Budget Commentary, 2012

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, 2012 which upon enactment with or without modification shall be issued as Finance Act, 2012.

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 2012 unless otherwise stated. The reference to the repealed Ordinance means the repealed Income Tax Ordinance, 1979.

BDO Ebrahim & Co.
Dated: June 2, 2012

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

	2012-13		2011-12	
	Rs.	%	Rs.	%
Receipts				
Revenue Receipts				
Direct taxes	932	29	744	27
Indirect taxes	1,572	49	1,330	48
	2,504	**78**	**2,074**	**75**
Non-tax revenue	730	23	658	24
Gross revenue receipts	3,234	101	2,732	99
Less: Provincial share	(1,459)	(46)	(1,203)	(43)
Net revenue receipts	**1,775**	**55**	**1,529**	**55**
Capital receipts	478	15	396	14
External resources	387	12	413	15
Cash balance	79	2	125	5
Bank borrowings	484	15	304	11
Total Resources	**3,203**	**100**	**2,767**	**100**
Expenditure				
Current Expenditure				
Defence	545	17	495	18
General public services	1,877	59	1,660	60
Others	190	6	160	6
	2,612	**82**	**2,315**	**84**
Development expenditure	591	18	452	28
Total Expenditures	**3,203**	**100**	**2,767**	**100**

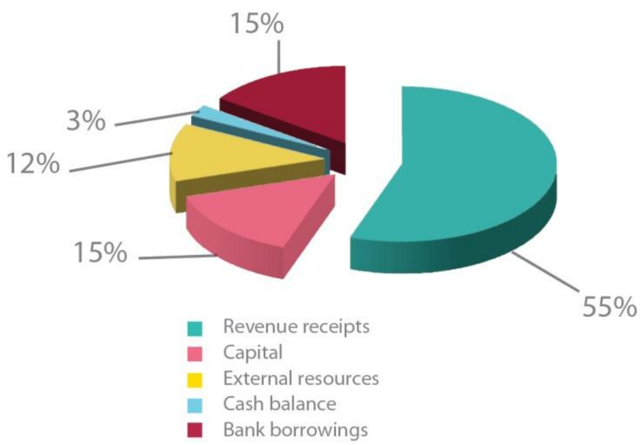
Notes:

i Figures have been obtained from amounts quoted in various articles and newspapers.

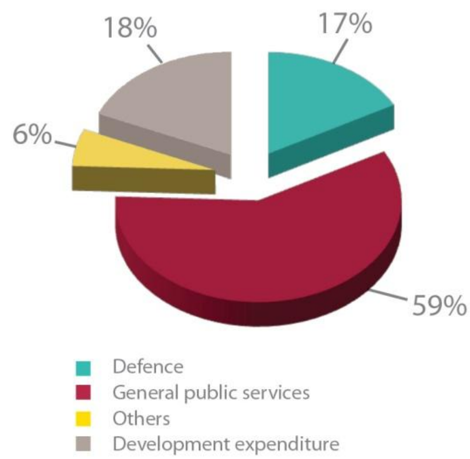
ii General public services includes debt servicing, transfer payments and allowances.

COMPARATIVE BUDGET AT A GLANCE

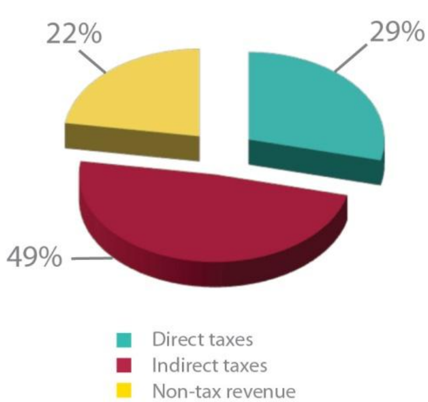
Sources of Funds



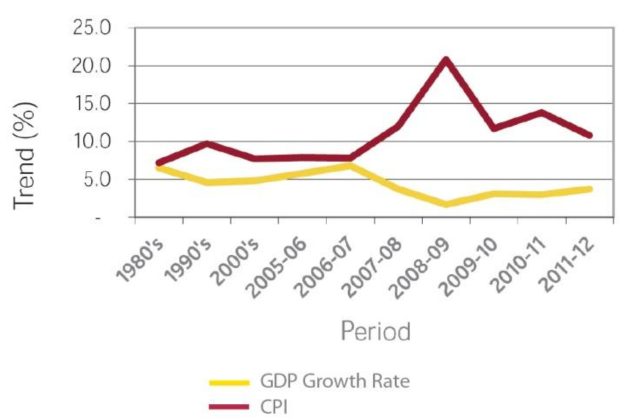
Utilisation of Funds



Breakup of Revenue Receipts

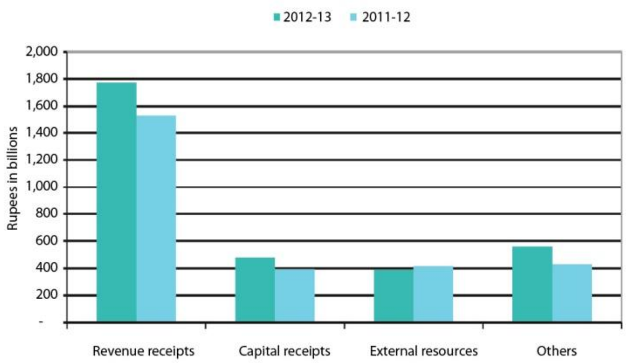


Trends in Growth and Inflation

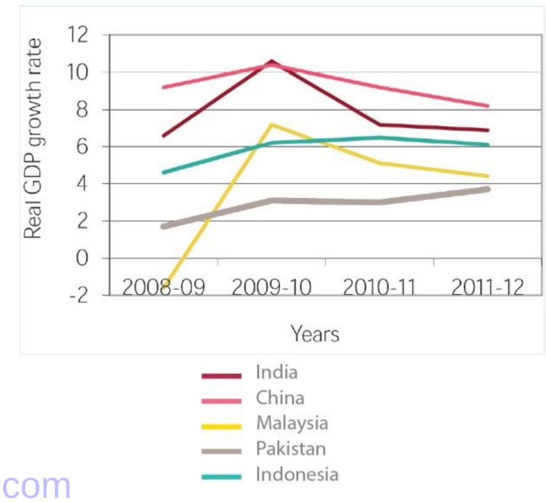


COMPARATIVE BUDGET AT A GLANCE

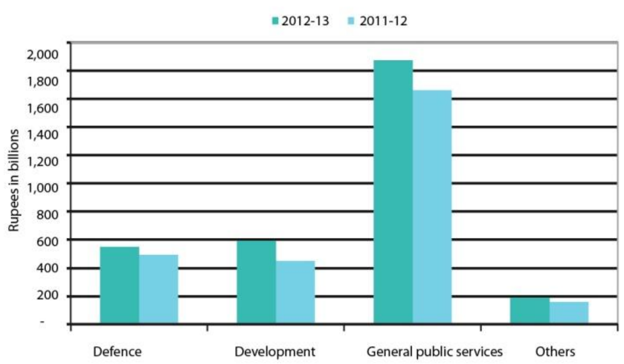
Comparison of Revenue



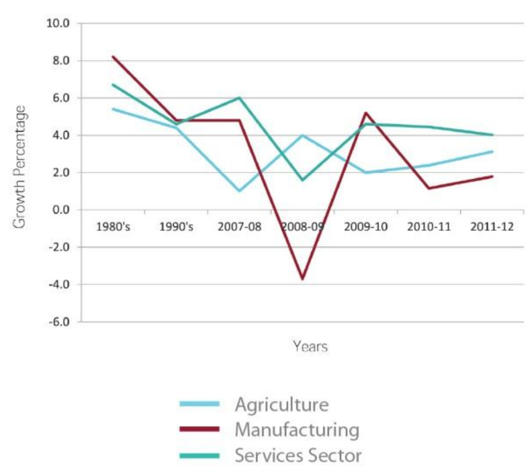
Comparative Real GDP Growth Rate



Comparison of Expenses



Growth Performance of Components of Gross Domestic Product

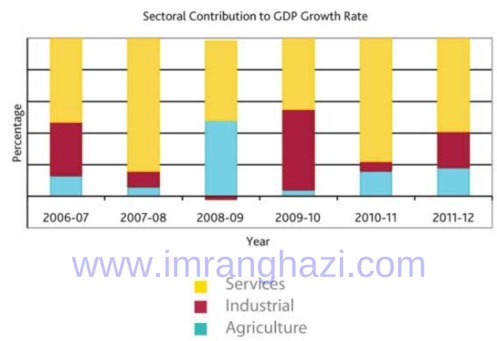


OVERVIEW

The electoral driven, self lauded, “historical” fifth budget of the present Government was presented amidst a rather raucous audience in the National Assembly. Preceding the Budget speech, there was an acknowledgement that the budget targets set out in the prior year remained largely unachieved. Beyond certain populist measures contained in the present budget, the provisions primarily seek to reduce the tax burden on compliant tax payers, streamline administrative procedures and incentivize investment and enhancing the tax net. The impact on the provisions do, however, appear to pale in comparison with the larger structural macroeconomic issues affecting the country, in particular the rising fiscal deficits and consequential increases in the domestic debt levels which have reached alarming levels.

Growth

Pakistan’s economy measured through real GDP has grown at a modest rate of 3.7% as compared to the corrected 3.0% in the previous year. The real growth rate must be reviewed in the context of the “real economy” which logically should include an evaluation of the informal economy which is a significant component affecting the livelihood and economic activity in the country. To understand the growth achieved and its momentum, a perusal of the components would provide useful insight.



Agriculture

With a 21% share of the GDP and employing 45% of the country’s labour force, the agricultural sector continues to be a cornerstone in the economy of Pakistan. The overall growth in the sector was 3.1% with growth in major crops at a rate of 3.2%. This growth rate must be viewed in the context of a difficult year in 2010-11 on account of floods. It appears that agriculture lobbies continue to succeed in deferring the ephemeral reference to bring the politically sensitive agriculture sector within the tax net.

Industry

The manufacturing sector has posted a modest growth rate of 3.56% despite several challenges, primarily from energy shortages. A modest improvement was seen in Large Scale Manufacturing (LSM) in July-March 2011-12 as the Quantum Index of Manufacturing (QIM) increased by 1.05 percent against growth of 0.98 percent during the same period last year. Sectors that have contributed to the growth include food, beverages and tobacco, paper and board and pharmaceutical, to list a few. Sectors which have performed poorly include iron and steel, engineering, rubber, electronics, automobiles and fertilizer. Besides the repeated references to reforms in the energy sector which have a direct bearing on the performance of this component of GDP, there appear to be few policy initiatives which would allow for expansion of the LSM in the ensuring year.

Development

The development expenditure is largely unchanged at an estimated Rs. 591 billion and the focus is to ensure that all projects which have been started achieve a state of completion. With significant uncertainties over external receipts, the fate of the PSDP spending cannot be determined with any degree of certainty, however, reportedly the budget for this component has been set realistically to facilitate timely transfers to the various project implementing agencies.

Investment and Savings

The real investment to GDP ratio has continued to decline from 13.1% to 12.5% year over year. Domestic savings have also continued to decline from 13.2% to 10.7% year over year. Resultantly, the investments-saving gap is being financed by net foreign resource inflows. This dependency on net foreign inflows is particularly concerning given the contraction in portfolio investment manifested through the capital markets and significant contraction in foreign direct investment.

Balance of payments

The current account deficit stood at $ 3,394 million during July-April 2011-12. This deficit in the current account was largely caused by the widening of trade and services account deficit partially offset by the increase in workers' remittances. The trade deficit expanded mainly due to the 14.5 percent growth in imports and the 0.1 percent increase in exports, thereby widening the trade deficit by 49.2 percent during the period.

Monetary policy

An expansionary monetary policy stance has been adopted by the SBP through a phased reduction aggregating to 200 basis points. This has purportedly been done primarily to facilitate private sector credit and investment; however, in the backdrop of increased domestic debt levels, private sector credit continues to suffer from crowding out effect.

Inflation

Inflation has declined for the third consecutive year. CPI was 10.8 percent during July-April, 2012 from a high of 25 percent in October 2008. This has been achieved despite sharp increase in international oil prices, effect of upward adjustment in the administered prices of electricity and gas, supply disruptions due to devastating floods of 2010 and heavy rains of 2011 and bank borrowings. Food and non-food inflation averaged 11.1 percent and 10.7 percent respectively against 18.8 percent and 10.8 percent in the same period of last year.

Taxation measures

The significant measures provided for in the Finance Bill are directed towards:

- Providing relief to low income earners
- Recognizing and incentivizing compliant taxpayers
- Introducing capital gain tax on sale of property to create a curb for speculative investors
- Incentivizing investment in securities and insurance sectors through enhancing limits for tax credits and by reaffirming immunity commitments
- Relief to pensioners and retirement funds

Looking ahead

That the budget whilst tapered with political and electoral rhetoric, is historic, is undisputed. That the measures are considered tame and not entirely relevant in targeting the "real economy" is debatable. That the key macroeconomic structural issues continue to persist are a reality. Whilst from a global financial perspective Pakistan remains largely unscathed, several macroeconomic indicators have reached alarming levels and there appear to be no imminent steps underway to arrest the emerging issues which are at the forefront. Beyond the budgetary measures, urgent action is required in respect of energy sector reforms, social safety nets, law and order and fiscal prudence to secure a brighter future for tomorrow. The opportunity to participate in determining the future is around the horizon. Make it count.

BDO Ebrahim & Co.
Dated: June 02, 2012

HIGHLIGHTS

Income Tax

- Exemption limit for both the salaried and non-salaried tax payers has been proposed to be enhanced from Rs. 350,000 to Rs. 400,000.
- Non-salaried individuals and AOP are proposed to be brought under common slab rates. The flat rate of tax at 25% for AOP is proposed to be abolished. Exemption upto the income of Rs. 400,000 is proposed to be provided to AOP.
- The rate of minimum tax is proposed to be reduced to 0.5% from 1% on gross turnover.
- The rate of capital gains tax on sales of securities is proposed to be revised.
- Capital gain tax on sale of immovable property is proposed to be levied based on holding period of immovable property if it is disposed off within two years of its acquisition.
- The manufacturers are proposed to be made withholding agents to collect 1% tax against the sales made to distributor, dealers and wholesalers. However, the tax so collected shall be adjustable against their income.
- Advance tax at 0.2% is to be withheld on cash withdrawal in excess Rs. 50,000 by proposing to enhance the limit of cash withdrawal from Rs. 25,000 to Rs. 50,000.
- Taxpayer Honour Card scheme for all taxpayers is proposed to be introduced for compliant taxpayers. The holders of the card will be entitled to various privileges and benefits.
- The limit of investment eligible for tax credit is proposed to be enhanced from 15% to 20% of the taxable income. The existing limit of investment of Rs. 500,000 in securities or insurance premium is also proposed to be increased to Rs. 1,000,000. The retention period of securities is also being reduced from three to one year.
- The loans taken by employees from their employer upto Rs. 500,000 is proposed to be exempt from income tax whereas the benchmark interest rate for loans above this limit is proposed to be fixed at 10% instead of the progressively increasing rate which has reached 13%.
- CVT on transactions of immovable properties in Islamabad Capital Territory is proposed to be levied and collected with identical structure adopted by the provinces.
- It is proposed to bring clarity in the law by revamping the sections and extending the facility of tax credit to investments for extension of the existing manufacturing facility and to corporate dairy farms.
- Amounts received as monthly installment from an income payment plan invested for a period of ten years out of the accumulated balances into a pension fund, annuity or individual pension accounts as specified in the Voluntary Pension System Rules, 2005 is proposed to be exempt from tax.
- Any withdrawal of accumulated balance from approved pension fund that represent the transfer of balance of approved provident fund to the said approved pension fund is proposed to be exempt from tax.
- Inter-corporate dividend and inter-corporate profit on debt paid by the group companies which are entitled to group taxation under section 59AA or section 59B is proposed to be exempt from withholding of tax.
- Exemption have been proposed provided to collective investments scheme, approved pension funds, income payment plan etc. in respect of capital gain tax
- The commercial importers, exporter and suppliers have been given an option to be tax under normal tax regime instead of final tax regime subject to the condition that minimum tax liability under normal tax regime shall not be less than 60%, 50% and 70% respectively of tax already collected / deducted.
- The rate of initial allowance on new buildings is 50% which results in converting the accounting income to tax loss. The rate of initial allowance is proposed to be reduced to 25%.
- The exemption granted to profit and gains to the Venture Capital Company and Venture Capital Fund till 2014 is proposed to be extended for 10 years i.e. upto 2024.
- In order to eliminate the tax arbitrage, the rates of tax on dividend received by the banking company from money markets funds and income funds are proposed to be enhanced from 10% to 25% for tax year 2013 and 35% for tax year 2014 and onwards.
- NCCPL is proposed to collect and deposit the tax on behalf of the taxpayers. For this purpose, a new Eight Schedule is introduced to the Income Tax Ordinance, 2001 which provides

details relating to procedural aspects of deductions of tax on capital gains on sale of listed securities.

Sales Tax

- Reduction in the higher rates of Sales Tax is proposed from 22% and 19.5% to 16%.
- Proposal to enhance tax incidence on cigarettes by revising upward price tiers.
- Removable of aberrations in rates of sales tax at 22% and 19.5% to standard rate of 16%
- Grant of exemption to waste paper to enhance collection as well as restrict inadmissible input tax adjustment in this sector.
- Increase in the rate of sales tax on steel sector from Rs. 6/ Kwh to Rs. Rs. 8/ Kwh enforced through amendment Sales Tax Special Procedures Rules, 2007.
- Substitution of zero-rating with exemption on certain items such as remeltable scrap and sprinklers.
- Alignment of PCT Headings in various schedules to the Sales Tax Act, 1990, with the HS-2012 version of Pakistan Customs Tariff.

The Federal Excise Duty

- Duty on all categories of cigarettes has been increased.
- Duty on cement has been reduced from Rs. 500 per ton to Rs. 400 per ton.
- Duty on a number of items including; lubricating oils, perfumes and toiletries, beauty or make-up, skin-care, sunscreen, manicure and pedicure items, hair colour and oils excluding herbal hair oil and kali mehndi, pre-shave, shaving or after-shave preparations, cosmetics, etc. and filter rod of cigarette has been abolished.
- Duty on domestic and international air-travel has been increased.
- Live stock insurance has been exempted from levy of duty.
- Services provided by Asset Management Companies have been exempted from levy of duty with effect from July 1, 2007.

The Customs Act

- Directorate Generals of Transit Trade, Reforms and Automation, Risk Management, and Intellectual Property Rights Enforcement have been introduced.
- Punishment of whipping for the offences under the Act has been removed.
- The Federal Government, FBR and customs officials have been empowered to condone delay and extend the time limit laid down in the Act and the rules.
- The entire First Schedule has been substituted with a view to bring it in line with HS Code (Harmonized Commodity Description and Coding System - 2012 version) published by World Customs Organization, Brussels (WCO).
- The maximum tariff rate is proposed to be reduced from 35% to 30% which will also reduce the number of tariff slabs from 8 to 7.
- Duty on raw materials and components for printing and stationery sector is proposed to be reduced.
- Duty on 88 pharmaceutical raw materials and other input goods is proposed to be reduced from 10% to 5%.

Capital Value Tax

- CVT has been imposed on purchase of shares of public listed companies by real and legal persons at 0.01% of the purchase value.
- CVT on the immovable property situated in urban areas has been rationalized.

Miscellaneous Statutes

- Security shall be provided to ex-President of Pakistan as a retirement benefit.
- Security shall be provided to ex-Prime Minister of Pakistan who remained in the said office for more than two years, as a retirement benefit.
- A number of Authorities / Commission under the Federal Government have been bound to remit the receipts over actual expenditure during a financial year to the Federal Consolidated Fund and to ensure that any deficit from the actual expenditure shall be made up by the Federal Government.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
2	**Definitions**
(35AA)	This proposed new clause seeks to introduce "NCCPL" as being a company incorporated in Pakistan and licensed to be a "Clearing House" by the Securities Exchange Commission of Pakistan. The introduction of the new definition is in respect of the role of the Clearing House with respect to provisions relating to capital gain on disposal of listed companies shares in respect of which Rules are produced for the first time in the new Eighth Schedule.
9	**Taxable income**
	The amendment proposed in this section is consequential as a result of the amendment proposed in section 10 regarding the definition of "Total income". The effect of this amendment is that the taxable income will be the Person's income under all heads of income for the year.
10	**Total income**
	The amendment proposed in this section seeks to amend the definition of "Total income" to include a person's income exempt from tax under any of the provisions in the Income Tax Ordinance, 2001.
13	**Value of perquisites**
(7)	The proposed new proviso to this sub-section seeks to exempt loans less than Rs 500,000 from charge of profit as a perquisite where loans have been obtained by employees which are either free from profit or if profit is charged at a rate lower than the benchmark rate.
(14)	The proposed amendment to the clause in this sub-section seeks to fix 10% as the maximum rate for charging profit on concessional loans. On this basis the maximum value of perquisites to be added to the remuneration of an employee for loans which are profit free will be 10% of the amount of loans.
37	**Capital gains**
(1A) (5)(c)	This proposed new sub-section seeks to tax gain on sale of immovable property held for up to two years at rates specified in the First Schedule and discussed separately in this commentary. The omission of clause (c) of sub-section (5) is consequential to this proposed amendment. The intention behind this proposed amendment seems to be to tax gains arising on sale of property held for short term capital gains on the basis that these transactions are for profit taking and not for long term investment. The proposed amendment will seek to bring into the ambit of tax a section which has so far not been taxed. This amendment is, therefore, likely to broaden the tax based and create documentation for taxation purposes. The issue that may arise is the value of the sale proceeds as in most cases the declared value for stamp duty purposes are considerably less than the actual value at which the property is sold.
37A	**Capital gains on sale of securities**
(1)	The proposed amendment to this sub-section seeks to exclude exempt capital gains from the charge of tax. The items which are exempt are identified in this section and remain unchanged.
(1A)	This proposed new sub-section seeks to introduce the method of computing the capital gain for levy of tax. The method proposed is as follows:
	Capital gain is A-B
	Where A is the consideration received by the person on disposal of the security and B is the cost of acquisition of the security.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
39	**Income from other sources**
(1)(cc)	The amendment proposed seeks to include "additional payments on delayed refunds under any tax law" as an item of income from other sources liable to tax with the other items identified in this sub-section.
53	**Exemptions and tax concessions in the Second Schedule**
(1A)	This sub-section required the exempt income to be included in total income for the purposes of computing tax charge although the income itself was not liable to tax. The proposal to delete this sub-section is as a result of changes proposed in the definition of taxable income and total income.
59A	**Limitations on set off and carry forward of losses**
(1), (2) and (3)	The Bill seeks to delete sub-sections (1) and (2) and propose amendment in sub-section to correct the provisions relating to carry forward of losses of an Association of Persons. The proposed amendments seek to remove references which became redundant after the amendments to the principles of taxation relating to Association of Persons in Finance Act, 2007. The provisions relating to losses of Association of Persons are in line with provisions relating to losses of other taxpayers.
62	**Tax credit for investment in shares and insurance**
(2)	The proposed amendment in this sub-section seeks to increase the amount of tax credit for investment in shares and insurance as follows: (a) The limit of 15% of taxable income is proposed to be increased to 20% of taxable income (b) The limit of Rs 500,000 is proposed to be increased to Rs 1,000,000 The amount will be restricted to the lower of the above and the actual cost of acquiring the shares or the total contribution or premium paid by the person.
(3)	The proposed amendment in this sub-section seeks to reduce the holding period from 36 months to 24 months as a consequence of which the tax credit allowed will be reversed and added to the tax payable if the investment is disposed within 24 months of acquisition.
65B	**Tax credit for investment**
(1)	The proposed amendment to this sub-section seeks to clarify that the amount of tax credit for investment in plant and machinery for the purpose of balancing, modernization and replacement of the plant and machinery between July 1, 2010 and June 30, 2015, will be entitled to tax credit at 10% of the amount of tax payable, including tax payable as minimum tax and final tax.
(4)	The proposed new sub-section seeks to provide a new category for tax credit for investment in plant and machinery for the purpose of balancing, modernization and replacement of the plant and machinery between July 1, 2011 and June 30, 2016 at 20% of the amount of tax payable, including tax payable as minimum tax and final tax. The credit will be allowed in the year in which the investment for purchase of plant and machinery is made.
(5)	The proposed new sub-section seeks to allow carry forward of unadjusted tax credit for two years for amounts under sub-section (1) and for five years for amounts under sub-section (4).

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

65D — **Tax credit for newly established industrial undertakings**

(1) The proposed amendment to this sub-section seeks to clarify that industrial undertakings include corporate dairy farming and the amount of tax credit is with reference to tax payable inclusive of tax payable as minimum tax and final tax.

(2)(d) The tax credit is admissible if conditions in sub-section are met. The proposed amendment to clause (d) of this sub-section seeks to clarify that equity of the industrial undertaking should be raised through issuance of new shares for cash consideration.

The proposed amendment also seeks to clarify that obtaining short term loans and finances from banking companies or non-banking financial institutions for the purposes of meeting working capital requirements shall not disqualify the taxpayer from claiming the tax credit under this section.

(3) and (4) The proposed amendment seeks to omit this sub-section which provides for the adjustment of tax credit in the year in which the plant and machinery is purchased and installed and proposes amendments for rectification of the grammar in the wordings.

(5) This proposed new sub-section seeks to clarify that for the purposes of tax credit under sections 65B, 65D and 65E an industrial undertaking shall be treated to have been set up on the date on which the industrial undertaking is ready to go into production, whether trial production or commercial production.

65E — **Tax credit for industrial undertakings established before the first day of July, 2011**

(1) The proposed new sub-section seeks to provide for tax credit for industrial undertakings, including corporate dairy farming, set up in Pakistan before July 1, 2011 if they make investment in equity raised through issuance of new shares for:

(a) Expansion of the plant and machinery already installed or
(b) Undertaking a new project.

The tax credit is available for a period of five years beginning from the date of setting up or commercial production of the new/expansion plant, whichever is later.

(2) This proposed new sub-section provides for the tax credit to be available at 100% of the tax payable, including minimum tax and final tax payable, if separate books are maintained for new/expansion project.

(3) This proposed new sub-section provides for the tax credit in all other cases to be proportionate between the new equity and total equity including new equity, including minimum tax and final tax payable.

(4) This proposed new sub-section makes the tax credit available for plant and machinery installed between July 1, 2011 and June 30, 2016.

(5) This proposed new sub-section provides for the tax credit to be available for adjustment against tax payable, including minimum tax and final tax, in the year the plant and machinery is available and for four subsequent years.

(6) and (7) The existing sub-section (5) is re-numbered as (6) and the new sub-section (7) clarifies that "new equity" means equity against cash by the company and shall not include loans obtained from shareholders or directors. It is further clarified that short term finance from banking companies and non-banking financial institutions for working capital would not disqualify the taxpayer from claiming tax credit under this section.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
76	**Cost**
(11)	This proposed new sub-section seeks to empower the Federal Board of Revenue to make rules for determination of cost for any asset.
77	**Consideration received**
(6)	This proposed new sub-section seeks to empower the Federal Board of Revenue to make rules for determination of consideration received for any asset.
100B	**Special provision relating to capital gain tax**
(1)	This new section provides for the special provisions relating to capital gains tax on disposal of listed securities. The rules relating to the computation, collection and deposit of tax are detailed in the First and Eighth Schedules subject to the provisions of section 37A.
(2)	The following persons are excluded from the charge of capital gains tax on disposal of listed securities: (a) Mutual fund (b) Banking company, non-banking finance company and an insurance company subject to tax under the Fourth Schedule (c) Modaraba (d) Foreign institutional investor being a person registered with NCCPL as a foreign institutional investor and (e) Any other person or class of persons notified by the Federal Board of Revenue
101	**Geographical source of income**
(6)	The proposed amendment to this sub-section seeks to clarify that dividend includes remittance of Branch Profits. This amendment is as a consequence of earlier amendments by virtue of which Branch Profits remitted to Head Office are included in the definition of "dividends".
113	**Minimum tax on the income of certain importers**
Explanation	This proposed new explanation seeks to clarify that the tax paid or payable referred to in this section for purposes of determining the minimum tax, does not include the tax paid or payable in respect of deemed income which is assessed as a final discharge of tax liability under section 169 or any other provision of the law.
114	**Return of income**
(6)	The proposed new clause to this sub-section dealing with the process for filing revised return of income states that, in addition to the existing conditions of filing with the revised return a copy of revised accounts or audited accounts as applicable and the reasons for making the revision, the revised return must not show a profit which is lower or a loss which is higher than the amount as per orders passed under:

Section	Subject
121	Best judgment assessment
122	Amendment in assessment
122A	Revision by the Commissioner
122C	Revision by the Regional Commissioner
129	Decision in appeal
132	Disposal of appeal by the Appellate Tribunal

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
	133 Reference to High Court 221 Rectification of mistakes If any of the above conditions are not fulfilled the return filed would be deemed to be invalid as if it had never been furnished.
120	**Assessments**
(6)	The proposed amendment seeks to increase the period of examination return by 180 days. Presently, no notice can be issued with respect to an incomplete return after the end of the financial year in which the return was furnished. The proposed amendment was to allow a notice to be issued up to 180 days after the end of the financial year in which the return was furnished.
121	**Best judgment assessment**
(1)	The proposed amendment to this sub-section seeks to clarify that if the taxpayer fails to provide the required information under the specific provisions of law the return or revised return filed would be treated as having no legal effect. This is likely to give powers to the tax authorities which can be used to the detriment of taxpayers in situations where they are unable to provide information requested.
122	**Amendment of assessments**
(1)	The proposed amendment to this sub-section seeks to include a "provisional assessment" as an amendment of assessments by the Commissioner. This does not seem to be patently correct as the section is intended to deal with amendments to assessment deemed under section 120 based on the return filed. A provisional assessment under section 122C is not on a basis of a return of income filed but is made in the event a return of income is not filed. The proposed amendment also seeks to delete references to the repealed act.
(5A)	The proposed amendment seeks to require the Commissioner to make, or cause to make such enquiries as he deems necessary before proceeding to amend the order which he considers to be erroneous in so far as it is prejudicial to the interest of revenue. This amendment seems to be in response to the present practice where orders are passed without proper process having been completed by the Commissioner. However, the proposed amendment does not seem to provide any protection to the taxpayer against misuse of powers conferred.
122C	**Provisional assessment**
(2) Proviso	The proposed amendment seeks to clarify and remove ambiguities as the condition regarding filing of return and wealth statement/wealth reconciliation applies to individuals and Association of Persons. The proposed insertion of another proviso that states that the provisional assessment in the case of a company shall not be treated as a final assessment if the company files electronically a return of income along with audited financial statements within sixty days of the passing of the provisional assessment.
127	**Appeal to the Commissioner (Appeals)**
(1)	The proposed amendment seeks to correct the reference regarding the provisional assessment under section 122C.
128	**Procedure in appeal**
(1A)	This proposed new sub-section seeks to limit the powers of the Commissioner to stay recovery against a demand for which appeal has been filed to a maximum of 30 days. The Commissioner (Appeals) is required to give an opportunity of being heard to the Commissioner against whose order the appeal has been filed.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
129	**Decision in appeal**
(5), (6) and (7)	The proposed amendments seek to delete the provisions in this section with respect to the time limitation of four months for decision in appeal before the Commissioner.
130	**Appointment of the Appellate Tribunal**
(4)	The proposed amendments in this sub-section seek to correct the reference to Inland Revenue Service and to reduce the experience requirement of Commissioner/Collector from 5 years to 3 years for eligibility to sit on the Tribunal as Accountant Member.
(5)	The proposed amendment seeks to remove the reference to the Chairman being a Judicial Member as a result of which an Accountant Member would be eligible for becoming Chairman in the normal course.
131	**Appeal to the Appellate Tribunal**
Proviso	The proposed new proviso substitutes existing provisos as a result of which the provisions relating to staying of the demand against which appeal is pending have been simplified. The amended provisions empower the Tribunal to stay the recovery if the decision of the Commissioner (Appeals) has caused undue hardship to the tax payer. The maximum period of stay remains six months which is to be reduced by the period of stay allowed by the High Court, if any.
137	**Due date for payment of tax**
(2)	The proposed new proviso seeks to provide for payment of tax payable as a result of a provisional assessment under section 122C within the sixty days limit prescribed in the first proviso. This provision is to allow voluntary payment of the tax before the expiry of the time limit of sixty days.
148	**Imports**
(7) and (8)	The proposed amendments to these sub-sections seek to remove the ambiguity with respect to the amount of tax under this head. The proposed amendments clarify that the final tax liability under this section are the amount of tax required to be collected under these sub-sections and not amounts collected.
151	**Profit on debt**
(3)	The proposed amendment to this sub-section seeks to remove the ambiguity with respect to the amount of tax under this head. The proposed amendment clarifies that the final tax liability under this section is the amount of tax deductible and not the amounts deducted.
152	**Payments to non-residents**
(1AAA) and (2)	This proposed new sub-section seeks to transfer the existing provisions under section 153A regarding withholding of tax when making payments for advertisement services to a non-resident media person relaying from outside Pakistan. The amendments seek to consolidate the provisions of withholding taxes relating to payments to non-residents.
(2A) and (2)	This proposed new sub-section seeks to exclude the applicability of the general rate of 20% tax withholding when making payments of insurance premium/reinsurance premium to a non-resident having permanent establishment in Pakistan provided approval of the Commissioner has been obtained.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
(1B) and (1BB)	The proposed amendments to these sub-sections relating to payments to non-residents against execution of contracts and for payments of insurance premium seek to remove the ambiguity with respect to the amount of tax under this head. The proposed amendments clarify that the final tax liability under this section are the amount of tax deductible and not the amount deducted. Although provisions relating to permanent establishment of non-resident person have been transferred the provisions applicable to the permanent establishment with respect to goods and services in section 153 have not been transferred. Amendments are required to make these changes as corresponding amendment in the First Schedule have already been proposed.
(3)	The proposed amendment seeks to exclude the redundant reference to section 153 as this section does not deal with payments to non-residents.
153	**Payments for goods and services**
(1) and (3)	The amendments proposed to these sub-sections seek to exclude the reference permanent establishment of a non-resident person as this reference is redundant after transfer of provisions to section 152. This section deals with payments to residents. The proposed amendment to this sub-section also seeks to remove the ambiguity with respect to the amount of tax under this head. The proposed amendment clarifies that the final tax liability under this section is the amount of tax deductible and not the amounts deducted.
153A	**Payments to Traders and Distributors**
	This proposed new section seeks to make manufacturers withholding tax agents at the time of making sale to distributors, dealers and wholesalers. The tax is to be collected by the manufacturers at 1% and deposited in the Government Treasury. This new section seems to be designed to bring all distributors, dealers and wholesalers within the ambit of tax. The amount of tax collected will be allowed as a tax credit when computing the tax due from the distributors, dealers and wholesalers.
154	**Exports**
(4)	The proposed amendment to this sub-section seeks to remove the ambiguity with respect to the amount of tax under this head. The proposed amendment clarifies that the final tax liability under this section is the amount of tax deductible and not the amounts deducted.
156	**Prizes and winnings**
(3)	The proposed amendment to this sub-section seeks to remove the ambiguity with respect to the amount of tax under this head. The proposed amendment clarifies that the final tax liability under this section is the amount of tax deductible and not the amounts deducted.
156A	**Petroleum Products**
(2)	The proposed amendment to this sub-section seeks to remove the ambiguity with respect to the amount of tax under this head. The proposed amendment clarifies that the final tax liability under this section is the amount of tax deductible and not the amounts deducted.
169	**Tax collected or deducted as a final tax**

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
(1) (a) and (b)	The proposed amendment to this sub-section seeks to remove the ambiguity with respect to the amount of tax under this head. The proposed amendment clarifies that the final tax liability under this section is the amount of tax to be collected and not the amounts collected and the amount of tax to be deducted and not the amount deducted.
(2)	The proposed new clause (f) seeks to provide that tax required to be deducted and not deducted or short deducted shall be recovered under section 162 and all related provisions of the law will apply accordingly.
171	**Additional payment for delayed refunds**
(1)	The proposed amendment to this sub-section seeks to replace the reference to KIBOR with a fixed rate of 15% per annum as the return payable for delayed refunds of taxes paid. There is no change to the method for computing the amount of return.
176	**Notice to obtain information or evidence**
(1)	The proposed amendment seek to delete the words “selected for audit” with reference to visits by firm of chartered accountants appointed by the Federal Board of Revenue for audit. The amendment proposed would allow chartered accountants appointed by the Board to enter the premises of the taxpayers with the prior approval of the Commissioner and obtain information and evidence.
181B	**Tax Payer Card**
	This proposed new section seeks to introduce the concept of a Tax Payer Card to be awarded to taxpayers who meet the criteria as per a scheme that the Federal Board of Revenue may launch. The holding of this card would entitle the taxpayer to benefits as per the scheme. This is intended to be an incentive for honest taxpayers to discharge their obligations under the law.
182	**Offences and penalties**
(2) Proviso	This proposed new proviso seeks to allow for voluntary payment of penalties by the taxpayer where he admits to his default. As per this amendment a taxpayer would not be required to wait for an order in writing to be able to make the payment.
202	**Power to compound offences**
	The proposed amendment is of an editorial nature replacing the reference to Director General with the Chief Commissioner.
205	**Default surcharge**
(1)	The proposed amendment to this sub-section seeks to replace the reference to KIBOR plus 3% with a fixed rate of 18% per annum as the amount of default surcharge for late payment of tax by persons holding money on behalf of a taxpayer under sections 140 and liquidators under section 141.
(1) Proviso	This proposed new proviso seeks to provide relief in the amount of default surcharge if the payment of tax due is made after first appeal. This appears to be an incentive for taxpayers to clear the liability after an adverse decision in appeal before the Commissioner.
(1A) and (1B)	The proposed amendment to this sub-section seeks to replace the reference to KIBOR plus 3% with a fixed rate of 18% per annum as the amount of default surcharge for late payment of advance tax under section 147.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
(3)	The proposed amendment to this sub-section seeks to replace the reference to KIBOR plus 3% with a fixed rate of 18% per annum as the amount of default surcharge for late payment of tax by withholding tax agents under section 160.
(3) Proviso	This proposed new proviso seeks to provide relief in the amount of default surcharge if the payment of tax due is made after first appeal. This appears to be an incentive for taxpayers to clear the liability after an adverse decision in appeal before the Commissioner.
207	**Income tax authorities**
(1)	This proposed new sub-section seeks to make all the income tax authorities to be subordinate to the Federal Board of Revenue.
(3)	This proposed new sub-section seeks to make Commissioner Inland Revenue, Additional Commissioners Inland Revenue, Deputy Commissioners Inland Revenue, Assistant Commissioners Inland Revenue, Inland Revenue Audit Officers, Superintendents Inland Revenue, Auditors Inland Revenue and Inspectors Inland Revenue to be subordinate to the Chief Commissioner Inland Revenue.
210	**Delegation**
(1B)	The proposed deletion of the word "selected" seeks to provide Commissioners with powers to delegate their powers to a firm of chartered accountants or a firm of cost and management accountants who are appointed by the Federal Board of Revenue for audit under section 177.
211	**Power or function exercised**
(3)	This proposed new sub-section seeks to empower the Federal Board of Revenue to appoint an authority to exercise all powers conferred upon them and which are subordinate to them.
214A	**Condonation of time limit**
Explanation	The explanation is proposed to be introduced to explain "any act or thing to be done" to include any act or thing to be done by the taxpayer or by the authorities specified in section 207.
Proviso	The proposed amendment is of an editorial nature replacing the reference to Director General with the Chief Commissioner.
230	**Directorate General (Intelligence and Investigation), Inland Revenue**
	This proposed new section seeks to introduce this new department and specifies that it shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors and Assistant Director and such other officers as the Federal Board of Revenue may by notification in official gazette appoint.
	The proposed new section also specifies that the Federal Board of Revenue may by notification in official gazette:
	(a) Specify the functions and jurisdiction of the Directorate General and its Officers
	(b) Confer the powers of authorities specified in section 207 on the Director General and its Officers.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
231A	**Cash withdrawal from a bank**
(1)	The proposed amendment seeks to increase the limit of cash withdrawal from Rs 25,000 to Rs 50,000 for exemption from levy of tax at source.
233	**Brokerage and commission**
(3)	The proposed amendment to this sub-section seeks to remove the ambiguity with respect to the amount of tax under this head. The proposed amendment clarifies that the final tax liability under this section is the amount of tax required to be collected under this sub-section and not amounts collected.
233A	**Collection of tax by a stock exchange registered in Pakistan**
(1) and (2)	The proposed amendments seek to delete the requirement to withhold tax when making payments to Members in respect of trading of shares and in respect of financing of carryover trades in share business.
233AA	**Collection of tax by NCCPL**
	This proposed new section seeks to make National Clearing Company of Pakistan Limited (NCCPL) as a withholding tax agent for margin financing in share business.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001

First Schedule — **Rate of Tax**

Part I - Division I — **Rates of Tax for individuals and AOP**

(1) The bill proposes to bring non-salaried individuals and AOP under common slab rates. The flat rate of tax at 25% on AOP is proposed to be abolished. The proposed amendment seeks to increase exemption limit to Rs. 400,000 for business individual and AOP.

The tax rates applicable for computing tax liability for every non-salaried individual and AOP are proposed as follows:

S. No.	Taxable Income	Rate of Tax
1.	Where the taxable income does not exceed Rs. 400,000	0%
2.	Where the taxable income exceeds Rs 400,000 but does not exceed Rs 750,000	10% of the amount exceeding Rs 400,000
3.	Where the taxable income exceeds Rs 750,000 but does not exceed Rs 1,500,000	Rs 35,000+15% of the amount exceeding Rs 750,000
4.	Where the taxable income exceeds Rs 1,500,000 but does not exceed Rs 2,500,000	Rs 147,500+20% of the amount exceeding Rs 1,500,000
5.	Where the taxable income exceeds Rs 2,500,000	Rs 347,500+25% of the amount exceeding Rs 2,500,000

(1A) The tax rates applicable for computing tax liability of individuals under the head "salary" (including individuals in whose case the salary income exceeds 50% of his taxable income) are proposed to be changed. The proposed amendment seeks to increase exemption limit to Rs. 400,000 for salaried individual. The revised Table showing the current applicable tax rate is as follows:

S. No.	Taxable Income	Rate of Tax
1.	Where the taxable income does not exceed Rs. 400,000	0%
2	Where the taxable income exceeds Rs 400,000 but does not exceed Rs 750,000	5% of the amount exceeding Rs 400,000
3	Where the taxable income exceeds Rs 750,000 but does not exceed Rs 1,500,000	Rs 17,500+10% of the amount exceeding Rs 750,000
4	Where the taxable income exceeds Rs 1,500,000 but does not exceed Rs 2,500,000	Rs 92,500+15% of the amount exceeding Rs 1,500,000
5	Where the taxable income exceeds Rs 2,500,000	Rs 242,500+25% of the amount exceeding Rs 2,500,000

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001

Part I - Division IA **Rate of tax on certain persons**

The proposed amendment seeks to reduce the rate of turnover tax from 1% to 0.5%. Although the rate is proposed to be amended in the schedule corresponding amendment has not been proposed in section 113.

Part I - Division IB **Rates of tax for association of persons**

The proposed bill abolishes the flat rate applicable for taxation of association of persons.

Part I - Division VII **Capital gains on disposal of securities**

The proposed amendment seeks to revise the rates of taxes as elaborated below:

Period	Tax Year	Proposed tax rates	Existing tax rates
Where holding period of a security is less than six months.	2011	10.0%	10.0%
	2012	10.0%	10.0%
	2013	10.5%	12.5%
	2014	10.0%	15.0%
	2015	17.5%	17.5%
Where holding period of a security is more than six month but less than twelve months.	2011	7.5%	7.5%
	2012	8.0%	8.0%
	2013	8.0%	8.5%
	2014	8.0%	9.0%
	2015	9.5%	9.5%
	2016	10.0%	10.0%
The proposed amendment seeks to Where holding period of a security is twelve months or more.	-	0%	0%

Part I - Division VIII **Capital Gains on disposal of immovable Property**

The proposed amendment seeks to levy capital gain tax on immovable property. The rate of tax proposed to be paid under sub-section (1A) of section 37 are as follows:

S. No.	Period	Rate of tax
1.	Where holding period of immovable property is up to one year	10.0%
2.	Where holding period of immovable property is more than one year but not more than two years	5.0%

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
Part IIA	**Collection of tax from distributors, dealers and wholesalers**
	The proposed new insertion of section 153A seeks to collect tax by every manufacturer at the time of sale to distributors, dealers and wholesalers. The proposed new part seeks to specify the rate of tax to be collected at 1% of the gross amount of sales.
Part III -Division II	**Payments to non-resident**
Clause 3 added	The Finance bill has consolidated section 153A with section 152 by transferring the provisions relating to payments in respect of advertisement services to sub-section (1AAA) of section 152. Owing to this proposed amendment, Division IIIA relating to rate of tax on payment to non-resident media persons is proposed to be omitted and clause (3) is proposed to be added to Division II specifying the rate of tax to be deducted at 10% of the gross amount paid.
Clause 4, 5, 6 added	There seems to be an error in the Finance bill which is referring to clause (a), (b) and (c) of sub-section (2A) of section 152. The provisions of section 152 need to be amended as provisions relating to permanent establishment have been transferred to this section. The rates presently applicable to the permanent establishment in section 153 for goods and services also need to be specified in section 152.
Part IV - Division III	**Tax on motor vehicles**
(1)	The proposed amendment seeks to increase rate of collection of tax charged in case of goods transport vehicle from one rupee per kilogram to five rupees per kilogram of the laden weight.
(2)	The proposed amendment seeks to increase rate of collection of tax charged in case of passenger transport vehicles plying for hire with registered seating capacity of twenty persons or more from Rs. 100 per seat per annum to Rs. 500 per seat per annum.
Part IV - Division VII	**Purchase of motor cars and jeeps**
	The proposed amendment seeks to increase the rate of tax to be collected as advance tax at the time of registration of new locally manufactured motor vehicle having engine capacity of 1301cc to 1600cc from Rs. 16,875 to Rs. 25,000.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001

Second Schedule **Exemptions and Tax Concessions**

Part I **Exemptions from Total Income**

(23B) The proposed new insertion seeks to exempt the amounts received as monthly installment from an income payment plan invested out of the accumulated balance of an individual pension accounts with a pension fund manager or an approved annuity plan or another individual pension account of eligible person or the survivors pension account maintained with any other pension fund manager as specified in the Voluntary Pension System Rules 2005 provided accumulated balance is invested for a period of ten years.

The proviso to this clause clarifies that where any amount is exempted under this clause and it is subsequently discovered that any of the conditions specified in this clause were not fulfilled, the exemption originally allowed shall be deemed to have been wrongly allowed and the Commissioner may re-compute the tax payable by the taxpayer for the relevant years.

(23C) The proposed new insertion seeks to exempt any withdrawal of accumulated balance from approved pension fund that represent the transfer of balance of approved provident fund to the said approved pension fund under the Voluntary Pension System Rules, 2005.

(61)(ia) The proposed new insertion seeks to exempt any amount paid as donation to The Citizens Foundation.

(66)(xxviii) The proposed new insertion seeks to exempt any income derived by The Citizens Foundation.

(101) The proposed amendment seeks to extend the period of exemption of profits and gains derived by a venture capital company and venture capital fund registered under Venture Capital Companies and Funds Management Rules, 2000 and a Private Equity and Venture Capital Fund from June 30, 2014 to June 30, 2024.

Part II **Reductions in Tax Rates**

(9A) The proposed amendment seeks to insert a proviso to this clause whereby the rate of 3% on the import value of raw material imported by an industrial undertaking for its own use shall be applicable on production of an exemption certificate issued by the Commissioner.

Part IV **Exemptions from Specific Provisions**

(11B) The proposed new insertion seeks to make provisions of section 150 inapplicable in respect of deduction of tax on inter-corporate dividend within the group companies which are entitled to group taxation under section 59AA or section 59B.

(11C) The proposed new insertion seeks to make provisions of section 151 inapplicable in respect of deduction of tax on inter-corporate profit on debt within the group companies which are entitled to group taxation under section 59AA or section 59B.

(16A) The proposed amendment seeks to make editorial correction to this clause by substituting "news print media services" with "persons making payments to electronic and print media".

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
(41A)	The proposed new insertion seeks to provide option to the importers to be taxed under normal tax regime instead of final tax regime by making the provisions of sub-section (7) of section 148 and clause (a) of sub-section (1) of section 169 inapplicable subject to the condition that minimum tax liability under normal tax regime shall not be less than 60% of tax already collected under sub-section (7) of section148.
(41AA)	The proposed new insertion seeks to provide option to the exporters to be tax under normal tax regime instead of final tax regime by making the provisions of sub-section (4) of section 154 and clause (b) of sub-section (1) of section 169 inapplicable subject to the condition that minimum tax liability under normal tax regime shall not be less than 50% of tax already deducted under sub-section (4) of section154.
(41AAA)	The proposed new insertion seeks to provide option to the suppliers for the sale of goods to be tax under normal tax regime instead of final tax regime by making the provisions of clause (a) of sub-section (1) of section 153 and clause (b) of sub-section (1) of section 169 inapplicable subject to the condition that minimum tax liability under normal tax regime shall not be less than 70% of tax already deducted under clause (a) of sub-section (1) of section153.
(47B)	The proposed amendment seeks to provide exemption to collective investments scheme, approved pension funds, income payment plan etc. in respect of capital gain tax.
(56)(iii)	The proposed amendment seeks to substitute S.R.O. 1065(I)/2005, dated the 20th October, 2005 with S.R.O. 492(I)/2009, dated the 13th June, 2009.
(76)	The proposed omission of this clause seeks to apply the provisions of section 148 on import of solar PV panels / panels / modules, along with related components including investors, charge controllers and batteries, LVD induction lamps, SMD LEDs with or without ballast with fittings and fixtures, fully assembled wind turbines including alternator and mast, solar torches, lanterns and related instruments.
(77)	The proposed amendment seeks to correct grammatical error.
Third Schedule	
Part II	**Initial Allowance and First Year Allowance**
(1)	The proposed amendment seeks to specify the rate of initial allowance at 50% for plant and machinery and 25% for building. The existing rate of initial allowance is 50% for all eligible depreciable assets.
Fourth Schedule	**Rules for the computation of the profits and gains of insurance business**
(6B)	The rates of tax on capital gains on disposal of shares of listed companies, vouchers of Pakistan Telecommunication Corporation, modaraba certificate or instruments of redeemable capital and derivative products are proposed to be changed. The proposed rates showing the comparative position of the existing rates is as follows:

SECTION (CLAUSE) | THE INCOME TAX ORDINANCE, 2001

S. No.	Tax Year	Where holding period of securities is less than six months		Where holding period of securities is more than six months but less than twelve months	
		Proposed	Existing	Proposed	Existing
1	2011	10.0%	10.0%	8.0%	8.0%
2	2012	10.0%	12.5%	8.0%	8.5%
3	2013	12.5%	15.0%	8.5%	9.0%
4	2014	15.0%	17.5%	9.0%	9.5%
5	2015	17.5%	17.5%	9.0%	10.0%

Fifth Schedule

Part I **Rules for the computation of the profits and gains from the exploration and production of petroleum**

Rule 4(4A) The proposed new insertion seeks to provide option to pay tax at the rate of 40% of the profits and gains, net of royalty, derived by a petroleum exploration and production undertaking for tax year 2012 and onwards.

The proposed new proviso to this sub rule seeks to clarify about the availability of the option subject to withdrawal of pending appeals, references and petitions before appellate fora by the person and payment of whole of the outstanding tax liability created upto tax year 2011, by the 30th June, 2012. The proposed new proviso further clarifies that the option is available only for one time and is irrevocable.

Seventh Schedule **Rules for the computation of the profits and gains of a banking company and tax payable thereon**

Rule 6 The proposed new proviso seeks to enhance the rates of tax on dividend received by the banking company from money markets funds and income funds from 10% to 25% for tax year 2013 and 35% for tax year 2014 and onwards.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001

Eighth Schedule — **Rules for the Computation of Capital Gains on Listed Securities (New Schedule)**

The proposed introduction of the new Eighth Schedule provides details relating to procedural aspects of deduction of tax on capital gains on sale of listed securities. As per the proposed schedule, tax shall be deducted and deposited on behalf of the tax payers by NCCPL in a separate bank account maintained at National Bank of Pakistan. The schedule requires the Central Depository Company of Pakistan to furnish the necessary information to NCCPL for discharge of its duties under the proposed schedule.

Some of the salient features of this proposed schedule are:

- An annual certificate will be issued by NCCPL to taxpayer in respect of all taxes deducted under this section. The Commissioner may authorize a certificate to be issued by NCCPL for a period of less than a financial year.

- The source of investment will not be questioned if:

  - For investments made *prior* to introduction of this schedule:

    - The details of investments are filed with the Commissioner along with the income / wealth tax returns
    - Investments are held for at least 45 days prior to June 30, 2012

  - For investments made after the introduction of the schedule till June 30, 2014

    - The details of investment are filed with the Commissioner along with the income / wealth tax returns
    - Investments are held for at least 120 days
    - Capital gains tax obligation is discharged

  - A person may *opt out* of the proposed schedule by first obtaining approval from Commissioner and filing with NCCPL an irrevocable option to opt out.
  - Procedural audits of NCCPL to be conducted by Pakistan Revenue Automation Limited.
  - Non- recovery cases may be referred by NCCPL to the Board

The revised rates of Capital Gain Tax are in Part I Division 7 of First Schedule of the Income Tax Ordinance, 2001.

SECTION (CLAUSE)	SALES TAX ACT, 1990
11	**Assessment of tax and recovery of tax not levied or short-levied or erroneously refunded**
	The proposed amendment seeks to broaden the scope of section 11 by merging section 11 and section 36. This section is similar to section 122 of Income Tax Ordinance, 2011 wherein details relating to assessment have been included.
Fifth Schedule	The proposed amendment seeks to withdraw facility of zero rating on supply against international tenders by omitting relevant entries in the fifth schedule.
Sixth Schedule – Table 1	The proposed amendment in table 1 of six schedule, seeks to add supply against international tenders in the list of exempt items and seeks to align certain PCT headings with HS-2012 of Pakistan Customs Tariff.
Sixth Schedule – Table 2	The proposed deletion seeks to withdraw the exemption of sales tax on locally produced oil obtained from cotton seed.
SRO 589(I)/2012 dated June 01, 2012	Through this notification, Federal Government has amended the Sales Tax Rules, 2006 by making the following amendments:

(i) In rule 5 sub rule1 clause C, a new proviso shall be added by virtue of which Federal Board of Revenue may transfer the registration of any registered person of business to an area of jurisdiction where the place of business or registered office or manufacturing unit is located.

(ii) In rule 7 after sub rule 3 a new rule shall be added namely :

"(4) The change of nature of business (e.g. from individual to AOP or corporate person) shall be allowed as under)

(i) In case of transfer of individual business from any person to his spouses or children, the change shall be made by LRO on receipt of verification of documents from RTO;
(ii) In case of change in nature of business from individual to AOP, the change shall be made by LRO on receipt of verification of documents from RTO.
(iii) In case of change of nature of business from AOP to corporate entity, the same shall be only be allowed by LRO on receipt of verification of documents from RTO or LTU, however, this change shall only be allowed in cases where the same persons who are members of AOP are nominated as directors in the corporate entity; and
(iv) In case of transfer of business or change in nature on any other account, a new Sales Tax Registration Number shall be issued to the entity.

(iii) In rule 12, sub-rules (1), (2), (3) (4) and (5) shall be substituted for ;

"Where the Commissioner or board has reasons to believe that the registered person is to be suspended or blacklisted, the procedure as prescribed by the Board shall be followed."

(iv) In rule 46, the expression "In terms of clause (a) of section 4 read with Serial No.4 of the Fifth Schedule to the Act," shall be omitted consistent with exemption for supplies against international tenders.

(v) Rules 50A, 50B, and 50C shall be substituted as a consequential amendment to Table 1 of the Sixth Schedule, exempting supply against international tenders from levy of sales tax. Earlier vide notification SRO 167(1)/2012 Sections 50A, 50B and 50C were inserted to provide details relating to application, procedures and conditions for making supplies against international tenders.

SECTION (CLAUSE)	SALES TAX ACT, 1990
	• the new rule 50A deals regarding supply of locally produced taxable goods by sales tax registered persons against international tender contracts awarded by the Federal and Provincial departments, local governments, autonomous and semi autonomies bodies and public sector organization. • In the new rule 50B the procedures and conditions for making exempt supplies have been mentioned
SRO 590(I)/2012 dated June 01, 2012	Through this notification, Federal Government has made amendments in SRO 1020(I)/2006 dated Oct 2, 2006 by virtue of which the value addition on import and supply of Computers have been removed/withdrawn.
SRO 591(I)/2012 dated June 01, 2012	This notification has made amendments in SRO 811(I)/2009, dated Sept 19, 2009 by virtue of which the supply of net cloth to greenhouse farming shall be exempted from sales tax.
SRO 592(I)/2012 dated June 01, 2012	Through this notification, Federal Government has made amendments in sales tax special procedure rules 2007, by omitting sub rule (2) of Section 58E. The sub rule provided an exemption from audit to those importers who do not claim refund of excess input tax. This exemption has been omitted. Further, the notification substitutes rules 58F, 58G, 58H, 58Ha, 58I, 58J, 58K, 58L, 58M, 58MA, and 58MB primarily increasing the rate of sales tax from six rupees per unit of electricity consumed to eight rupees per unit consumed. Section 58MC has been inserted which states that composite units which supply stainless steel products or products other than billets, ingots and re-rolled MS products shall follow standard sales tax procedures and these special procedures shall not apply to supplies of such registered persons.
SRO 593(I)/2012 dated June 01, 2012	Through this notification, Federal Government has amended its notification No. SRO 1125(I)/2011 dated Dec 31, 2011 by inserting the expression " of more than 67 decitex" after the word "monofilament" in column 1 against serial number 2. By virtue of this, monofilament of more than 67 decitex shall be excluded from availing the benefits of SRO 1125(1)/2011.
SRO 594(I)/2012 dated June 01, 2012	Through this notification, Federal Government has rescinded its SROs 555(1)/1996 dated July 1, 1996, 849(1)/1997 dated Sept 25, 1997, 103(1)/2005 dated Feb 3, 2005, 15(1)/2006 dated: Jan 6, 2006, and 644(1)/2007 dated June 27, 2007. Through the omission of SRO 644(1)/2007, a variety of items in respect of supply or import of which rates of 22% and 19.5% was prescribed are now chargeable at the standard rate of 16%.
SRO 595(1)/2012	Through this notification, Federal Government has amended its notification No. SRO.551(1)/2008, dated June 11, 2008 which listed items exempt from the whole of sales tax. Through this notification, serial no.1 (raw materials, components and sub components if imported for the manufacturing of goods to be supplied against international tenders) has been omitted consistent with amendments to Table 1 of Sixth Schedule. Further, the following items have been added to the list of exempt items: • Waste Paper • Remeltable scrap • Sprinkler equipment, drip equipment and spray pump and nozzles
SRO 596(1)/2012	Through this notification, Federal Government has amended its Notification No.308 (1)/2008, dated March 24, 2008. The table has been substituted by enhancing Repayment-cum-Drawback rates for export made against invoices issued after June 2, 2012 in respect of Ingots or billets other than imported or of Pakistan Steel Mills and Peoples Still Mills.
SRO 597(1)2012 dated June 01, 2012	Through this notification, Federal Government has amended its Notification No.345(1)/2010, dated May 25, 2010, by inserting the word "minimum" in the preamble after the word fixed and also enhancing the rate of the value of Billets from Rs.55,000/- Per Metric Tonnes to Rs.65,000/- and the value of Ingots have been raised from Rs.50,000/- to Rs.60,000/- Per Metric Tonnes.

SECTION (CLAUSE)	SALES TAX ACT, 1990
SRO 602(1)2012 dated June 01, 2012	Through this notification, Federal Government has amended its Notification No.549 (1)/2008, dated June 11, 2008 dealing with list of items which shall be charged to tax at the rate of zero per cent. The amendments to the table are as follows: a) Omission of remeltable scrap (PCT heading 72.04) b) S.No.9 and the entries relating thereto in columns (2) and (3), added vide Notification No.SRO 68(1)/2009 (Sprinkler equipment, drip equipment and spray pump and nozzles) shall be omitted as these items have been added to the list of exempt items. c) After S.No.10, as re-numbered, the following item has been added to the list of items to be charged to tax at the rate of zero percent: "(11) Cotton seed oil if supplied to registered manufacturers of vegetables ghee and cooking oil."
SRO 604(1)2012 dated June 01, 2012	Through this notification, Federal Government has amended its Notification SRO No.313 (1)/2006, dated Mar 31, 2006 subsequently amended by SRO 396(1)/2010. The rate of levy of sales tax on import of soya bean seed by solvent extraction industries has been reduced from 7% to 6%.
SRO 605(1)2012 dated June 01, 2012	Through this notification, Federal Government has amended its Notification SRO No.69 (1)/2006, dated Jan 28, 2006. The rate of levy of sales tax of the value on import of rapeseed bey solvent extraction industries has been reduced from 15% to 14%.

SECTION (CLAUSE)	THE FEDERAL EXCISE ACT, 2005

2(12) The proposed renumbering of clause (12A) is sort of a corrective measure.

The First Schedule

Table I
Excisable Goods

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

Item	Existing duty	Proposed duty
Locally produced cigarettes if their retail price (RP) exceeds Rs. 22.86 per ten cigarettes	65% (if RP exceed Rs. 21)	65%
Locally produced cigarettes if their RP exceeds Rs. 13.36 but does not exceed Rs. 22.86 per ten cigarettes	Rs. 6.04 + 70% (if RP exceed Rs. 11.50)	Rs. 7.02 + 70% per incremental Rupee or part thereof
Locally produced cigarettes if their RP does not exceed Rs. 13.36 per ten cigarettes	Rs. 6.04 (if RP does not exceed Rs. 11.50)	Rs. 7.02

Reduction in duty Duty on cement is proposed to be reduced from Rs. 500 to Rs. 400 per metric ton.

Abolition of duty Duties on the following items is proposed to be abolished:

- Lubricating oil in all packs
- Perfumes and toilet waters
- Beauty or make-up, skin-care, sunscreen, manicure and pedicure items
- Hair colour and oils excluding herbal hair oil and kali mehndi
- Pre-shave, shaving or after-shave preparations, cosmetics, etc.
- Filter rods for cigarettes.

Interpretation The proposed substitution of 'Restriction' seeks to restrict the manufacturers or importer of cigarette from the following:

(1) Reduction of price from the level on the day of announcement of Budget.

(2) Introduction or selling a new cigarette brand variant of the same existing brand family at a price lower than the lowest actual price of existing variant of the same brand family.

(3) Introduction of new brand at a price 5% below the price of the Most Popular Price Category.

Table II
Excisable Services

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

Service	Existing duty	Proposed duty
Air travel within Pakistan	16% + Rs. 20	16% + Rs. 60
International air travel from Pakistan (earlier this was to and from Pakistan):		
(i) Economy and economy plus	Rs. 3,240	Rs. 3,840
(ii) Club Business and first class	Rs. 4,240	Rs. 6,840

SECTION (CLAUSE) **THE FEDERAL EXCISE ACT, 2005**

The Third Schedule

Table II Conditional Exemptions (Services)

The following services are proposed to be exempted from levy of duty:

S.No	Description	Heading/Sub-heading No.
7.	Live stock insurance	9813.1600
8.	Services provided by Asset Management Companies with effect from July 1, 2007	Respective headings

SECTION (CLAUSE)	THE CUSTOMS ACT, 1969
2(s)	The proposed amendment seeks to broaden the definition of 'Smuggle' to include en route pilferage of transit goods.
3AA	The proposed new section seeks to introduce the Directorate General of Transit Trade for exclusive clearance and monitoring of transit goods, which shall comprise of a Director General and Directors, Additional Directors, Deputy Directors Assistant Directors and other officers, and empowers FBR to appoint them.
3BB and 3BBB	The proposed insertion of two new sections seeks to introduce the Directorate General of Reforms and Automation and Directorate General of Risk Management to manage automation and reforms of Pakistan Customs and to regulate the self clearance system, each of which shall comprise of a Director General and Directors, Additional Directors, Deputy Directors Assistant Directors and other officers, and empowers FBR to appoint them.
3CC	The proposed new section seeks to introduce the Directorate General of Intellectual Property Rights Enforcement for enforcement of intellectual property rights at the borders and ports, which shall comprise of a Director General and Directors, Additional Directors, Deputy Directors Assistant Directors and other officers, and empowers FBR to appoint them.
18E	The proposed insertion of new section seeks to empower FBR to make changes in Pakistan Custom Tariff specified in the First Schedule.
81(1) Second Proviso	The proposed amendment seeks to receive the differential amount of duties and taxes in respect of provisional assessment through pay order also.
156(1)	The proposed amendments in the Table regarding offences and penalties seek the following:
	S.No. 8(i), 89(i) and 92: Removal of the punishment of whipping for the offence of smuggling
	S.No. 45: Removal of reference to the omitted sections
	S.No. 64: Inclusion of penalty of imprisonment upto five years on persons involved in contravention of any rule or condition of transit.
	S.No. 101: Attempt to make unauthorized access to or improper use of Customs Computerized System to be treated as an offence.
	S.No. 102: Attempt to interfere in Customs Computerized System to be treated as an offence.
	S.No. 103: Attempt to make unauthorized use of unique user identifier to be treated as an offence.
179(1)	The substitution of sub-section seeks to delegate powers to customs officials in cases involving confiscation of goods or recovery of duty and other taxes not levied, short levied or erroneously refunded, and imposition of penalty.
(2)	The proposed editorial amendment seeks to bring this sub-section in line with sub-section (1).
193(1)	The proposed substitution of sub-section seeks to allow any person including a custom official to prefer appeal before the Collector (Appeals) against decision or order passed by an officer below the rank of Additional Collector.
194-A(1)(a)	The proposed insertion of new clause seeks to allow any person including a custom official to prefer appeal before the Appellate Tribunal against decision or order passed by an officer not below the rank of Additional Collector.

SECTION (CLAUSE)	THE CUSTOMS ACT, 1969
201(1A)	The proposed insertion of new sub-section seeks to sell the goods defined in sub-section (1) through electronic means i.e. e-auction, under rules framed by FBR.
202B	The proposed insertion of new section seeks to sanction cash rewards to custom officials and informers in cases of evasion, which shall be payable on realization of part or whole of the duty and taxes involved.
211(1)	The proposed substitution of sub-section seeks to require the importers, exporters and claimants of duty drawback, refund or any notified concessions, terminal operators, owners of warehouses, customs agents, transport operators and tracking companies, to maintain and keep records and correspondence concerning import, export and transit trade transactions.
224	The proposed amendment seeks to empower the Federal Government, FBR and customs official to condone delay and extend the time limit laid down in the Act and the rules.
The First Schedule	The entire First Schedule is proposed to be substituted with a view to bring it in line with HS Code (Harmonized Commodity Description and Coding System - 2012 version) published by World Customs Organization, Brussels (WCO). The maximum tariff rate is proposed to be reduced from 35% to 30% which will also reduce the number of tariff slabs from 8 to 7. Duty on raw materials and components for printing and stationery sector is proposed to be reduced. Duty on 88 pharmaceutical raw materials and other input goods is proposed to be reduced from 10% to 5%.

SECTION (CLAUSE)	THE FINANCE ACT, 1989 (CAPITAL VALUE TAX)
7(1)	The proposed amendment seeks to impose CVT on purchase of shares of public listed companies by real and legal persons.
7(1)(e)	The proposed omission of sub-clauses (ii) and (iii) seeks to provide for consequential changes brought in by the above amendment.
7(2) Paragraph (A)	The proposed addition of paragraph seeks to impose CVT on the immovable property situated in urban areas, as follows: a) Residential (other than flats) of at least 500 sq.yds. or one kanal whichever is less, at the rate of (i) 2% of the recorded value, or (ii) Rs. 100 per sft, whichever is higher. b) Flats of any size, at the rate of (i) 2% of the recorded value of landed area, or (ii) Rs. 100 per sft of landed area, whichever is higher. c) Commercial property of any size at the rate of Rs. 10 per sft in addition to the value worked out above.
7(2) Paragraph (F)	The proposed insertion of paragraph seeks to define the rate of CVT on purchase of shares of public listed companies at 0.01% of the purchase value.
7(4)	The proposed amendment seeks to provide for consequential changes brought in by the above amendment.

SECTION (CLAUSE)	THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN ACT, 1997
24(3A)	The proposed insertion of new clause seeks to bind the Commission to remit the receipts over actual expenditure during a financial year to the Federal Consolidated Fund and to ensure that any deficit from the actual expenditure shall be made up by the Federal Government. This was proposed through the Finance Bill 2011 and was not passed by the Parliament.
40AA	The proposed insertion of new section seeks to bind the Commission to credit all penalties and fines recovered under the Ordinance to the Federal Consolidated Fund. These corrective measures shall help utilize the unused funds and also curb misuse of available funds. This was also proposed through the Finance Bill 2011 and was not passed by the Parliament.

SECTION (CLAUSE)	THE PRESIDENT'S PENSION ACT, 1975
Schedule Paragraph (va)	The proposed insertion of new paragraph seeks to provide for life time security of the ex-Head of State as a retirement benefit and to empower the Federal Government to specify the same by notification in the official Gazette.

SECTION (CLAUSE) — **THE PRIME MINISTER'S SALARY, ALLOWANCES AND PRIVILEGES ACT, 1975**

17 — The proposed insertion of new section seeks to provide for security of the ex-Head of Government, who has held the office for more than two years, as a retirement benefit and to empower the Federal Government to specify the same by notification in the official Gazette.

SECTION (CLAUSE) — **THE PETROLEUM PRODUCTS (PETROLEUM LEVY) ORDINANCE, 1961**

The Fifth Schedule — The proposed substitution of the Fifth Schedule seeks to limit the Petroleum Levy rate to the maximum, as follows.

S. No	Petroleum Products	Unit	Maximum Petroleum Levy Rate (Rs. Per unit)
1.	High Speed Diesel Oil (HSDO)	Litre	8
2.	Motor Gasoline 87 ROM	Litre	10
3.	SKO	Litre	6
4.	Light Diesel Oil (LDO)	Litre	3
5.	HOBC	Litre	14
6.	E-10 Gasoline	Litre	9
7.	Liquefied Petroleum Gas (produced/ extracted in Pakistan	Metric Ton	11,486

This will empower the Federal Government to fix lower rates of the levy for the benefit of the masses.

SECTION (CLAUSE) — **THE NATURAL GAS (DEVELOPMENT SURCHARGE) ORDINANCE, 1967**

3(1) — The proposed amendment seeks to empower the Gas companies to collect development surcharge and pay the same to the Federal Government.

3(3) Second Proviso — The proposed insertion of new proviso seeks to impose restrictions with regard to exemption given to any gas company. The exemption shall now be given when it is approved by the Secretary and Minister for Petroleum and Natural Resources Division.

SECTION (CLAUSE) — **THE PAKISTAN TELECOMMUNICATION (RE-ORGANIZATION) ACT, 1996**

23A — The proposed insertion of new section seeks to bind the Authority to credit all penalties and fines recovered under the Ordinance to the Federal Consolidated Fund. These corrective measures shall help utilize the unused funds and also curb misuse of available funds. This was proposed through the Finance Bill 2011 and was not passed by the Parliament.

SECTION (CLAUSE)	THE REGULATION OF GENERATION, TRANSMISSION AND DISTRIBUTION OF ELECTRIC POWER ACT, 1997
13(2)	The proposed insertion of new clause seeks to ensure that the receipts over actual expenditure during a financial year are remitted to the Federal Consolidated Fund and to further ensure that any deficit from the actual expenditure shall be made up by the Federal Government. This was proposed through the Finance Bill 2011 and was not passed by the Parliament.
29(2)	The proposed insertion of new clause seeks to bind that all penalties and fines recovered under the act are credited to the Federal Consolidated Fund. These corrective measures shall help utilize the unused funds and also curb misuse of available funds. This was also proposed through the Finance Bill 2011 and was not passed by the Parliament.

SECTION (CLAUSE)	THE PAKISTAN NUCLEAR REGULATORY AUTHORITY ORDINANCE, 2001
42(2)	The proposed insertion of new clause seeks to bind the Authority to remit the receipts over actual expenditure during a financial year to the Federal Consolidated Fund and to ensure that any deficit from the actual expenditure shall be made up by the Federal Government. This was proposed through the Finance Bill 2011 and was not passed by the Parliament.
44(5)	The proposed insertion of new clause seeks to bind the Authority to credit all penalties and fines recovered under the Ordinance to the Federal Consolidated Fund. These corrective measures shall help utilize the unused funds and also curb misuse of available funds. This was also proposed through the Finance Bill 2011 and was not passed by the Parliament.

SECTION (CLAUSE)	THE OIL AND GAS REGULATORY AUTHORITY ORDINANCE, 2002
17(4)	The proposed insertion of new clause seeks to bind the Authority to remit the receipts over actual expenditure during a financial year to the Federal Consolidated Fund and to ensure that any deficit from the actual expenditure shall be made up by the Federal Government. This was proposed through the Finance Bill 2011 and was not passed by the Parliament.
28(2)	The proposed insertion of new clause seeks to bind the Authority to credit all penalties and fines recovered under the Ordinance to the Federal Consolidated Fund. These corrective measures shall help utilize the unused funds and also curb misuse of available funds. This was also proposed through the Finance Bill 2011 and was not passed by the Parliament.

SECTION (CLAUSE)	THE PAKISTAN ELECTRONIC MEDIA REGULATORY AUTHORITY ORDINANCE, 2002
15(2)	The proposed insertion of new subsection seeks to bind the Authority to remit the receipts over actual expenditure during a financial year to the Federal Consolidated Fund and to ensure that any deficit from the actual expenditure shall be made up by the Federal Government. This was proposed through the Finance Bill 2011 and was not passed by the Parliament.
36A	The proposed insertion of new clause seeks to bind the Authority to credit all penalties and fines recovered under the Ordinance to the Federal Consolidated Fund. These corrective measures shall help utilize the unused funds and also curb misuse of available funds. This was also proposed through the Finance Bill 2011 and was not passed by the Parliament.

SECTION (CLAUSE)	THE GAS INFRASTRUCTURE DEVELOPMENT CESS ACT, 2011
The Second Schedule	The proposed substitution of the schedule seeks to levy the cess on the following sectors at the maximum rates given below:

S.No	Sector		Cess (Rs. Per MMBTU
1.	Fertilizer - Feed Stock (except for the fertilizer plants having fixed price contracts)		300
2.	Compressed Natural Gas (CNG):		
	a	Region-I – KPK, Baluchistan & Potohar Region (Rawalpindi, Islamabad & Gujarkhan)	300
	b	Region-II – Sindh & Punjab (excluding Potohar Region)	200
3.	Industrial (including captive power)		100
4.	WAPDA / KESC / GENCOs		100
5.	Independent Power Plants (IPPs)		100
6.	Commercial		-
7.	Domestic		-
8.	Cement		-
9.	Liberty Power Plant		-

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 except for the items mentioned below	5	Collector of Customs	Final except large import houses
	Import of gold, mobile telephone sets, silver, potassic fertilizers, urea fertilizer, fibres, yarn and fabrics and goods covered by the Zero Rating Regime of the Sales Tax notified by the Board	1	Collector of Customs	Final except large import houses
	Import of raw materials by an industrial undertaking for its own use	3	Collector of Customs	Adjustable
	Import of pulses	2	Collector of Customs	Final except large import houses
	Import of goods classified under Pakistan Customs Tariff falling under chapter 27, 86 and 99	0	Collector of Customs	Not applicable
149	Payment of salary	Average rate of tax computed on the basis of formula	Employer	Adjustable
150	Payments of dividend where receiver is: Public company and insurance company or any other resident company Purchaser of power project privatized by WAPDA Company set up for power generation Others	 10 7.5 7.5 10	 Every resident company	 Final Final Final Final
151	Payment of profit / yield to resident in respect of following after deducting zakat thereon: • Deposit or account maintained with banking company or financial institution • Yield on National Saving Schemes and Post Office Saving Account where investment made on or after 01 July, 2001 exceeds Rs.150,000	 10 10	Payer of the profit or yield	Final (for Indv. & AOP) Adjustable (for companies)

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
	• Profit on securities issued by Government and local authority	10		
	• Profit on bond, certificates, debenture, security or instrument of any kind (other than a loan agreement between a borrower and banking Co. or a Development financial institution)	10		
152	Payments to non-residents including payments to Permanent Establishment in Pakistan of non-resident			
	• Sales of good	3.5	Every person	Final
	• Transport services	2		Final
	• Other services	6		Final
	• Execution of contract	6		Final
	• Royalty	15		Final
	• Fees for technical services	15		Final
	• Shipping income	8		Final
	• Air Transport income	3		Final
	• Contract	6		Final
	• Advertisement services rendered by T.V. Satellite Channels	6		Final
	• Advertisement services relaying from outside Pakistan	10		Final
	• Other Contract or services	6		Final
	• Profit on debt	10		Adjustable
	• Insurance premium or re-insurance premium	5		Final
	• Other cases	20		Adjustable

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
153	Payments to resident person on account of: • Sale of goods on amount inclusive of Sales Tax ➢ General ➢ Rice, cotton seed and edible oil other than ➢ mentioned below Edible oil purchased locally by manufacturers of cooking oil and vegetable ghee or both • Sale of rice by Rice Exporter Association of Pakistan to Utility Store Corporation • From distributor of cigarette and pharmaceuticals products and for large distribution houses	3.5 1.5 2 1 1	Federal Government, Company, Small company, Association of Persons(under law), Foreign Contractor or Consultant and Consortium or Joint Venture, Individual (turnover of Rs. 50M or above), AOP (normal)(turnover of Rs. 50M or above)	Final Final Final Final Final
	• Rendering of services ➢ General ➢ Transport ➢ In other case ➢ News and print media services ➢ Rendering of or providing of stitching, dying, printing, embroidery, washing, sizing and weaving • Execution of contract	6 2 6 2 1 6		Minimum Final Final
153A	Payment to Traders and Distributors.- • Every manufacturer, at the time of sale to distributors, dealers and wholesalers	1	Every manufacturer	Adjustable

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
154	Realisation of proceeds on account of: • Exports of goods and sales of goods by indirect exporter under inland back to back letter of credit or standard purchase order of goods specified in seventh schedule • Exports of goods by an industrial undertaking located in the export processing zones. • Payment for firm contract to an indirect exporter. • Indenting commission	1 1 1 5	Authorized Dealer in foreign exchange and Banking Company EPZ authority established under the EPZ authority Ordinance, 1980. Direct exporter and an export house registered under the duty and tax remission rules for export 2001. Authorized Dealer in foreign exchange and Banking Company.	Final Final Final Final
155	Payment of rent (including advance) on immovable property, • Where holding period of immovable property is up to one year • Where holding period of immovable property is more than one year but not more than two years	10 5	Federal Government, Provincial Government, Local Authority, Company, Non-Profit Organization and Diplomatic Mission of Foreign State.	Final
156	Payment of prize on prize bond or crosswords puzzle Payment of prize on winning of raffle, lottery, a quiz, offered by companies for promotion of sale.	10 20	Person paying the amount where the payment is not in cash amount to be collect	Final Final
156A	Payment of commission or discount allowed to a petrol pump operator	10	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)	0.2	Every Banking Company	Adjustable

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
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	0.3	Every Banking Company	Adjustable
231B	Registration of new motor car or a jeep cars	7,500 to 50,000	Excise and Taxation (Motor Vehicle)	Final
233	Payment of Brokerage and Commission • General • Advertising	 10 5	Government, Local Authority, Company and Association of Person constituted by or under any law	Final
233A	On purchase of shares On sale of shares On trading of share	0.01	Registered Stock Exchange	Adjustable
234	On collection of motor vehicle tax of : • Passenger transport vehicle with registered seating capacity of 10 or more persons upto 10 years of the year of the make of vehicle	Rs. 25 to Rs500 per seat per annum	Person collecting motor vehicle tax	Adjustable
	• Goods transport vehicle.	Rs. 5 per kilogram of the laden weight per annum		Final
	In the case of goods transport vehicles with minimum laden weight of 8,120 Kg, advance tax after a period of ten years from the date of first registration of vehicle in Pakistan.	Rs. 1,200 per annum		Final
	• Other private motor cars	Rs. 750 to Rs. 8,000 per annum.		Adjustable
234A	In the case of a compressed natural gas station	4	Person preparing Gas Consumption bills	Final

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
235	On collection of amount of electricity bill	Rs. 80 to 1,500 per month / 5% for industrial consumers and 10% of commercial consumers of bill amount which exceeds Rs. 20,000	Person preparing electricity consumption bill	Adjustable for Companies (minimum for others for bill upto Rs. 30,000 per month / adjustable for the amount of bill which exceeds Rs. 30,000)
236	On collection of amount of telephone charges of: • Telephone subscriber (bill exceeds Rs. 1,000) • Postpaid mobile telephone and prepaid telephone cards	 10 10	Person preparing telephone bills	Adjustable
236 B	• Domestic air tickets	5	Person preparing air tickets	Adjustable

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

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LITHUANIA
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MALTA
MAURITIUS
MEXICO
MIDDLE EAST-CORPORATE FINANCE
MOROCCO
MOZAMBIQUE
NAMIBIA
NETHERLANDS
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NIGERIA
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SLOVENIA
SOUTH AFRICA
SPAIN
SRI LANKA
ST.LUCIA
ST.MARTEN
ST.VINCENT
SURINAME
SWEDEN
SWITZERLAND
TAIWAN
TAJIKISTAN
TANZANIA
THAILAND
TRINIDAD AND TOBAGO
TUNISIA
TURKEY
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