Officer** and **Assistant Director Audit** as officers of Inland Revenue.

Section 216 is proposed to be modified for provision of information to **Employees Old Age Benefit Institution** regarding salaries in statements furnished under section 165.

It is proposed to amend **Section 227B** in order to reject the claim of reward by whistle blower if the information is not supported by any evidence.

Finance bill proposes to make provision in the Ordinance for new **Directorates General** namely Directorate-General of Broadening of Tax Base and Directorate-General of Transfer Pricing.

It is proposed to amend **Section 231B** so that the Modarabas, Islamic Banks and Shariah Compliant Schemes can be brought in the purview of the said section.

Withholding tax under **Section 233A** by the Stock Exchange has been proposed as final tax.

An explanation regarding income has been proposed in **Section 234A (3)** to clarify income from CNG stations.

An explanation regarding electricity bill has been proposed in **Section 235 & 235A** to clarify that threshold of monthly bills is inclusive of sales tax and all incidental charges. The threshold has also been increased from Rs.30,000 per month to Rs. 36,000 per month in order for tax withholding of commercial and industrial consumers.

An explanation has been proposed in **Section 236C, 236K and 236W** to clarify that the said sections are applicable to person responsible for registering, recording or attesting transfer for local authority, housing authority, housing society, co-operative society and registrar of properties. Furthermore, tax withheld on the sale and purchase of immovable property within same tax year has been proposed minimum tax under Section 236K.

Advance tax on sales to distributors, dealers and wholesalers and retailers under **Section 236G and 236H** respectively has been proposed to be collected on sale of batteries too.

A new **Section 236X** has been proposed requiring Pakistan Tobacco Board, at the time of collecting cess on tobacco shall also collect advance tax at the rate of five percent of the purchase value of tobacco from every person purchasing tobacco including manufacturers of cigarettes.

A new **Section 241** has been proposed validating all notifications and orders issued and notified, before the first day of July, 2017 notwithstanding anything contained in any judgment of a High Court or the Supreme Court.

Income Tax Schedules

Dividend Income received by a person from a Company is proposed to be taxed at the increased rate of 15% instead of previous rate of 12.5%. The dividend paid by the Mutual Fund is proposed to be taxed at a higher rate of 12.5% from 10% under section 5 of the Ordinance.

Tax Rates for Profit on debt for Individuals and AOPs are proposed as under:

Profit on debt		Rate
From	Up to	
0	5,000,000	10%
5,000,001	25,000,000	12.5%
25,000,001	and above	15%

From tax year 2018, **tax rates on Capital gains on disposal of securities** are proposed to be taxed at 15% and 20% for filers and non-filers respectively on shares purchased after July 01, 2013.

Tax rates on future commodity contracts entered into by members of Pakistan Mercantile Exchange applicable at 5% is proposed to be extended for the tax year 2018 without distinguishing between filer or non-filer.

Minimum Tax under section 113 of the Ordinance is proposed to be increased to 1.25% from existing 1% for all other cases except for those whose rate for tax year 2017 is less than 1%.

Advance tax on dividend paid by companies for filers is intended to be collected from filers at 15% instead of existing 12.5%.

Advance tax on dividend paid by collective investment scheme, REIT Scheme or a mutual fund is proposed to be tax as under.

Person	Stock Fund	Money market fund, income fund or REIT scheme or any other fund	
		Filer	Non-Filer
Individual	12.5%	12.5%	15%
Company	12.5%	25%	25%
AOP	12.5%	12.5%	15%

Rate of **Advance tax on payments** to non-residents against construction contracts and advertisement services under section 152(1A) of the Ordinance is proposed at 13% from existing 12% for non-filer.

Rate of advance tax for non-filer permanent establishment of non-resident under section 152(2A) (a) of the Ordinance against supply of goods by Company and other than Company is proposed to be increased from 6% and 6.5%to 7% and 7.75% respectively.

Rate of advance tax for non-filer permanent establishment of non-resident under section 152(2A)(b) of the Ordinance against supply of services by Company and other than Company proposed to be increased from 12% to 14% and 15% to 17.5% respectively.

Rate of advance tax for non-filer permanent establishment of non-resident against execution of contract is proposed to be increased from 12% to 13%.

Reduced rate of 1.5% applicable to cotton seed and edible oils under section 153(1) (a) of the Ordinance is clarified to mean cotton seed oil and edible oils.

Rate of advance tax under section 153(1) (a) of the Ordinance for supply of FMCG is proposed to be reduced from 3% and 3.5% to 2% and 2.5% for Companies and Other than Companies respectively.

Rate of advance tax for non-filer resident persons under section 153(1) (a) against supply of goods by Company and other than Company is proposed to be increased from 6% and 6.5% to 7% and 7.75% respectively.

Rate of advance tax for non-filer resident persons under section 153(1) (b) against supply of services by Company and other than Company is proposed to be increased from 12% to 14.5% and 15% to 17.5% respectively.

Rate of advance tax for non-filer resident persons under section 153(1) (c) against execution of contract by Company and other than Company is proposed to increase from 10% to 12% and 12.5% respectively.

Rate of advance tax for non-filer companies receiving rent under section 155 of the Ordinance is introduced at 17.5%.

Rate of advance tax for non-filer persons winning prize bond or cross word puzzle under section 156 of the Ordinance is proposed to increase to 25% from existing 20%.

Rate of advance tax for non-filer Petroleum Products Agents under section 156A of the Ordinance is proposed to be increased to 17% from existing 15%.

Non-filer regime for CNG stations under section 234A of the Ordinance introduced at the rate of 6% whereas existing rate of 4% applies for filers.

Rate of advance tax for internet and mobile telephone under section 236 of the Ordinance is proposed to be reduced to 12.5% from existing 14%.

Reduction in advance tax against purchase or registration of motor vehicle under section 231B for filers is proposed to be reduced as under.

Engine Capacity	Proposed	Existing
0-850cc	Rs. 7,500	Rs. 10,000
851-1000cc	Rs. 15,000	Rs. 20,000
1001-1300cc	Rs. 25,000	Rs. 30,000

Non-filer regime for persons participating in auction under section 236A of the Ordinance is proposed at 15% whereas existing rate of 10% has not been changed for filers.

Advance Tax rates for retailers under section 236H of the Ordinance is proposed to be enhanced in the following manner.

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

Limit of life insurance premium for deduction of advance tax under section 236U of the Ordinance for non-filers is proposed to be Rs.300,000 from existing limit of Rs.200,000.

2nd Schedule

Exemptions/Concessions Introduced:

- Income of Asian Infrastructure Investment Bank and persons as provided in Article 51 of Chapter IX of the Articles of Agreement signed and ratified by the Pakistan is proposed to be exempt from tax.
- Tax exemption for the income of Gulab Devi Chest Hospital, Pakistan Poverty Alleviation Fund and National Academy of Performing Arts is proposed.
- Exemption from tax is proposed to be granted to Japan International Cooperation Agency (JICA) on profit on debt earned from Islamabad-Burhan Transmission Reinforcement Project (Phase-I).
- Any income derived by any political party registered under the Political Parties Order, 2002 with the Election Commission of Pakistan is suggested to be exempted from income tax.
- Tax exemption including minimum tax and withholding under section 153 is proposed to allow to startup businesses as introduced in this Finance Bill under section 2(62A) of the Ordinance.
- Exemption from withholding of tax at import stage under section 148 of the Ordinance to Oil Marketing Companies namely Z&M Oils (Private) Limited, Exceed Petroleum (Private) Limited, Petrowell (Private) Limited, Quality-1 Petroleum (Private) Limited, Horizon Oil Company (Private) Limited, Outreach (Private) Limited, and Kepler Petroleum (Private) Limited is proposed to be granted.
- Fixed tax Regime of **Hajj Group Operators** is proposed to be extended up to Tax Year 2017.
- Limit for importing raw material without payment of advance tax under section 148 of the Ordinance is proposed to be 125% from existing 110% of the imported and consumed raw material of the preceding tax year.

- PCT headings for various agricultural equipment are harmonized in the wake of implementation of new PCT codes with effect from July 01, 2017.

- Reduced rate of 2% for a **company** being a **filer** engaged in freight forwarding services, courier services, man power outsourcing services, hotel services, security guard services, software and IT related services, car rental services, services rendered by Pakistan Stock Exchange etc. has been proposed to be extended up to tax year 2018 subject to filing of irrevocable undertaking by November 2017 to present its accounts for audit.

- Cash withdrawal made from Branchless Banking Agents' Accounts is proposed to be exempt from deduction of tax under section 231A of the Ordinance.

- It is proposed that tax on motor vehicles to be collected by leasing companies from non-filers shall not to apply on light commercial vehicles leased under the Prime Minister's Youth Business Loan Scheme.

7th Schedule

It is proposed that **Notional gain/loss** shall not be allowed while computing taxable income of banking companies.

8th Schedule

NCCPL is now proposed to submit to FBR a statement of capital gains and tax computed therein within forty five days instead of existing thirty days.

National Bank of Pakistan is proposed to transfer the amount deposited by the NCCPL by August 15th instead of current July 31st.

Sales Tax

A new clause (43A) in section 2 has been inserted where the concept of **Tier-1 "Retailers"** existed in Rule-4 of Special Procedures which has been struck down by the Lahore High Court; has now been made as part of Definition clause. Following categories fall under Tier-1 Retailer:

- a retailer operating as a unit of a national or international chain of stores;
- a retailer operating in an air-conditioned shopping mall, plaza or center, excluding kiosks;
- a retailer whose cumulative electricity bill during the immediately preceding twelve consecutive months exceeds rupees six hundred thousand; and
- 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;

The retailers falling under above categories shall pay **sales tax at normal rate** and shall observe all the applicable provisions of the Act and rules made there under, including the requirement to file monthly sales tax returns.

However, the retailers making supplies of finished goods of the five sectors specified in Notification No. S.R.O. 1125(I)/2011, dated 31st December 2011 shall pay sales tax in respect of such supplies at the rates prescribed in the said Notification.

An option has been given to Tier-1 retailers, to pay sales tax under the turnover regime at the rate of two percent of their total turnover, including turnover relating to exempt supplies, without adjustment of any input tax; in lieu of normal tax payable. Those retailers opting to pay sales tax on the basis of total turnover shall file an option to the Chief Commissioner of Regional Tax Office or Large Taxpayers Unit having jurisdiction by 15th day of July opting to pay sales tax on the basis of turnover and such an option shall remain in force for the whole financial year.

The scope of tax in respect of **goods imported into Pakistan** has been clarified by adding the reference to clause 2 of Article 1 of the Constitution of Pakistan. Now Section 3 shall also apply on imports destined for non-tariff areas.

The **scope of Further Tax** has been extended to Zero rating goods by adding section 4 at the end of Section 3(1A). In recent order the Lahore High Court hold that zero rated goods covered under SRO 1125 are not subject to further tax. To counter the implications of the said decision, corresponding amendments have been proposed in section 4 as well.

Various Sections have been amended whereby the **power to notify to charge tax** on taxable goods and manner to charge such higher or lower rate or rate as may be specified has been assigned to Board with the approval of Minister in Charge instead of the Federal Government. Similar amendments have been made in Section 4 to notify zero rating of taxable supplies and in section 7(3) and (4) to allow input tax against output tax to registered persons or class of persons and Section 7A for Levy and **collection of tax on specified goods** on value addition. Section 8 where tax credit is not allowed. The exemption notified u/s Section 13(2)(a) shall also be exercised by Board through Minister In Charge but the Board shall place all notification before the National Assembly issued in financial year for approval at the year end.

A legal protection has been proposed for the notifications issued with effect from 1st July 2016 which shall remain in force till 30th June 2018 unless rescinded earlier.

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Similar powers have been assigned to Board through Minister in Charge power to deliver certain goods without payment of tax under section 60 and Exemption of tax not levied or short levied as a result of general practice under section 65. Previously “Special Procedure” could only be prescribed by the Federal Government; now the Board through Minister in Charge has also been proposed to prescribe such Rules.

List of Sales tax authorities proposed to include **“District Taxation Officer”** and Assistant Director Audit. Further the Chief Commissioners Inland Revenue shall perform their functions in respect of such persons or classes of persons of such areas as the Board may direct. Whereas, the Commissioners Inland Revenue shall perform their functions in respect of such persons or classes of persons of such areas as the Chief Commissioner, to whom they are sub-ordinate, may direct.

Measures against counterfeited or non-tax paid cigarette made further stringent by introducing specific penalty clause in section 33 with respect to manufacture, possession, transportation, distribution, storage and sale of such cigarette packs. Further, it shall be liable to confiscation, permanent seizure of vehicles and imprisonment up to 5 years plus 100% penalty.

A proviso has been added in section 48(1) (f) that the **Commissioner shall not issue notice** for recovery of any tax due from a taxpayer if the said taxpayer has filed an appeal under section 45B in respect of the order under which the tax sought to be recovered has become payable and the appeal has not been decided by the Commissioner (Appeals), subject to the condition that twenty-five per cent of the amount of tax due has been paid by the taxpayer.

An **order/notice sent electronically** through email or to the e-folder maintained for the purpose of e-filing of Sales Tax-cum-Federal Excise returns by the Limited Companies, both public and private shall be treated as properly served. It means service of order in person is not compulsory.

A new Section 74A has been added to give **legal cover to all notifications and orders** issued and notified in exercise of the powers conferred upon the Federal Government, before the commencement of Finance Act, 2017. These notifications/orders shall be deemed to have been validly issued and notified in exercise of those powers, notwithstanding anything contained in any judgment of the High Court or Supreme Court.

Pakistan being a **signatory to HS Convention** is obliged to adopt the latest HS 2017 effective internationally from January 2017. Pakistan is bound to adopt the new HS Code system from beginning of its financial year. Consequently, the HS Codes of various items are harmonized with the latest changes.

Schedules

3rd Schedule

Fertilizers are proposed to be excluded from the ambit of Third Schedule for entry in Eighth Schedule by incorporating clauses 35 to 44 allowing different rates on respective products along with reduced rates for supply & procurement of Natural Gas & Phosphoric Acid specifically to fertilizer plants.

6th Schedule

Following exemptions have been introduced in Table 1 (Import or Supplies):

- Goods received as gift or donation from foreign government or organization by the Federal or Provincials Governments or any public-sector organization subject to recommendations of the Cabinet Division and concurrence by the FBR.
- Sunflower and canola hybrid seeds meant for sowing

- Combined harvesters up to five years old
- Single cylinder agriculture diesel engines of 3 to 36HP and CKD kits thereof

Entries with respect to alternate energy in Table 3 of the Sixth Schedule have been harmonized.

8th Schedule

Reduced rate of 5% introduced in Finance Act, 2016 for shifting existing analog cable to digital cable which is expiring on June 30, 2017 is extended for further one year i.e. up to June 30, 2018.

Reduced rates for **fertilizers** have been proposed as under.

Sr #	Description	Rate / Amount	Conditions
35	**DAP**	**Rs. 100/50kg**	**Nil**
36	NP (22-20)	**Rs. 168/50kg**	If Manufactured from Gas other than Imported LNG
37	NP (18-18)	**Rs. 165/50kg**	
38	NPK-I	**Rs. 251/50kg**	
39	NPK-II	**Rs. 222/50kg**	
40	NPK-III	**Rs. 341/50kg**	
41	SSP	**Rs. 31/50kg**	
42	CAN	**Rs. 98/50kg**	
43	Natural Gas	10%	If supplied to fertilizer plants for manufacturing of UREA
44	Phosphoric Acid	5%	If Imported by Fertilizer Company for Manufacturing of DAP

Sales tax on **import of poultry machinery** has been suggested at reduced rate of 7% as under.

Sr #	DESCRIPTION	HS Codes	Rate
45	i) Machinery for Preparing feeding stuff	**8436.1000**	**7%**
	ii) Poultry incubators and brooders	**8436.2100 & 8436.2900**	**7%**
	iii) Insulated sandwich panels	**9406.0090**	**7%**
	iv) Poultry Sheds	**9406.0020**	**7%**
	v) Evaporative air cooling system	**8479.6000**	7&
	Vi) Evaporative cooling pad	**8479.9010**	10%

Sales tax on **import of multi-media projectors** by educational institutions has been suggested at reduced rate of 10%.

Sales tax on **locally produced coal** is proposed to be charged at the higher of Rs.425 per metric ton or 17% ad valorem for HS Code 27.01

9th Schedule

Sales Tax on low and medium priced cellular mobile or satellite phones has been proposed to be taxed at Rs.650 instead of prevailing rates of Rs.300 & 1,000 respectively.

Amendments in certain Special Procedure Rules announced but respective SROs not yet issued. Following is the list of such amendments:

- **Lubricants** are proposed to be excluded from the charge of extra tax under the Special Procedure for Payment of Extra Tax on Specified Goods.
- Sales tax on **import of fabrics** by the commercial importers was zero rated

under SRO 1125; which is now suggested at 6%.

- Sales tax on retail of **five export oriented sectors** is chargeable @5% which is proposed to be enhanced to 6%.

- **Steel sector** is currently paying sales tax based on **consumption of electricity** at Rs. 9 per unit of electricity which has now been suggested to be to Rs. 10.50.

- Withholding rules for registered taxpayers is proposed to be withdrawn in the wake of last year introduced **STRIVE** (Sales Tax Real Time Invoice Verification).

FEDERAL EXCISE DUTY

Various Sections have been amended whereby the **power to notify/charge tax** on taxable goods and manner to charge such at higher or lower rate or rate as may be specified which has been assigned to Board with the approval of Minister In Charge instead of the Federal Government. The exemption to be notified shall be exercised by Board through Minister-In Charge but the Board shall place all notification before the National Assembly issued in financial year. A legal protection has been provided to the notifications issued from 1st July 2016 shall remain in force till 30th June 2018 unless rescinded earlier.

The List of authorities is proposed to include **"District Taxation Officer"** and **"Assistant Director Audit"**. The Chief Commissioners Inland Revenue shall perform their functions in respect of such persons or classes of persons of such areas as the Board may direct. Whereas, the Commissioners Inland Revenue shall perform their functions in respect of such persons or classes of persons of such areas as the Chief Commissioner, to whom they are sub-ordinate, may direct.

A proviso has been added in section 37 that the **Commissioner shall not issue notice** for recovery of any tax due from a taxpayer if the said taxpayer has filed an appeal under section 33 in respect of the order under which the tax sought to be recovered has become payable and the appeal has not been decided by the Commissioner (Appeals), subject to the condition that twenty-five per cent of the amount of tax due has been paid by the taxpayer.

A new Section 43A has been added and all notifications and orders issued and notified in exercise of the **powers conferred upon the Federal Government**, before the commencement of Finance Act, 2017, shall be deemed to have been validly issued and notified in exercise of those powers, notwithstanding anything contained in any judgment of the High Court or Supreme Court.

An **order/notice sent electronically** through email or to the e-folder maintained for the purpose of e-filing of Sales Tax-cum-Federal Excise returns by the Limited Companies, both public and private shall be treated as properly served. It means service of order/notice in person is not compulsory.

Where any person is engaged in the **manufacture or production of cigarettes** in the manner contrary to this Act or the rules made there under or otherwise evades duty of excise on cigarettes or is engaged in the manufacture or production of counterfeited cigarettes or tax stamps, banderoles, stickers, labels or barcodes, or is engaged in the manufacturing or production of cigarettes packs without affixing, or affixing counterfeited, tax stamps, banderoles, stickers, labels or barcodes, the machinery, equipment's, instruments or devices used in such manufacture or production shall, after outright confiscation, be destroyed in such manner as may be approved by the Commissioner and no person shall be entitled to any claim on any ground whatsoever, or be otherwise entitled to any compensation in respect of such machinery or equipments, instruments or devices and such confiscation or destruction shall be without prejudice to any other penal action which may be taken under the law against the person or in respect of the cigarettes, tax stamps, stickers, labels, barcodes or vehicles involved in or otherwise linked or connected with the case.

Federal Excise duty on cement has been increased from Rs.1 per kg to Rs.1.25 per kg.

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