

**BUDGET BRIEF 2012-13**



**BUDGET BRIEF**

**2012-13**

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## **65Th BUDGET OF PAKISTAN**

On 1<sup>st</sup> June, 2012 the 65th budget of Pakistan was unveiled by the Finance Minister of the State. The total outlay of budget 2012-13 is Rs 3,203 Billion. This size is 15.8% higher than the size of budget estimates 2011-12. The budget highlights if read in line with the highlights of the Economic Survey of 2011-12, would give a better understanding of the situation.

### **ECONOMIC SITUATION**

- GDP growth rate remained at 3.7%, which is highest in the last three years.
- CPI was 10.8% during first ten months of the year from a high of 25% in October 2008.
- The agriculture sector recorded a growth of 3.1% against 2.4% last year
- The Large Scale Manufacturing growth is 1.1% during first nine months of the current financial year as against 1.0% last year.
- The Services sector recorded growth of 4% during the outgoing year.
- Foreign Direct Investment stood at 668 million dollar during first ten months of the current financial year as against 1293 million dollar last year.
- Real investment has declined from 13.1% of GDP last year to 12.5% of GDP this year.
- Foreign exchange reserves reached to 16.5 Billion dollars at the end of April this year compared to 17 Billion dollar at the end of April last year. The Pak Rupee depreciated by 3.4% during first ten months of current financial year as compare to depreciation of 2.2% during same period of last year.
- Current account balance was affected due to sharp increase in oil prices and import of 1.2 million metric tons of fertilizer.
- Per capita real income grew at 2.3% during the year as against 1.3% last year. In dollar terms, it increased from 1258 dollar last year to 1372 dollars this year.
- The tax measures enforced by the Government yielded dividend. There was 24% increase in FBR tax revenues in the first ten months of the current financial year which rose to 1445 Billion as compared to 1250 Billion rupees last year. Efforts are underway to reach the ambitious target of 1952 Billion rupees.
- A three year plan to phase out Federal Excise Duties is under implementation.
- The country's public debt stood at 12,024 Billion rupee as of March this year. During first nine months of the ongoing fiscal year, total public debt registered an increase of 1,315 Billion rupees.
- National savings are 10.7% of GDP this year as compared to 13.2% last year.

- Private investment also contracted to 7.9% of the GDP this year as compared to 8.6% last year.
- The capital flows were affected because of global financial crunch, euro zone crisis and war against terrorism.
- There has been a cumulative investment of about 2.5 Billion dollar in the electronic media industry in the country.
- More than two hundred thousand new jobs with diversified skills and qualifications have been provided. Additionally, over seven million people have been accommodated through indirect employment.
- The Survey indicates that the contribution of hydel in electricity generation increased to 33.5% in 2011. KESC contributed 8.3%; PAEC 3.6%; Kot Addu Power Company 6.2 percent; and HUBCO 9.1% to total electricity generation. IPPs contributed almost 25%.
- Efforts are also being made to manage the fiscal deficit within acceptable level through an expenditure management strategy, austerity measures and reforms in public sector enterprises.
- Exchange rate remained stable during the period.
- Pakistan repay \$ 1.2 Billion of loans to IMF.
- Current expenditure registers 10% decrease.
- Total volume of grants reaches 70% of Divisible Pool.
- Parliament passes 24 laws to empower women during last four years.
- Inflation reduced to 11%, next year it will be cut down to single digit.
- Tax Revenues registers 46% increase, tax collection increases from Rs.1327 Billion to Rs.1950 Billion.
- Subsidy of Rs.50 Billion given on fertilizer.
- Industrial growth rate projected to 3.4% this year against 3.1% last year.
- Subsidies of Rs.1,250 Billion given on electricity sector during last five years.
- Govt. injected 3500 MW of electricity to National Grid.
- Pakistan to get 2 Billion cubic feet of gas from Pak-Iran Gas pipeline, Turkmenistan-Afghanistan-Pakistan India gas pipeline.
- 500 million cubic feet of LNG will be made available for consumers
- Govt. gave relief of Rs.70 Billion on petroleum products.
- National Economic Council approved Annual Development Plan of Rs.873 Billion.
- Federal Government share in Annual Development Plan is Rs.300 Billion
- 200 projects completed under Public Sector Development Programme (PSDP) at a cost of Rs.300 Billion.
- Rs.12 Billion for development projects, Rs.16.5 Billion allocated for current



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- expenditure for Azad Kashmir besides a loan of Rs.8.5 Billion
- Remittances by overseas Pakistan touch \$ 13 Billion mark during last two years
- Exports register 28% increase, volume touches \$ 25 Billion mark

### BUDGET 2012-13

- The current budget is 15.8% higher than the last year.
- Budget deficit is likely to remain at Rs.1,185 Billion
- The revenue receipts are Rs.1,775/- Billion. The balance amount of Rs.944/- Billion will be collected by way of external receipts (Rs.484/- Billion), provincial surplus (Rs.80/- Billion), Capital Receipts (Rs.487/- Billion) and bank borrowings (Rs.484/- Billion).
- The current expenditure (Rs.2,396/- Billion) and the development expenditure (Rs.591/- Billion).
- The tax revenue is targeted at Rs. 2,381 /- Billion, which is 22% higher than last year.

### OTHER HIGHLIGHTS OF THE BUDGET:

- 20% adhoc relief in pay and pension of Federal Government Employees
- Rs.10 Billion to be allocated for Export Development Fund
- 10% additional discount at Utility Stores on different commodities for BISP card holders
- Govt. to set up 2,000 new Utility Stores, 35,000 families to get relief
- 100,000 youth to get internships, technical training
- Bachelor, Master Degree Holders to get 40,000 internships each in public and private sector
- 20,000 Graduates to be imparted skilled training to fulfill domestic and foreign demand
- Govt. to pay tuition fee of PhD and Master students belonging to Baluchistan, FATA, Gilgit-Baltistan
- Federal Excise Duty on 10 items abolished
- 18 raw materials, 9 components being used for text books, stationary exempted from Customs Duty.
- Customs duty reduced from 10% to 5% on 88 raw materials of Pharmaceutical Industry.
- Govt. allocates Rs.360 Billion under PSDP for 96 ongoing projects
- Rs.69 Billion earmarked for Electricity section, WAPDA, Electric Companies will be given Rs.115 Billion
- Rs.48 Billion allocated for Water sector, Rs.44 Billion for Social Sector
- FATA, Gilgit-Baltistan, AJK to get Rs.37 Billion
- Rs.16 Billion allocated for Higher Education
- Rs.84 Billion allocated for Transport and Communication (Rs.51 Billion for NHA,

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Rs.23 Billion for Railways)

- Baluchistan share increase upto 9.09% in Divisible Pool
- Block Development Allocation enhanced up to Rs.16 Billion for Gilgit-Baltistan
- Rs.10 Billion allocated for mega project in Gilgit-Baltistan
- Rs.17 Billion allocated in PSDP for FATA

Dated: 06-06-2012

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**Note:**

*This handbook is general guideline and an attempt to answer the immediate queries of our clients and staff. While using this book please keep in mind that they are our views, which are subject to the finalization of Finance Act 2012 by the legislators. No decisions should be taken on any issue without professional advice. This handbook is property of our firm and is prepared for the exclusive use of our clients, staff and on request. The information given in this handbook was correct at the time of going to press.*

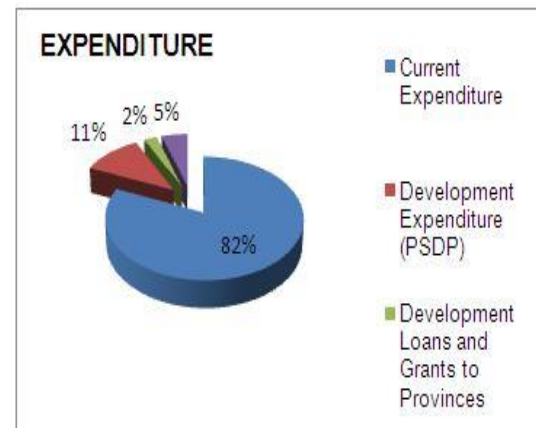
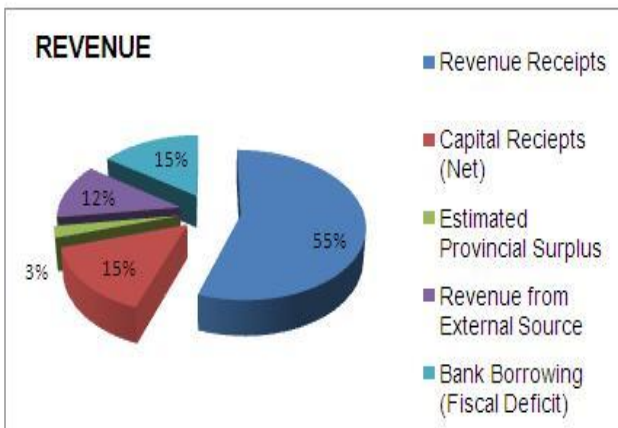
**BUDGET BRIEF 2012-13**

**BUDGET AT A GLANCE**

RUPEES IN MILLIONS					
Budget	%age	Budget	%age	Variance	
2012-13		2011-12		Amount	%age
<b>REVENUE</b>					
<b>Revenue from Internal Source</b>					
Revenue Receipts	55.42%	1,528,829	74.60%	246,153	16.10%
Capital Receipts (Net)	14.92%	395,652	19.31%	82,127	20.76%
Estimated Provincial Surplus	2.48%	124,882	6.09%	(45,334)	-36.30%
<b>2,332,309</b>	<b>72.82%</b>	<b>2,049,363</b>	<b>100.00%</b>	<b>282,946</b>	<b>13.81%</b>
<b>Revenue from External Source</b>					
<b>386,879</b>	<b>12.08%</b>	<b>289,825</b>	<b>10.48%</b>	<b>97,054</b>	<b>33.49%</b>
<b>Bank Borrowing (Fiscal Deficit)</b>					
<b>483,811</b>	<b>15.10%</b>	<b>427,627</b>	<b>15.46%</b>	<b>56,184</b>	<b>13.14%</b>
<b>3,202,999</b>	<b>100%</b>	<b>2,766,815</b>	<b>100%</b>	<b>436,184</b>	<b>15.76%</b>

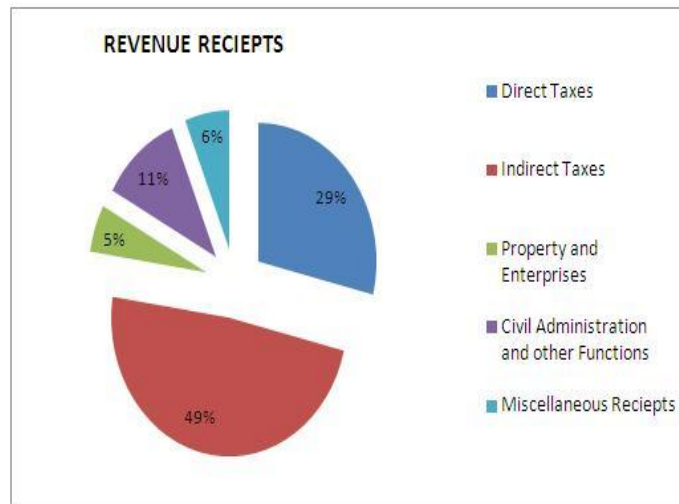
**EXPENDITURE**

Current Expenditure	81.55%	2,314,859	83.67%	297,081	12.83%
Development Expenditure (PSDP)	11.24%	300,000	10.84%	60,000	20.00%
Development Loans and Grants to Provinces	2.40%	54,871	1.98%	21,900	39.91%
Other Development Expenditure	4.82%	97,085	3.51%	57,203	58.92%
<b>3,202,999</b>	<b>100%</b>	<b>2,766,815</b>	<b>100%</b>	<b>436,184</b>	<b>15.76%</b>



**REVENUE RECEIPTS**

	RUPEES IN MILLIONS					
	Budget	%age	Budget	%age	Variance	
	2012-13		2011-12		Amount	%age
<b>Classification</b>						
<b>Tax Revenue</b>						
Direct Taxes	932,000	28.82%	743,600	27.22%	188,400	25.34%
Indirect Taxes	1,571,575	48.60%	1,330,582	48.70%	240,993	18.11%
	<b>2,503,575</b>	<b>77.42%</b>	<b>2,074,182</b>	<b>75.92%</b>	<b>429,393</b>	<b>20.70%</b>
<b>Non-Tax Revenue</b>						
Property and Enterprises	178,773	5.53%	197,525	7.23%	(18,752)	-9.49%
Civil Administration and other Functions	354,175	10.95%	321,383	11.76%	32,792	10.20%
Miscellaneous Receipts	197,384	6.10%	139,060	5.09%	58,324	41.94%
	<b>730,332</b>	<b>22.58%</b>	<b>657,968</b>	<b>24.08%</b>	<b>72,364</b>	<b>11.00%</b>
<b>Revenue Receipts (Gross)</b>	<b>3,233,907</b>	<b>100%</b>	<b>2,732,150</b>	<b>100%</b>	<b>501,757</b>	<b>18.36%</b>
Less: Provincial Share	1,458,924	45.11%	1,203,321	44.04%	255,603	21.24%
<b>Revenue Receipts (Net)</b>	<b>1,774,983</b>	<b>54.89%</b>	<b>1,528,829</b>	<b>55.96%</b>	<b>246,154</b>	<b>16.10%</b>

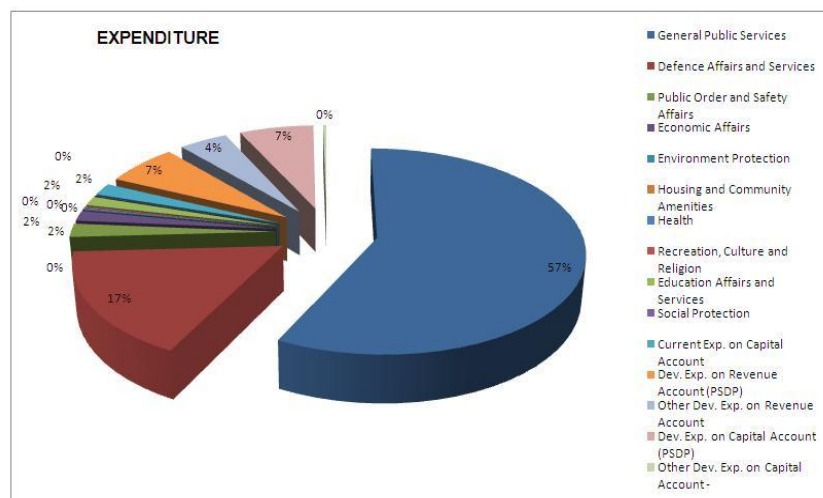




**BUDGET BRIEF 2012-13**

**EXPENDITURE**

RUPEES IN MILLIONS						
Classification	Budget	%age	Budget	%age	Variance	
	2012-13		2011-12		Amount	%age
<b>1 Current Expenditure on Revenue Account</b>						
i. General Public Services	1,876,839	57.46%	1,659,978	58.55%	216,861	13.06%
ii. Defence Affairs and Services	545,386	16.70%	495,215	17.47%	50,171	10.13%
iii. Public Order and Safety Affairs	70,157	2.15%	59,609	2.10%	10,548	17.70%
iv. Economic Affairs	53,642	1.64%	50,307	1.77%	3,335	6.63%
v. Environment Protection	736	0.02%	577	0.02%	159	27.56%
vi. Housing and Community Amenities	1,855	0.06%	1,602	0.06%	253	15.79%
vii. Health	7,845	0.24%	2,646	0.09%	5,199	196.49%
viii. Recreation, Culture and Religion	6,267	0.19%	4,247	0.15%	2,020	47.56%
ix. Education Affairs and Services	47,874	1.47%	39,513	1.39%	8,361	21.16%
x. Social Protection	1,340	0.04%	1,164	0.04%	176	15.12%
<b>a. Current Exp. on Revenue Account</b>	<b>2,611,941</b>	<b>79.97%</b>	<b>2,314,858</b>	<b>81.64%</b>	<b>297,083</b>	<b>371%</b>
<b>b. Current Exp. on Capital Account</b>	<b>63,308</b>	<b>1.94%</b>	<b>68,557</b>	<b>2.42%</b>	<b>(5,249)</b>	<b>-7.66%</b>
<b>Total Current Expenditure (a + b)</b>	<b>2,675,248</b>	<b>81.90%</b>	<b>2,383,415</b>	<b>84.06%</b>	<b>291,833</b>	<b>12.24%</b>
<b>c. Dev. Exp. on Revenue Account (i+ii)</b>						
i. Dev. Exp. on Revenue Account (PSDP)	215,762	6.61%	176,865	6.24%	38,897	21.99%
ii. Other Dev. Exp. on Revenue Account	144,520	4.42%	97,085	3.42%	47,435	48.86%
	<b>360,282</b>	<b>11.03%</b>	<b>273,950</b>	<b>9.66%</b>	<b>86,332</b>	<b>71%</b>
<b>d. Dev. Exp. on Capital Account (i+ii)</b>						
i. Dev. Exp. on Capital Account (PSDP)	221,009	6.77%	178,008	6.28%	43,001	24.16%
ii. Other Dev. Exp. on Capital Account -	9,768	0.30%	-	0.00%	9,768	100%
	<b>230,777</b>	<b>7.07%</b>	<b>178,008</b>	<b>6.28%</b>	<b>52,769</b>	<b>124.16%</b>
<b>Total Public Sector Dev. Program (ci+di)</b>	<b>446,539</b>	<b>13.67%</b>	<b>354,873</b>	<b>12.52%</b>	<b>91,666</b>	<b>25.83%</b>
<b>2 Total Development Expenditure (c + d)</b>	<b>591,059</b>	<b>18.10%</b>	<b>451,958</b>	<b>15.94%</b>	<b>139,101</b>	<b>30.78%</b>
<b>Total - Expenditure (1+2)</b>	<b>3,266,308</b>	<b>100.00%</b>	<b>2,835,373</b>	<b>100.00%</b>	<b>430,935</b>	<b>15.20%</b>
<b>Break-up of Expenditure</b>						
Revenue Account (a+c)	2,972,223	91.00%	2,588,808	91.30%	383,415	14.81%
Capital Account (b+d)	294,085	9.00%	246,565	8.70%	47,520	19.27%
<b>Total Expenditure</b>	<b>3,266,308</b>	<b>100%</b>	<b>2,835,373</b>	<b>100%</b>	<b>430,935</b>	<b>15.20%</b>



**BUDGET BRIEF 2012-13**

**TAX REVENUE**

RUPEES IN MILLIONS					
Budget	%age	Budget	%age	Variance	
2012-13		2011-12		Amount	%age

**Classification**

**Direct Taxes**

Income Tax	914,000	36.51%	718,600	34.64%	195,400	27.19%
Worker's Welfare Fund	18,000	0.72%	25,000	1.21%	(7,000)	-28.00%
	<b>932,000</b>	<b>37.23%</b>	<b>743,600</b>	<b>36%</b>	<b>188,400</b>	<b>25.34%</b>

**Indirect Taxes**

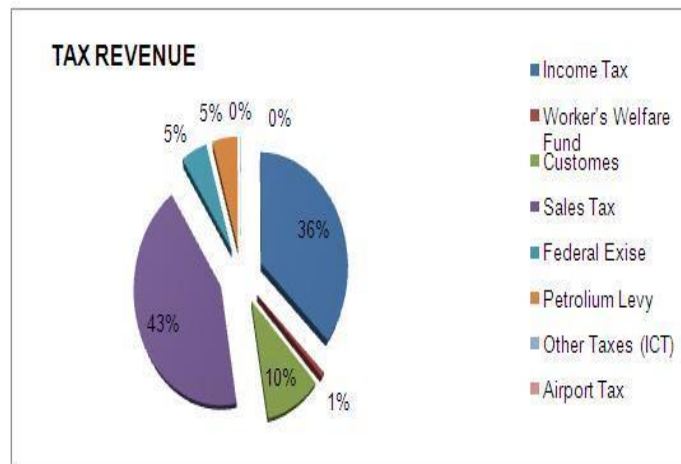
Customes	247,500	9.89%	206,400	9.95%	41,100	19.91%
Sales Tax	1,076,500	43.00%	836,700	40.34%	239,800	28.66%
Federal Exise	125,000	4.99%	165,600	7.98%	(40,600)	-24.52%
Petroleum Levy	120,000	4.79%	120,000	5.79%	-	0.00%
Other Taxes (ICT)	2,500	0.10%	1,807	0.09%	693	38.35%
Airport Tax	75	0.00%	75	0.00%	-	0.00%
	<b>1,571,575</b>	<b>62.77%</b>	<b>1,330,582</b>	<b>64.15%</b>	<b>240,993</b>	<b>18.11%</b>

**Total Receipts**

	<b>2,503,575</b>	<b>100%</b>	<b>2,074,182</b>	<b>100%</b>	<b>429,393</b>	<b>43.45%</b>
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Note: Out of which FBR tax collection

	<b>2,381,000</b>	<b>95.10%</b>	<b>1,952,300</b>	<b>94.12%</b>	<b>(428,700)</b>	<b>-21.96%</b>
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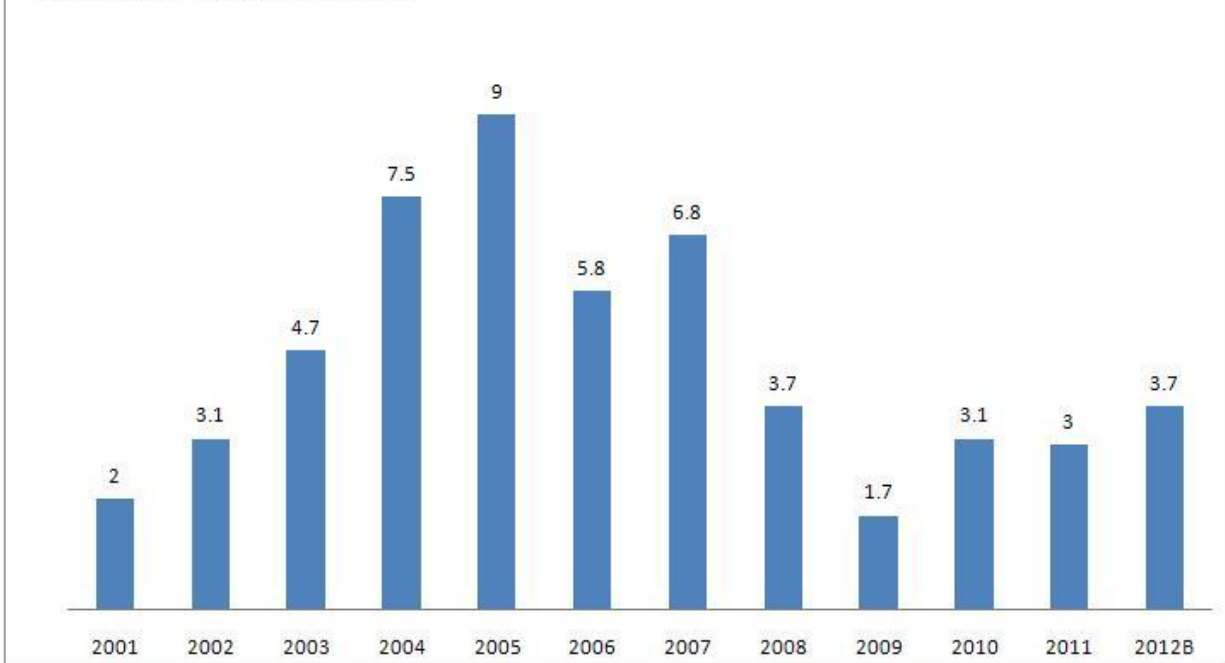


**BUDGET BRIEF 2012-13**

**FISCAL INDICATORS AS PERCENT OF GDP**

Year	Real GDP Growth	Overall Fiscal Deficit	Expenditure			Revenue		
			Total	Current	Development	Total Revenue	Tax	Non-Tax
2001	2	4.3	17.4	15.3	2.1	13.1	10.5	2.6
2002	3.1	4.3	18.5	15.7	2.8	14.0	10.7	3.3
2003	4.7	3.7	18.8	16.2	2.6	14.8	11.4	3.4
2004	7.5	2.3	16.5	13.7	2.8	14.2	11.0	3.2
2005	9	3.3	16.8	13.3	3.5	13.8	10.1	3.7
2006	5.8	4.3	18.4	13.6	4.8	14.1	10.5	3.6
2007	6.8	4.4	20.6	15.8	5.8	14.9	10.2	4.7
2008	3.7	7.6	22.2	18.1	4.4	14.6	10.3	4.4
2009	1.7	5.3	19.9	16.0	3.8	14.5	9.5	5.1
2010	3.1	6.3	20.3	16.8	3.5	14.0	10.1	3.9
2011	3	5.9	19.2	16.1	2.8	12.5	9.5	3.1
2012B	3.7	4.0	18.0	14.4	3.6	13.9	10.4	3.5

**REAL GDP GROWTH RATE**

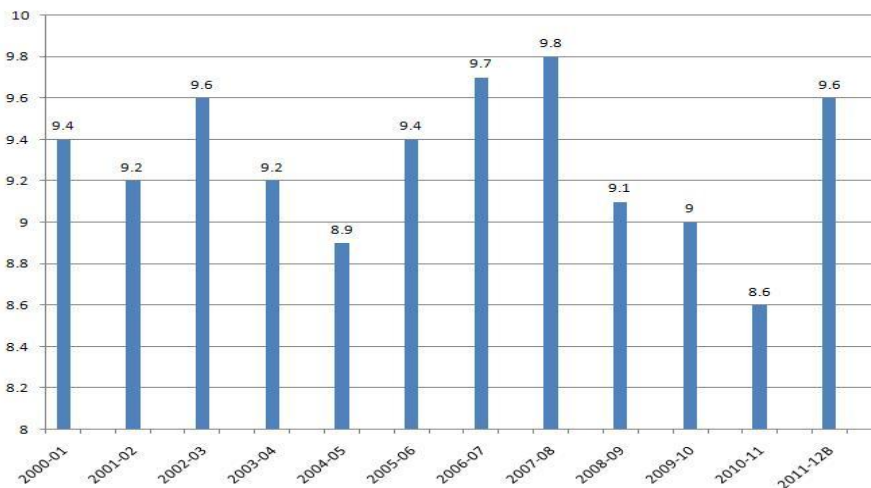


**BUDGET BRIEF 2012-13**

**STRUCTURE OF FEDERAL TAX REVENUE**

Year	Total (FBR)	Tax Revenue as % of GDP	Direct Taxes	Indirect Taxes			Total
				Customs	Sales	Excise	
2000-01	392.3	9.4	124.6	65	153.6	49.1	267.7
			31.8	24.3	57.4	18.3	68.2
2001-02	404.3	9.2	142.5	47.8	166.6	47.2	261.6
			35.3	18.3	63.7	18	64.7
2002-03	460.1	9.6	151.9	68.6	195.1	44.8	308.7
			33	22.3	63.2	14.5	67
2003-04	520.9	9.2	165.1	91.0	219.2	45.6	355.8
			31.7	25.6	61.6	12.8	68.3
2004-05	590.4	8.9	183.4	115.4	238.5	53.1	407
			30.1	28.4	58.6	13	68.9
2005-06	713.5	9.4	225	138.4	294.8	55.3	488.5
			31.5	28.3	60.3	11.3	68.5
2006-07	847.2	9.7	333.7	132.3	309.4	71.8	513.5
			39.4	25.8	60.3	14	60.6
2007-08	1008.1	9.8	387.9	150.7	377.4	92.1	620.2
			38.5	24.3	60.9	14.9	61.5
2008-09	1161.1	9.1	443.5	148.4	451.7	117.5	717.6
			38.2	20.7	62.9	16.4	61.8
2009-10	1327.4	9	526	160.3	516.3	124.8	801.4
			39.6	20	64.4	15.6	60.4
2010-11	1558.2	8.6	602.5	184.9	633.4	137.4	955.7
			38.7	19.3	66.3	14.4	61.3
2011-12B	1952	9.6	745	215.0	852	140.0	1207
			38.2	17.8	70.6	11.6	61.8

**TAX REVENUE AS % OF GDP**





## BUDGET HIGHLIGHTS 2012-13

### Income Tax

- Concessional loan to employee exempted up to Rs.500,000/- for the purpose of computation of notional profit chargeable to tax as salary. Benchmark rate on such loan capped at 10%.
- Basic exemption limits increased from Rs 350,000/- to Rs 400,000/- in case of salaried and business individuals.
- Existing rate slabs reduce from 17 to 5 in case of salaried person and 6 to 5 in case of business individuals.
- Progressive slab rates are introduced applicable to salaried and business individual instead of flat range tax as well as to AOP instead of flat rate of 25%.
- The progressive slab rate are meant to reduce effective tax rate, tax burden and to provide adequate relief to the salaried and business community.
- Capital gain tax is imposed on the disposal of immoveable property @ 10% and 5% to eradicate speculation in real estate business.
- Amendment made by Finance (Amendment) Ordinance 2012 relating to Capital Gain tax on disposal of securities and grant of immunity from probe to investment in securities are incorporated through the Bill to promote Capital Market.
- Limit of investment in share and life insurance policy for the purpose of tax credit increased from Rs.500,000/- to Rs.1,000,000/-, limit of 15% of taxable income to 20% and limit of holding share reduced from 3 to 2 year.
- Tax credit at rate of 10% of amount invested for BMR are also to be adjusted against minimum and final tax.
- Tax credit for BMR at the rate of 20% of amount invested allowed to industrial undertaking setup up to June 30, 2011.
- New industrial undertaking of corporate dairy farming allowed tax credit @ 100% of tax payable.
- Existing company investing 100% in new equity through issuance of share for investment in industrial undertaking allowed to take tax credit at the rate 100% of tax payable including minimum and final tax.
- Rate of initial depreciation allowance on Building, reduced from 50% to 25%.
- Tax paid or payable as final tax liability is to be excluded for the purpose of determination of minimum tax liability.
- FBR empowered to frame rules for determination of cost of asset and consideration received on disposal of asset.

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- Revision of return is made subject to additional condition of declaration of taxable income not less than and loss not more than the income or loss determine by the best judgment order, amended order, revisional order, provisional order, appeal effect order or rectified order.
- Limitation period for issuance of deficiency notice extended and could be issue within 182 days from the end of financial year instead of by end of relevant financial year.
- Minimum tax rate has been reduced from 1% to 0.5% in case of retailer opting FTR and having turnover upto 5 million.
- Best judgment assessment be made in case of non production of record during audit proceeding and deemed assessment on the basis of return or revised return shall stand nullified.
- Commissioner empowered to amend provisional assessment as well.
- Commissioner required to make enquiry before considering and branding the order as erroneous and prejudicial to the interest of revenue for the purpose of amendment.
- Provisional assessment may not be treated as a final assessment where the company electronically filled its return of income along with audited or final accounts within required 60 days.
- Appeal against provisional as well as final order under order 122 (C) is barred by law.
- The Commissioner appeal empowered to grant stay against recovery of tax for aggregate period of 30 days after affording opportunity of being heard to the Commissioner.
- Deemed relief available to taxpayer on the failure of the Commissioner (appeals) to pass order within stipulated period of time after personal service of notice is abolished.
- Limit of experience required to be a member of Appellate Tribunal Inland Revenue (ATIR) reduce from 5 year to 3 year.
- Accountant Member made may be appointed as Chairperson of the ATIR.
- ATIR empowered to grant stay of recovery of tax upto 180 days excluding the stay period granted by the High Court.
- Tax payer may opt to pay tax voluntarily due under provisional assessment before expiry of 60 days from the date of service of notice of demand.
- Manufacturer to collect adjustable advance tax @ 1% from distributor, dealer and wholesaler at the time of sale of goods.

## BUDGET BRIEF 2012-13

- Board is empowered to issue Taxpayer Honour Card to the honest and compliant tax payer.
- Rate of advance tax on goods transport vehicle increased from Rs. 1 per kg to Rs. 5 per kg.
- Rate of advance tax on passenger transport vehicles plying for hire enhanced from Rs. 100 to Rs. 500 per seat per annum.
- Advance tax on purchase of motor vehicle with engine capacity of 1301 cc to 1600 cc enhanced from Rs.16,875 to Rs. 25,000.
- Amounts received from income payment plan out of accumulated balance of pension accounts with a fund manager and / or other funds exempted from tax.
- Any income of Citizens Foundation exempted from tax and donations made to the Citizens Foundation eligible for straight deduction.
- Profits and gains of Venture Capital Company and fund exempted from tax upto 30 June 2024.
- Collection of reduced rate of 3% at import stage on the import of raw material by the industrial undertaking importing for its own use subjected to production of exemption certificate from the Commissioner.
- Inter-corporate dividend and inter-corporate profit on debt exempted from withholding tax.
- Electronic media also exempted from withholding tax on advertising services.
- Collective investments schemes, modarabas, approved pensions funds, income payment plans, REIT schemes, private equity and venture capital funds, recognized provident funds, approved superannuation funds and approved gratuity funds exempted from tax on capital gains on disposal of securities.
- Rates of tax on gain on sale of securities for insurance companies revised downwards upto tax year 2015.

### Sales Tax

- Provisions relating to assessment and recovery of tax consolidated.
- Facility of zero rating on supply against international tender withdrawn and granted exemption.
- Exemption of sale tax to locally produce oil obtain from cotton seed withdrawn.
- Higher rates of sale tax at 22% and 19.5% cut down to standard rate of 16%.
- Sales tax rate on import of soya-bean seed reduced from 7% to 6%.
- Sales tax rate on import of rapeseed, sunflower seed and canola seed slashed to 14% from 15%.
- Supply of waste paper exempted from sales tax.

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- Sales tax on steel sector enhanced from Rs. 6 to Rs .8 per electricity unit consumed.
- Remeltable scrap, sprinkler & drip equipments, spray pumps, etc. exempted from sales tax instead of zero rating.

### Federal Excise

- FED abolished from 15 types of goods including lubricating oil, base lube oil, perfumes and toilet waters, beauty and make up preparations, preparation for use on the hair, pre-shave, shaving or after shave preparations, personal deodorants, filter rods for cigarettes etc.
- Rate of duty enhanced on locally produced cigarettes.
- Rate of duty on cement proposed to be reduced by Rs.100 PMT from Rs 500 PMT to Rs. 400 PMT.
- FED on domestic and international travelling proposed to be enhanced at varied rates.
- FED on international travelling proposed to be restricted to embarking on journey from Pakistan only.
- Live stock insurance proposed to be exempted from FED.
- Asset Management Companies proposed to be exempted from FED with effect from 01 July 2007.

### Customs

- Duty on certain sectors / industries is proposed to be reduced from 35% to 30%.
- Duty on 88 pharmaceutical raw materials reduced.
- Duty on printing, stationery and self-adhesive paper reduced.
- Duty incentive to indigenous industry given.

### Capital Value Tax

- CVT on immovable property in Islamabad Capital Territory introduced @ 2% of recorded value, or Rs.100 per square yard for non recorded value and Rs.10/- per square feet for constricted area in addition to the amount worked for landed area on the basis of recorded or unrecorded value whichever is higher..
- CVT introduced vide Finance (Amendment) Ordinance, 2012 on purchase of listed shares @ 0.01% to be enacted.



## Income Tax

### 1. Total income

### Section 10

- Currently total income comprises of aggregate person's income under each of the head of income specified u/s (11) of the Ordinance i.e salary income, income from property, income from business, income from capital gain and income from other source. The incomes chargeable to tax under these head of income are those incomes which are specified therein other than the exempt income. Resultantly, exempt income neither from part of the income computed under the respective head of income nor part of the Total Income. General principle regarding exemption is that exemption presuppose chargeability.
- Now the Finance Bill seeks to enlarge the scope of total income and has included exempt income within its folder by inserting sub clause (b). The clause (a) has been made to create harmony with the amended definition of taxable income defined in section 9 and reference to clause (a) of section 10 has been made therein.
- According to charging to section 4, tax are imposed on the taxable income and not on the total income unlike Repealed Ordinance. Legal lacuna still exit and even after the proposed amendment exempt income cannot be made part of the taxable income for rate purposes under the current position of law. PTR incomes are also outside the scope of total income and taxable income.

### 2. Taxation of Salary

### Section 13

- According to section 7 loan made after the 1<sup>st</sup> day of July 2002 by the employer to the employee either free of profit or on the term profit on loan is less than the bench mark rate, the amount chargeable to tax to the employee as perquisite under the head salary shall be amount equal to:-
  - a) Profit on loan computed as bench mark rate where loan is free of profit or;
  - b) Differential amount between the profit charge by the employer on the loan and profit computed at the bench mark rate.
- Bench mark rate was fixed at 5% per annum on 1<sup>st</sup> day of July 2002 for the tax year 2003 and to be increased by 1% for each subsequent year but shall not exceed the rate specified by the Federal Government for any tax year. Currently that bench mark rate is 13%.
- Now the Finance Bill seeks that notional profit on loan amount of Rs 500,000/- or below shall not be treated as a perquisite for the purpose of charge to tax under

the head of salary. Bill further proposes to fix benchmark rate at 10% per annum and withdraw the upper limit of benchmark to be fixed by the Federal Government.

- Basic exemption limit has been increased from Rs.350,000/- to Rs.400,000/- and exiting tax slabs has been reduced from 17 to 5.
- Progressive tax slabs have been reintroduced instead of flat range rates.
- Effective tax rate has been drastically cut down ranging from 25% to 78% to provide adequate relief to the salary people in the current rising trend of inflation.
- Similar incentive has been provided to the business Individual and AOPs and effective tax rate has been reduced ranging from 37% to 92%.
- These amendments are beneficial in nature and intended to increase the residual income and purchasing power of the salaried person and business community and to enhance their spending, saving and investment capacity.

### **3. Initial Allowances**

#### **Section 23 Third Schedule**

- The rate of initial depreciation allowance on building has been reduced from 50% to 25% by the Finance Bill.

### **4. Capital gain tax on disposal of immovable property**

#### **Section 371A**

- The Finance Bill seeks to impose tax on gain arising on the disposal of immovable property @ of 10% where holding period of immovable property is up to one year and @ of 5% where holding period of immovable property is more than 1 year but not more than 2 year.
- Sub clause (c) of section 37 is proposed to be omitted by the Finance Bill to bring immovable property within the ambit of capital asset. Presently immovable property is outside the scope of the definition of the capital asset given in sub section 5 of section 37 of the Ordinance and not subject to capital gain tax.
- Inference from the proposed amendment may be drawn that where the holding period of immovable property is more than 2 year than the capital gain arising from the disposal of such immovable property would not be chargeable to tax even it is adventure in the nature of trade.
- The proposed amendment is made to eradicate the speculation in the real estate business and encourage the investors to make investment in listed securities instead of real estate business.

## **5. Capital gain tax on disposal of listed securities**

### **Section 2(35AA), 37A, 100B, Part I Division IV First Schedule & Eighth Schedule**

- The Finance (Amendment) Ordinance 2012 made amendment in the Income Tax Ordinance 2001 for the purpose of computation, collection and payment of tax on the capital gain on disposal of securities as well as immunity from probe to investment made in the purchase of securities. Section 2 (35AA), 100B and Eighth Schedule was inserted and section 37A, 233A and tax rate specified in Part I Division (IV) of First Schedule was amended. The Finance Bill seeks to incorporate the same amendments in the Ordinance 2001 through the Act of Parliament.
- Capital gain on disposal of securities other than gain on securities exempt from tax under the Ordinance was made chargeable to tax u/s 37A of the Ordinance.
- Formula for the computation of gain arising on the disposal of securities is introduced by inserting subsection 1A to section 37 of the Ordinance. Gain on the disposal of securities shall be calculated by deducting the cost of the acquisition of securities from the consideration received on the disposal of securities.
- Capital gain on the disposal of securities and tax thereon is required to be computed, determined, collected and deposited in accordance with the rules laid down in the Eighth Schedule except in case of:
  - a) a mutual fund;
  - b) a banking company, a non-banking Finance company, and an insurance company subject to tax under the Fourth Schedule;
  - c) a modaraba;
  - d) a “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 Board.
- The rate of tax on the capital gain on disposal of securities as per Part 1 Division VII, pre and post amendment are tabulated as under;

### Capital Gains on Disposal on Securities

Description			Pre	Post
S.No.	Period	Tax Year	Rate Of Tax	Rate Of Tax
(1)	(2)	(3)	(4)	(4)
1.	Where holding period of a securities is less than six months.	2011 2012 2013 2014 2015	<b>10%</b> <b>10%</b> <b>12.5%</b> <b>15%</b> <b>17.5%</b>	<b>10%</b> <b>10%</b> <b>10%</b> <b>10%</b> <b>17.5%</b>
2.	Where holding period of a securities is <b>six months or more</b> (Substituted by “ <b>more than six months</b> ”) but less than twelve months.	2011 2012 2013 2014 2015 2016	<b>7.5%</b> <b>8%</b> <b>8.5%</b> <b>9%</b> <b>9.5%</b> <b>10%</b>	<b>7.5%</b> <b>8%</b> <b>8%</b> <b>8%</b> <b>9.5%</b> <b>10%</b>
3.	Where holding period of a securities is <b>one year or more</b> (Twelve months or more).	--	0%	0%

- Capital gain on the disposal of listed securities are regulator under Eight Schedule read with section 37A and 100B and tax thereon shall be collected and deposited on behalf of the tax payer by the NCCPL in the manner prescribed.
- NCCPL has been defined u/s 2 (35AA) as National Clearing Company of Pakistan incorporated as a company under the Company Ordinance 1984 and licensed as a Clearing House by the Securities and Exchange Commission of Pakistan (SECP).
- NCCPL is required to develop an automated system
- Central Depository Company of Pakistan Limited (NDCPL) shall furnish information to the NCCPL as required for discharge its obligation.
- NCCPL shall issue annual Certificate of capital gain subject to tax to the taxpayer or of the shorter period on the request of taxpayer or Commissioner.



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- The taxpayers are required to file this certificate along with his return as a proof of Income from capital gain on securities.
- NCCPL are required to furnish quarterly statements of capital gain and related tax to the FBR within 30 day from the end of each quarter.

### IMMUNITY FROM PROBE TO INVESTMENT IN LISTED SECURITIES

- The investment in listed securities shall immune from enquiry as to nature and source of Invested subject to following condition;

#### A) INVESTMENT MADE PRIOR TO INTRODUCTION OF EIGHT SCHEDULE

a) Statement of investments is filed to the Commissioner along with the return of income and wealth statement for tax year 2012 within due date and in prescribed manner.

b) Period of investment shall be 45 days upto 30<sup>th</sup> June 2012 in the manner prescribe.

#### B) INVESTMENT MADE FROM THE DATE OF ENFORSEMENT OF EIGHT SCHEDULE TILL JUNE 30, 2014

a) Period of investment at least 120 days in the manner prescribed.

b) Obligation of tax on capital gain has been duly discharged.

c) Statement of investments is filed to the Commissioner along with the return of income and wealth statement for relevant tax year within due date and in prescribed manner.

- The provision relating to advance tax, deducted of tax, collection and recovery of tax shall not apply to capital gain subject to this Schedule except where recovery of tax referred by NCCPL to the Board.
- The amount collected by the NCCPL shall be deposited in the separate bank account with National Bank of Pakistan and shall be paid to the Board along with interest accrued on yearly basis by 31<sup>st</sup> July of next following financial year.
- Taxpayer may file an irrevocable option to NCCPL after prior approval of the Commissioner to opt out of the rule laid down in Eight Schedule for determination of tax.
- NCCPL record shall be subject to regular system and procedural audit on quarterly basis. PRAL or any other Company or Firm approved by the Board or authority not below the rank of Additional Commissioner may conduct the audit.
- NCCPL shall implement the recommendation of the Commissioner on the audit reports and shall not be liable for any penal action on account of error, omission or mistake.

- NCCPL may refer case of recovery to the Board in case NCCPL is unable to recover the amount of tax.

**6. Income from other sources** **Section 39**

- Finance Bill seeks to insert a new sub-clause (cc) in sub-section 1 of section 39 and proposes that the “**additional payment on delayed refund under any tax law**” shall be chargeable to tax under the head “Income from other sources”

**7. Exemptions and tax concessions in the Second Schedule** **Section 53**

- The Finance Bill seeks to omit sub-section 1A of section 53 which was inserted by Finance Act 2003 and borrowed from the Repealed Ordinance. Under this subsection income exempt from tax under any provision of the Second Schedule can be included in the total income for rate purposes subject to the condition specified therein.
- The effect of the omission of aforesaid sub-section may be that the income exempt from tax under any provision of the Second Schedule are not be made the part of the total income / taxable income for rate purposes.
- However, the definition of total income has been amended to include income exempt from tax under any provision of the Ordinance. Tax is charged on the taxable income under charging section 4 of the Ordinance. Taxable income is defined as the total income excluding income exempt from tax and reduced by the total of deductible allowances i.e zakat, worker welfare fund and worker participation fund. Under the current position of law exempt income cannot be included in the taxable income chargeable to tax unless specifically included by the legislation. Suitable amendments are made in the charging section or definition of taxable income.

**8. Limitations on set off and carry forward of losses** **Section 59A**

- The Finance Bill seeks to remove reference to section 93 omitted by Finance Act, 2007 and to lift the limitation imposed by section 59 on the set off and carry forward of losses on Association of Persons through omission of sub-section (1) and subsection (2). Necessary consequential modification in sub-section (3) and sub-section 4(a) of section 59A of the Ordinance has been made as well.
- After the proposed amendments Association of Person shall be entitled to set off and carry forward of losses in the usual manner.

## **9. Tax credits for investment in shares and insurance**

### **Section 62**

- Currently tax credit for investments in shares and life insurance are available to resident person subject to the condition that the cost of acquiring the share of listed company or contribution/ premium paid on account of life insurance is not exceeding Rs.500,000/- or 15% of the taxable income. The Bill proposes the following amendments;
  - a) The limit of Rs.500,000/- has been increased to Rs. 1,000,000/-
  - b) Condition of 15% of taxable income has been increased to 20%
  - c) Holding period of shares has been decreased from 36 months to 24 months.
- Other limitation and conditions specified under section 62 for claim of tax credit shall remain unchanged.

## **10. Tax credit for investment under BMR scheme**

### **Section 65B**

- Currently the taxpayer company is entitled to tax credit to the tune of 10% of the amount invested in the purchase of plant and machinery for the purpose of balancing, modernization and replacement of plant and machinery already installed in the industrial undertaking setup in Pakistan and owned by the company.
- The entitlement of tax credit at the rate of 10% of the aforesaid amount is adjustable against the tax payable in the tax year in which plant and machinery has purchase and installed. Where no tax is payable in the aforesaid tax year or tax payable is less than the amount tax credits than the excess is allowed to be carry forwarded and set off up to 2 years.
- The entitlement of tax credit is subject to the condition that plant and machinery is purchased at any time between the first day of July, 2010, and the 30<sup>th</sup> June, 2015.
- Now the Finance Bill proposes to make the following amendment in this section;
  - a) The tax credit is made adjustable against the tax payable including minimum and final taxes payable under any of the provision of the Ordinance.
  - b) The facility of tax credit may also be available to a company set up prior to 1<sup>st</sup> day of July, 2011 and investment made during 1<sup>st</sup> day of July 2011 and 30<sup>th</sup> day of June, 2016 for the purpose of BMR of plant and machinery already installed in an industrial undertaking owned by the company.
  - c) Tax credit equal to 20% of the amount invested shall be allowed against tax payable including minimum tax and final tax under any provision of the Ordinance.

- d) Excess Tax credit relating to industrial undertaking under sub section (I) shall be carry forward up to 02 year and excess tax credit relating to substituted section 4 can be adjusted up to 05 tax years.

**12. Tax credit for newly established industrial undertakings** **Section 65D**  
(Set up between 1<sup>st</sup> day of July, 2011 and 30<sup>th</sup> day June, 2016)

The Finance Bill seeks to enlarge the scope of tax credit for newly established industrial undertaking and has proposed the following amendments

- a) Facility of tax credit has been extended to corporate dairy farming and dairy farming has been included within the scope of a new industrial undertaking.
- b) Tax credit to the extent of 100% of tax payable including minimum and final tax is allowable.
- c) Industrial undertaking is required to be setup with 100% equity raised through issuance of new shares for cash consideration.
- d) Short term loans and finances obtained for working capital requirements from bank shall not disqualify the claim of tax credit under this section.
- e) The set up date of industrial undertaking is the date on which it is ready to go into production whether trial production or commercial production. This set up date is meant for purpose of section 65B, 65D and 65E.

**13. Tax credit for newly established industrial undertakings established before the first day of July, 2011(Expansion or new project)** **Section 65E**

The Finance Bill seeks to make the following amendments in section 65E of the Ordinance.

- a) The tax payer being company set up in Pakistan before first day of July, 2011.
- b) Investment is made on purchase and installation of plant and machinery for an industrial undertaking including corporate dairy farming.
- c) Invested amount is 100% from new equity raised through issuance of new shares.
- d) The purchase and installation of plant and machinery is for the purpose of expansion of already installed plant and machinery or undertaking a new project.
- e) The facility of tax credit are allowed for a period of 05 years from the date of setting up or commencement of new commercial production from a new plant or expansion project whichever is later.



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- f) 100% tax credit of tax payable (including minimum and final) attributable to new project or expansion project allowable subject to the condition that separate accounts relating to new project or expansion project are maintained.
- g) Where accounts are not maintained, tax credit shall be such portion of tax payable as is the ratio of new equity to the total equity.
- h) The facility of tax credit shall be available if plant and machinery is installed between 1<sup>st</sup> day of July 2011 and 30<sup>th</sup> day of 2016.
- i) The amount of tax credit admissible under this section shall be deducted from the amount of tax payable in respect of tax year in which plant and machinery is installed and for subsequent four years.
- j) New equity raised through fresh issuance of shares against cash shall not include loan obtained from shareholders or directors.
- k) Working capital financing obtained from banking institution or non banking institution shall not affect the claim of tax credit.

### 14. Determination of cost of asset

#### Section 76

- Broad rules, conditions and limitations have been laid down in section 76 for determination of cost of asset for the purpose of Ordinance.
- Bill seeks to empower the Board to prescribe rules for determination of cost of any asset.
- Overriding effect has been given to the rules to be prescribed by the Board by employing non obstante phrase through the Finance Bill.
- It is settled principle of law that in case of inconsistency in the rules prescribed by the delegate and parent statute then the rule to that extent may be declared inoperative void or molded by the court by using the reading down doctrine.

### 15. Determination of Consideration received

#### Section 77

- Broad rules, conditions and limitations have been laid down in section 77 for determination of consideration received on disposal of asset for the purpose of Ordinance.
- Bill seeks to empower the Board to prescribe rules for determination of consideration received on disposal of any asset.
- Overriding effect has been given to the rules to be prescribed by the Board by employing non obstante phrase through Finance Bill.

- It is settled principle of law that in case of inconsistency in the rules prescribed by the delegate and parent statute then the rule to that extent may be declared inoperative void or molded by the court by using the reading down doctrine.

## **16. Geographical source of income**

### **Section 101**

- Currently dividend is said to be Pakistani source of income if it is paid by the resident company
- The Bill seeks to enlarge the scope of Pakistani source of dividend income by amending sub section 6 of section 101 of the ordinance.
- After the proposed amendment remittance of amount after tax profit by a branch of foreign company operating in Pakistan shall also form part of Pakistan source of dividend income.

## **17. Minimum tax on the income of certain persons**

### **Section 113**

- Currently minimum tax is chargeable at the rate of 1% on turnover excluding the turnover falling under the final tax regime.
- In order to reconcile and to create harmony with the definition of turnovers the tax paid or payable relevant to FTR income has been excluded from the expression "tax payable" for the purpose of determination of minimum tax liability u/s 113 of the Ordinance.
- Explanation to sub section (1) of section 113 has been inserted to explain the meaning of term tax payable or tax paid for the purpose of section 113 of the Ordinance.

## **18. Tax on income of retailer having turnover upto Rs 5 million**

### **Section 113A**

- Retailer being an individual or Associate Person having turnover upto Rs 5 million for any tax payer has option for payment of tax as final tax at the rate of 1%.of turnover.
- This rate has been proposed to be reduced from 1% to 0.5% by the Bill.

## **19. Revised Return**

### **Section 114(6)**

- Currently under sub section 6 of section 114 a person who has already furnished return of income is entitled to furnish a revised return if he discovers any omissions or wrong statement therein subject to the following conditions.
  - (i) Revised return is accompanied with revised account or with revised audited accounts.

- (ii) Reason for revision in return duly signed by the taxpayer are filled with return.
- The Bill seeks to enact additional condition for revision of return by enacting clause (c) in sub section (6) of section 114.
  - The additional condition speaks that taxable income declared in the revised return should not be lower than or loss declared therein should not be more than the income or loss determined by the best judgment order u/s 121, amended order u/s 122, revisional order of the Commissioner u/s 122A, provisional order u/s 122C, order of the Commissioner (appeal) u/s 129, the order of the Appellate Tribunal Inland Revenue u/s 132, Judgment of the High Court u/s 133 or the rectification order u/s 221.
  - After implementation of proposed amendment if the stipulated conditions of the revision are not fulfilled then the revised return shall be treated as invalid return as it had not been furnished.

## **20. Assessments**

### **Section 120**

- Return filed by the tax payer other than revised return for a tax year deemed to be an assessment order for all purpose of the Ordinance passed by the Commissioner on the day return is furnished and the taxable income and tax due therein deemed to be assessed by the Commissioner.
- The Commissioner is empowered to issue a notice to the tax payer informing him about the deficiencies in the return and direct him to provide such documents information or statements as specified in the notice. If the aforesaid notice is not complied with, the return is treated as invalid as it had not been furnished.
- Where the requirement of notice has been complied with by the tax payer it is treated to be complete on the day it was furnished.
- Notice of deficiencies cannot be issued after the end of financial year in which return is furnished.
- The Bill seeks to extend the limitation period for issuance of deficiencies notice and now notice of deficiencies could be issued within 180 days from the end of financial year in which return was furnished and not thereafter.

## **21. Best Judgment Assessment**

### **Section 121**

- The Bill seeks to make amendments in subsection (1) of section 121 to harmonize the operation of Clause (d) of subsection (1) of section 121 with subsection (10) of section 177.

- Sub Section (10) of 177 states that where a person fails to produce books of accounts for the purpose of audit, the Commissioner may make best judgment u/s (121) of the Ordinance and assessment treated to have been made on the basis of return or revised return filled by the tax payer shall have no legal effect.
- Similar amendments has been proposed to be made in subsection (1) of section 121 to nullify the effect of deemed order passed on the basis of return or revised return and to create harmony between these two sections.

## **22. Amendments of Assessments**

### **Section 122**

- The scope of sub section (1) section 122 is proposed to be enlarged and provisional assessment order u/s 122C is intended to be made part of this sub section for the purpose of amendment.
- Order issued u/s 59, 59A, 62, 63 or 65 of the repealed Ordinance mentioned in sub section 1 has been omitted being ineffective, redundant and hit by the afflux of time.
- Subsection (5A) has been proposed to be amended and exercise of jurisdiction by the Commissioner u/s (5A) of section 122 has been made subject to the condition of inquiry before considering the assessment order as erroneous and prejudicial to the interest of Revenue for the purpose of amendment or further amendment under this sub section.
- The Commissioner may conduct the inquiry by itself or through the authorized subordinate officer of Inland Revenue.
- The amendment may be misuse and power of examination of record may be exercise by the Commissioner on grab of subsection (5A) of section 122.
- Power to call record of proceedings of lower authority has not yet explicitly been made available to the Commissioner necessary for exercise of revisional jurisdiction in line with the provision of Repealed Ordinance.

## **23. Provisional Assessment**

### **Section 122C**

- Under section 122C provisional assessment is made on the failure of the tax payer to comply with notice issued under subsection (3) or sub section (4) of section 122C.
- The provisional assessment is treated as final order after the expiry of 60 days from the date of service of order of provisional assessment if return of income along with wealth statement, reconciliation and other documents required under section (116) (2A) is not filled by the tax payer within the period of 60 days.



- The Bill seeks to make curative and remedial amendments in section 122C as the wealth statement and reconciliation statements u/s 116 are not applicable to the companies. Therefore the necessary amendments are made in the proviso to sub section (2) of section 122C.
- Second proviso is inserted in sub section (2) of 122C stating that sub section shall not applicable to the companies if return along with audited accounts or final accounts for the relevant period are filled by electronically during the said period of 60 days.

#### **24. Appeal to the Commissioner (Appeals)**

#### **Section 127**

- Appeal to the Commissioner Inland Revenue (appeals) under subsection (1) of section 127 against the provisional assessment order u/s 122C was barred by amendment inserted through Finance Act, 2012.
- It was the opinion of the consultant and tax payer that appeal against provisional assessment order u/s 122C is barred by the aforesaid amendment and after the expiry of 60 days provisional order as mentioned in section 122C is no more provisional assessment order and become final order and right of appeal is not barred against such final order.
- The Bill seeks to omit the word provisional from sub section (1) of section 127 of the Ordinance and thereafter provisional as well as final order u/s 122C are not appealable.
- The barring of appeal right is repugnant to Injection of Islam in terms of ratio laid down in reported case 2000 SCMR 1 wherein it is held that at least one right of appeal is imperative to be given to the party to defend and explain its position.

#### **25. Procedure in appeal**

#### **Section 128**

- The Bill seeks to insert sub section in 1A in section 128 of the Ordinance whereby the Commissioner (Appeals) is empowered to stay recovery of tax on the application of the tax payer after affording opportunity of being heard to respondent Commissioner. The stay period should not exceed 30 day in aggregate.

#### **26. Decision in appeal**

#### **Section 129**

- Bill seeks to omit sub section 5, 6 and 7 of this section and withdraw the benefit of deemed relief available to the tax payer on failure of Commissioner (Appeals) to pass order within stipulated period of time after proper service of personal notice by the tax payer.

## **27. Appointment of the Appellate Tribunal**

### **Section 130**

- Bill seeks to make following amendments in section 130 of the Ordinance:-
  - a) The condition of experience has been reduced from 05 year to 03 year for the appointment of accountant member.
  - b) Accountant member has been made eligible for appointment as chairperson of Appellate Tribunal Inland Revenue and condition of appointment in special circumstances has been lifted.

## **28. Appeal to the Appellate Tribunal**

### **Section 131**

- a) The Appellate Tribunal is empowered to grant stay of recovery of tax on the application of the tax payer on account of undue hardship after providing opportunity being heard to the respondent Commissioner.
- b) The stay period should not exceed 180 days in aggregate.
- c) Stay period granted by the High Court shall be excluded in computing aforesaid 180 days.

## **29. Due date for payment of tax**

### **Section 137**

- Bill seeks to insert second proviso to subsection 2 of section 137 whereby the tax payer is allowed to pay tax before expiry of 60 days in case of provisional order passed under section 122C and tax become due after the expiry of 60 days from the date of order.

## **30. Opting out of Final Tax Regime.**

### **Section 148,153, 154**

- a) Importers, supplier of goods and exporters falling under final tax regime has been given option to opt out final tax regime on the condition that minimum tax liability is not less than 60%, 70% and 50% respectively of the tax already deducted under the relevant section. The clause 41A, 41AA and 41AAA has been inserted in Part IV of Second Schedule in order to give affect to the aforesaid option.
- b) The final tax liability on the importer u/s 148, supplier of goods under section 153 and exporter under section 154 and other person whose tax is required to be deducted or collected and fall under final tax or withholding regime, has been extend to the amount collectable or deductible. Earlier the final tax liability was confined to tax deducted or collected. Necessary amendments

has been made in section 148, 151, 152, 153, 154, 156, 156A, 169 and other sections.

- c) The facility of reduced rate at 3% shall be available to the importer on the import of raw material for own consumption in the industrial undertaking on production of exemption certificate from the Commissioner and a proviso to clause (9A) part II of Second Schedule has been inserted to impose this condition.

### **31. Payments to non-residents**

#### **Section 152**

- a) Bill seeks to omit section 153A dealing with payment on account of media advertising services and to bring under this section by inserting 1AAA to section 152 to create harmony and to club the payments to non resident under one head. Such person required to deduct tax @ 10% on account of payment for advertisement services to the non resident media person relaying from outside Pakistan.
- b) Bill also seeks to insert section 2A stating that section 1AA relating to payment to non resident on account of insurance premium or reinsurance premium shall not be apply where payment is made with the approval of Commissioner and withholding tax shall be at the rate of 3.5% where payment is made to a permanent establishment in Pakistan of non resident.

### **32. Collection of tax by manufacturer from trader and distributor**

#### **Section 153A**

- a) A new section 153A is proposed to be inserted by the Finance Bill whereby ever manufacturer is required to collect tax @ 1% of gross amount of sale at the time of sale to distributor, dealer and wholesaler.
- b) Tax collected shall be adjustable in computing the tax due by the person from whom tax is collected on the taxable income for the tax year in which tax is collected.
- c) The amendment seems to be very harsh and unreasonable and will adversely affect the business of distributor where the margin of profit is too low and less than 1%.

### **33. Tax collected or deducted as a final tax**

#### **Section 169**

- Bill seeks to insert clause (f) in sub section 2 of section 169 empowering the department to recover tax under section 62 which is deductible but has not been

deducted or short deducted and all the provision of the Ordinance apply for the recovery of such tax.

**34. Additional payment for delayed refunds** **Section 171**

- Compensation for delay payment of refund has been fixed @15% per annum instead of rate of KIBOR.

**35. Tax payer Record** **Section 181B**

- Bill seeks to insert anew section 181B in the Ordinance where by Board is empowered to introduce scheme for issuance of Taxpayer Honour Card for the honor of individual tax payer who fulfill the minimum eligible criteria mentioned in the scheme.

**36. Offences and penalties** **Section 182**

- Bill seeks to insert a proviso to subsection 2 of section 182 whereby tax payer is allowed to pay voluntary the amount of penalty due under this section on the admission of default.

**37. Default surcharge** **Section 205**

- The Bill seeks to make the following amendments in this section of the Ordinance.
  - a) The rate of default surcharge mentioned anywhere in the section is substituted @ 18% per annum instead of rate of KIBOR plus 3% of quarter.
  - b) The tax payer has been granted exemption from payment of default surcharge for the period starting from the due date of payment to the date of payment mention in notice under sub section 2 of section 137 issued in consequence of order under section of 129 on the condition the tax payer pays the tax due and does not file appeal under section 131.
  - c) Similar proviso has been inserted in sub section 3 with respect to default surcharge relating to order under section 161 on account of default of non deduction and collection of tax under different section of the Ordinance.

**38. Income tax authorities** **Section 207**

- Bill seeks to make following amendment in section 207 of the Ordinance;
  - a) Income tax authorities specified in subsection 1 section 207 except Board itself shall be subordinate to said the Board



- b) Income tax authorities specified in sub-section 1 other than Board and chief Commissioner itself shall be subordinate to Chief Commissioner.

**39. Power and Function exercised**

**Section 211**

- Bill seeks to insert sub-section 3 to section 211 of the Ordinance whereby any authority appointed under the Ordinance is empowered to exercise all the power of its subordinate authorities. The Board is also empowered to exercise the power of its subordinate authorities under the Ordinance.

**40. Condonation of time limit**

**Section 214A**

- Bill seeks to insert explanation to section 214A to explain that facility of condonation of time barred acts or things is meant for taxpayer as well as authorities specified under section 207 of the Ordinance.

**41. Directorate General (Intelligence and Investigation)**

**Section 229**

- a) Bill seeks to insert section 229 in the Ordinance whereby a new Directorate General and investigation shall be constituted. The Directorate shall consist of Director General, Directors, Additional Directors, Deputy Directors, Assistant Directors and other Officers appointed by the Board through notification the official Gazette.
- b) Board is also empowered to specify functions, jurisdictions and power of the Directorate and its Officers as vested with the authorities specify in section 207.

**42. Cash withdrawal from bank**

**Section 231A**

- Bill seeks to extent the limit of withdrawal of daily cash from the bank from Rs 25,000/- to Rs.50,000/-. The deduction of tax @ 0.02% shall be applicable on the withdrawal amount exceeding Rs. 50,000/-.

**43. Collection of tax by a Stock Exchange registered in Pakistan**

**Section 233A**

- The Bill seeks to omit sub clause (c) and (d) of section 233A and after the omission of these clauses the Stock Exchange shall not be required to collect tax from the member in respect of trading of share and financing of carry over trade in share business.

**44. Collection of tax by NCCPL**

**Section 233AA**

- Bill seeks to insert a new sub-section 233AA and impose obligation on the NCCPL for collection of advance tax from the member of Stock Exchange

register in Pakistan @ 10% in respect of margin financing in share business. Earlier the collection of advance tax in respect of margin financing from the member were made by the Stock Exchange u/s 233A of the Ordinance.

#### **45. Amendments in First Schedule of the Ordinance**

##### **a) Rates of Tax for Individuals and Association of Persons**

Div I, IB Part I, First Schedule

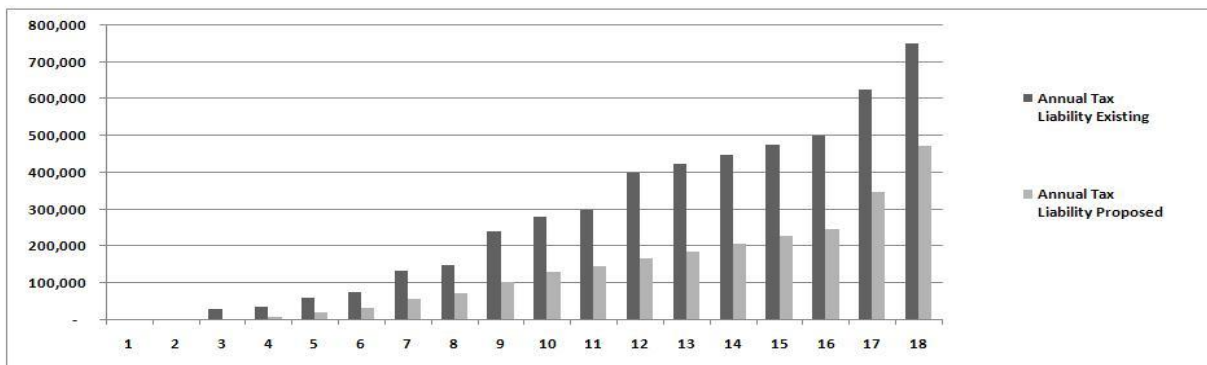
<b>S. No</b>	<b>Taxable income (Rs.)</b>	<b>Existing %</b>	<b>New %</b>
1	Upto 350,000	0	0
2	350,001 to 400,000	7.5	0
3	400,001 to 500,000	7.5	10% of the amount exceeding Rs. 400,000
4	500,001 to 750,000	10	
5	750,001 to 1,000,000	15	Rs. 35,000 + 15% of the amount exceeding Rs. 750,000
6	1,000,001 to 1,500,000	20	
7	1,500,001 to 2,500,000	25	Rs. 147,500 + 20% of the amount exceeding Rs. 1,500,000
8	2,500,001 and above	25	Rs. 347,500 + 25% of the amount exceeding Rs. 2,500,000

➤ **Existing Flat rate 25% for AOP omitted.**

**BUDGET BRIEF 2012-13**

**EFFECT OF CHANGE IN TAX RATES OF NON SALARIED INDIVIDUALS**

Taxable business income (existing)	Existing tax rates %age	Taxable business income (proposed)	Annual Tax Liability		Net Tax		Effective Tax Rate		
			Existing	Proposed	Increase/ (Decrease)	Increase/ (Decrease) %age	Existing %age	Proposed %age	Effect of Change %age
350,000	0.00	350,000	-	-	-	-	-	0.00	-
400,000	7.50	400,000	30,000	-	(30,000)	(100.00)	7.5	0.00	(100.00)
500,000	7.50	500,000	37,500	10,000	(27,500)	(73.33)	7.5	2.00	(73.33)
600,000	10.00	600,000	60,000	20,000	(40,000)	(66.67)	10	3.33	(66.67)
750,000	10.00	750,000	75,000	35,000	(40,000)	(53.33)	10	4.67	(53.33)
900,000	15.00	900,000	135,000	57,500	(77,500)	(57.41)	15	6.39	(57.41)
1,000,000	15.00	1,000,000	150,000	72,500	(77,500)	(51.67)	15	7.25	(51.67)
1,200,000	20.00	1,200,000	240,000	102,500	(137,500)	(57.29)	20	8.54	(57.29)
1,400,000	20.00	1,400,000	280,000	132,500	(147,500)	(52.68)	20	9.46	(52.68)
1,500,000	20.00	1,500,000	300,000	147,500	(152,500)	(50.83)	20	9.83	(50.83)
1,600,000	25.00	1,600,000	400,000	167,500	(232,500)	(58.13)	25	10.47	(58.13)
1,700,000	25.00	1,700,000	425,000	187,500	(237,500)	(55.88)	25	11.03	(55.88)
1,800,000	25.00	1,800,000	450,000	207,500	(242,500)	(53.89)	25	11.53	(53.89)
1,900,000	25.00	1,900,000	475,000	227,500	(247,500)	(52.11)	25	11.97	(52.11)
2,000,000	25.00	2,000,000	500,000	247,500	(252,500)	(50.50)	25	12.38	(50.50)
2,500,000	25.00	2,500,000	625,000	347,500	(277,500)	(44.40)	25	13.90	(44.40)
3,000,000	25.00	3,000,000	750,000	472,500	(277,500)	(37.00)	25	15.75	(37.00)
<b>23,100,000</b>	<b>-</b>	<b>23,100,000</b>	<b>4,932,500</b>	<b>2,435,000</b>	<b>(2,497,500)</b>	<b>(50.63)</b>	<b>21.35</b>	<b>10.54</b>	<b>(50.63)</b>



**PROPOSED SLAB AND TAX RATE**

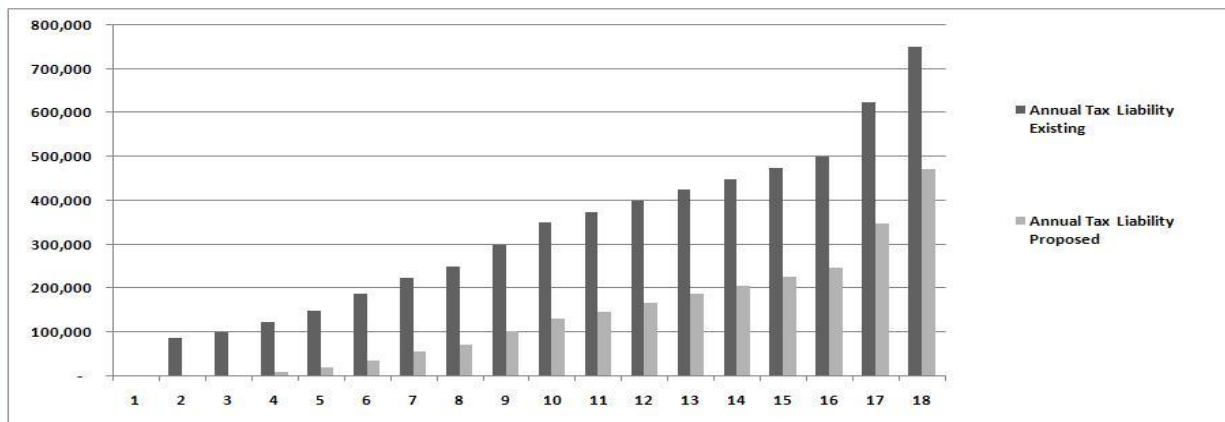
Sr. No.	Proposed slab	Proposed tax rate
1	Where taxable income does not exceed Rs. 400,000.	0%
2	Where taxable income exceeds Rs. 400,000 but does not exceed Rs. 750,000	10% of the amount exceeding Rs, 400,000.
3	Where taxable income exceeds Rs. 750,000 but does not exceed Rs. 1500,000	Rs. 35,000+15% of the amount exceeding Rs. 750,000
4	Where taxable income exceeds Rs. 1500,000 but does not exceed Rs. 2500,000	Rs.147,500+20% of the amount exceeding Rs.1500,000.
5	Where taxable income exceeds Rs. 2500,000.	Rs,347,500+25% of the amount exceeding Rs.2,500,000



**BUDGET BRIEF 2012-13**

**EFFECT OF CHANGE IN TAX RATES OF ASSOCIATION OF PERSONS**

Taxable business income (existing)	Existing tax rates %age	Taxable business income (proposed)	Annual Tax Liability		Net Tax		Effective Tax Rate		
			Existing	Proposed	Increase/ (Decrease)	Increase/ (Decrease) %age	Existing %age	Proposed %age	Effect of Change %age
350,000	25	350,000	87,500	-	(87,500)	-	25.00	0.00	(100.00)
400,000	25	400,000	100,000	-	(100,000)	(100.00)	25.00	0.00	(100.00)
500,000	25	500,000	125,000	10,000	(115,000)	(92.00)	25.00	2.00	(92.00)
600,000	25	600,000	150,000	20,000	(130,000)	(86.67)	25.00	3.33	(86.67)
750,000	25	750,000	187,500	35,000	(152,500)	(81.33)	25.00	4.67	(81.33)
900,000	25	900,000	225,000	57,500	(167,500)	(74.44)	25.00	6.39	(74.44)
1,000,000	25	1,000,000	250,000	72,500	(177,500)	(71.00)	25.00	7.25	(71.00)
1,200,000	25	1,200,000	300,000	102,500	(197,500)	(65.83)	25.00	8.54	(65.83)
1,400,000	25	1,400,000	350,000	132,500	(217,500)	(62.14)	25.00	9.46	(62.14)
1,500,000	25	1,500,000	375,000	147,500	(227,500)	(60.67)	25.00	9.83	(60.67)
1,600,000	25	1,600,000	400,000	167,500	(232,500)	(58.13)	25.00	10.47	(58.13)
1,700,000	25	1,700,000	425,000	187,500	(237,500)	(55.88)	25.00	11.03	(55.88)
1,800,000	25	1,800,000	450,000	207,500	(242,500)	(53.89)	25.00	11.53	(53.89)
1,900,000	25	1,900,000	475,000	227,500	(247,500)	(52.11)	25.00	11.97	(52.11)
2,000,000	25	2,000,000	500,000	247,500	(252,500)	(50.50)	25.00	12.38	(50.50)
2,500,000	25	2,500,000	625,000	347,500	(277,500)	(44.40)	25.00	13.90	(44.40)
3,000,000	25	3,000,000	750,000	472,500	(277,500)	(37.00)	25.00	15.75	(37.00)
<b>23,100,000</b>	<b>-</b>	<b>23,100,000</b>	<b>5,775,000</b>	<b>2,435,000</b>	<b>(3,340,000)</b>	<b>(57.84)</b>	<b>25.00</b>	<b>10.54</b>	<b>(57.84)</b>



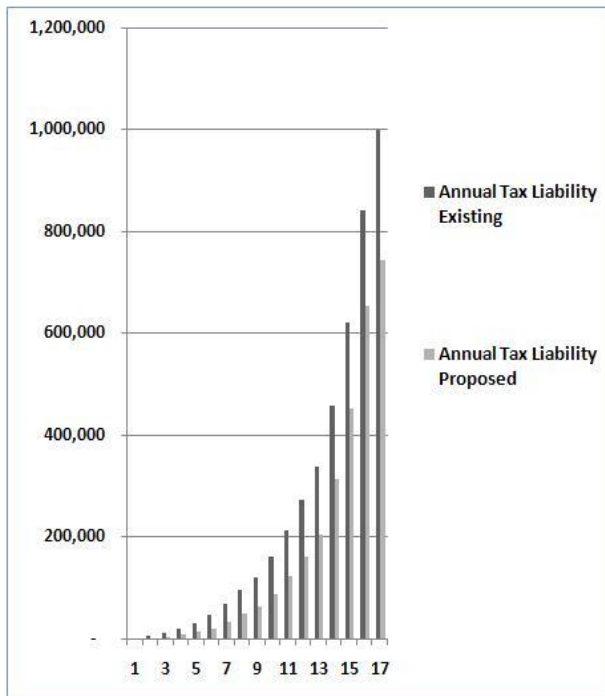
Sr. No.	Proposed slab	Proposed tax rate
1	Where taxable income does not exceed Rs. 400,000.	0%
2	Where taxable income exceeds Rs. 400,000 but does not exceed Rs. 750,000	10% of the amount exceeding Rs. 400,000.
3	Where taxable income exceeds Rs. 750,000 but does not exceed Rs. 1500,000	Rs. 35,000+15% of the amount exceeding Rs. 750,000
4	Where taxable income exceeds Rs. 1500,000 but does not exceed Rs. 2500,000	Rs. 147,500+20% of the amount exceeding Rs.1500,000.
5	Where taxable income exceeds Rs. 2500,000.	Rs.347,500+25% of the amount exceeding Rs.2,500,000



**BUDGET BRIEF 2012-13**

**EFFECT OF CHANGE IN TAX RATES ON SALARIED INDIVIDUALS**

Taxable salary (existing)	Existing tax rates %age	Taxable salary (as per proposed bill)	Annual Tax Liability		Net Tax		Effective Tax Rate		
			Existing	Proposed	Increase/ (Decrease)	Increase/ (Decrease) %age	Existing %age	Proposed %age	Effect of Change %age
350,000	0.00	350,000	-	-	-	-	0.00	-	-
400,000	1.50	400,000	6,000	-	(6,000)	(100.00)	1.50	-	(100.00)
450,000	2.50	450,000	11,250	2,500	(8,750)	(77.78)	2.50	0.56	(77.78)
550,000	3.50	550,000	19,250	7,500	(11,750)	(61.04)	3.50	1.36	(61.04)
650,000	4.50	650,000	29,250	12,500	(16,750)	(57.26)	4.50	1.92	(57.26)
750,000	6.00	750,000	45,000	17,500	(27,500)	(61.11)	6.00	2.33	(61.11)
900,000	7.50	900,000	67,500	32,500	(35,000)	(51.85)	7.50	3.61	(51.85)
1,050,000	9.00	1,050,000	94,500	47,500	(47,000)	(49.74)	9.00	4.52	(49.74)
1,200,000	10.00	1,200,000	120,000	62,500	(57,500)	(47.92)	10.00	5.21	(47.92)
1,450,000	11.00	1,450,000	159,500	87,500	(72,000)	(45.14)	11.00	6.03	(45.14)
1,700,000	12.50	1,700,000	212,500	122,500	(90,000)	(42.35)	12.50	7.21	(42.35)
1,950,000	14.00	1,950,000	273,000	160,000	(113,000)	(41.39)	14.00	8.21	(41.39)
2,250,000	15.00	2,250,000	337,500	205,000	(132,500)	(39.26)	15.00	9.11	(39.26)
2,850,000	16.00	2,850,000	456,000	312,500	(143,500)	(31.47)	16.00	10.96	(31.47)
3,550,000	17.50	3,550,000	621,250	452,500	(168,750)	(27.16)	17.50	12.75	(27.16)
4,550,000	18.50	4,550,000	841,750	652,500	(189,250)	(22.48)	18.50	14.34	(22.48)
5,000,000	20.00	5,000,000	1,000,000	742,500	(257,500)	(25.75)	20.00	14.85	(25.75)
<b>29,600,000</b>	<b>-</b>	<b>29,600,000</b>	<b>4,294,250</b>	<b>2,917,500</b>	<b>(1,376,750)</b>	<b>(32.06)</b>	<b>14.51</b>	<b>9.86</b>	<b>(32.06)</b>



Sr. No.	Proposed slab	proposed tax rate
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. 1500,000	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+20% of the amount exceeding Rs.2,500,000

**b) Tax Rate for Salaried Individuals**

Div I, Part I, First Schedule

S. No	Taxable income (Rs.)	Existing	Proposed
1	Upto 350,000	0	0
2	350,001 to 400,000	1.50	0
3	<b>400,001</b> to 450,000	2.50	5% of the amount exceeding Rs. 400,000
4	450,001 to 550,000	3.50	
5	550,001 to Rs.650,000	4.50	
6	650,001 to <b>750,000</b>	6.00	
7	<b>750,001</b> to 900,000	7.50	Rs. 17,500 + 10% of the amount exceeding Rs. 750,000
8	900,001 to 1,050,000	9.00	
9	1,050,001 to 1,200,000	10.00	
10	1,200,001 to 1,450,000	11.00	
11	1,450,001 to <b>1,500,000</b>	12.50	
12	<b>1,500,001</b> to 1,700,000	12.50	Rs. 92,500 + 15% of the amount exceeding Rs.1,500,000
13	1,700,001 to 1,950,000	14.00	
14	1,950,001 to 2,250,000	15.00	
15	2,250,001 to <b>2,500,000</b>	16.00	
16	<b>2,500,001</b> to 2,850,000	16.00	Rs. 242,500 + 20% of the amount exceeding Rs.2,500,000
17	2,850,001 to 3,550,000	17.50	
18	3,550,001 to 4,550,000	18.50	
19	<b>4,550,001 and above.</b>	20.00	

**BUDGET BRIEF 2012-13**

**c) Tax Rate for retailers**

Section	Description	Existing Rate	New Rate
113A sub section (1)	The rate of tax for retailores	1% of the turnover	0.5% of the turnover

**d) Collection of Tax from Distributors, Dealers and Wholesalers**

(See section 153A) PART IIA

Section	Description	Existing Rate	New Rate
153A	Collection of tax by manufacturer	---	1% of the gross sales

**e) Payments to non resident**

section 152 PART III Division-II

Section	Description	Existing Rate of Tax	New Rate of Tax
152 (1A)	Payment to nonresident on account execution of contracts.	6% of gross amount	-
152(1AA)	Payment to nonresident on account of insurance premium and reinsurance premium.	5% of the gross amount	-
152 (1AAA)	Payment to nonresident media person on account of advertising services	10% u/s 153 A division IIIA	10% of the gross amount
152 (2)	Other payment to non resident	20%	20%
152(2A) clause(a)	Payment to permanent establishment in Pakistan of non resident	3.5% Shifted from section 153	3.5%

**f) Tax on Motor Vehicles**

(section 234)

<b>Clause s</b>	<b>Description</b>	<b>Existing Rate of Tax</b>	<b>New Rate of Tax</b>
(1)	In case of goods transport vehicles	<b>Rs 1</b> per Kg of laden weight	<b>Rs 5</b> per Kg of laden weight
(1A)	In the case of goods transport vehicles with laden weight of 8120 kg or more, advance tax after a period of ten year from the Date of registration of vehicle on Pakistan shall be collected.	Rs. 1200 per annum.	---
(2)	In the case of passenger transport vehicles plying for hire with registered seating capacity of—		
	a) Four or more persons but less than ten persons.	Rs. 25 per seat per annum	--
	b) Ten or more person but less than twenty persons.	Rs. 60 per seat per annum.	--
	c) Twenty persons or more.	<b>Rs. 100</b> per seat per annum.	<b>Rs. 500</b> per seat per annum



**g) Purchase of motor cars and jeeps**

(section 231)

<b>Engine Capacity</b>	<b>Existing Amount of tax</b>	<b>Proposed Amount of tax</b>
upto850cc	Rs. 7,500	Same
851cc to 1000cc	Rs. 10,500	Same
1001cc to 1300cc	<b>Rs. 16,875</b>	<b>Rs. 25,000</b>
1301cc to 1600cc	<b>Rs. 16,875</b>	<b>Rs, 25000</b>
1600cc to 1800cc	Rs. 22,500	Same

**46. Amendments in Second Schedule of the Ordinance**

**section 53**

**a) Exemption from total income**

**part 1**

**Newly Inserted Clauses:-**

**(23B)** 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 shall be exempt from tax provided accumulated balance is invested for a period of ten years:

Provided that where any amount is exempted under this clause and subsequently it is discovered, on the basis of documents or otherwise, by the Commissioner 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, notwithstanding anything contained in this Ordinance, re-compute the tax payable by the taxpayer for the relevant years and the provisions of this Ordinance shall, so far as may be, apply accordingly.

**(23C)** 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 Citizens Foundation.  
(66) (xxviii) The Citizens Foundation.

**Modified Clause:-**

- (101) Profit and gained derived between the first day of July, 2000 and the thirtieth day of June, [2024] both days inclusive, 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.

**b) Reduction in tax rates**

**Part II**

**Modified Clauses:**

- (9A) Tax under section 148 shall be collected at the rate of 3% on the import value of raw material imported by an industrial undertaking for its own use:  
“**Provided that the rate of 3% shall be applicable on production of an exemption certificate issued by the Commissioner**”;

**c) Exemption from specific provisions**

**Part IV**

**New inserted Clause:-**

- (11B) The provisions of section 150 shall not apply in respect of inter-corporate dividend within the group companies entitled to group taxation under section 59AA or section 59B”;
- (11C) The provisions of section 151 shall not apply in respect of inter-corporate profit on debt within the group companies entitled to group taxation under section 59AA or section 59B”;
- (41A) The provisions of sub-section (7) of section 148 and clause (a) of sub-section (1) of section 169 shall not apply in respect of a person if he opts out of presumptive tax regime 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 section 148”
- (41AA) The provisions of sub-section (4) of section 154 and clause (b) of sub-section (1) of section 169 shall not apply in respect of a person if he opts out of presumptive tax regime 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 section 154”

- (41AAA)** The provisions of clause (a) of sub-section (1) of section 153 and clause (b) of sub-section (1) of section 169 shall not apply in respect of a person if he opts out of presumptive tax regime subject to the condition that minimum tax liability under normal tax regime shall not be less than 70% of if he opts out of presumptive tax regime 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 section 153”.

**Modified Clauses:-**

- (16A)** The provisions of section 153(1)(b) shall not be applicable to the ~~news print media services persons making payments to electronic and print media~~ in respect of the advertising services.]
- (47b)** The provisions of sections 150, 151 and, **233 and part I, Division VII of the First Schedule** shall not apply to any person making payment to National Investment Unit Trust or a collective investment scheme or a modaraba or Approved Pension Fund or an Approved Income Payment Plan or a REIT Scheme or a Private Equity and Venture Capital Fund or a recognized provident fund or an approved superannuation fund or an approved gratuity fund.
- (56)** Goods temporarily imported into Pakistan for subsequent exportation and which are exempt from customs duty and sales tax under Notification **No.S.R.O.1065(I)/2005, dated the 20th October, 2005 No.S.R.O.492(I)/2009, dated 13-06-2009.**
- (77)** Provisions of sections 148 and 153 shall not be applicable on import and subsequent supply of items with dedicated use of renewable sources of energy like solar and wind etc., even if locally manufactured, which include induction lamps, SMD, LEDs with or without ballast with fittings and fixtures, wind turbines including alternator and mast, solar torches, lanterns and

related instruments, PV modules ~~alongwith~~ **with or without** the related components including invertors, charge controllers and batteries.

**Omitted clause:-**

- (76) The provisions of section 235 shall not be applicable to an industrial undertaking which is manufacturer-cum-exporter, and situated in Karachi Export Processing Zone, which has been declared by Federal Government as a Zone within the meaning of the Export Processing Zone Authority Ordinance, 1980.

**47. Amendments in Third Schedule of the Ordinance**

**a) Initial allowance [and first year allowance]**

(Sections 23, 23A and 23B) Part II

**Newly inserted Clauses**

- (1) The rate of initial allowance under Section 23 shall be [50%] **for plant and machinery and 25% for buildings.**

**48. Amendments in Fourth Schedule of the Ordinance**

**Section 99**

➤ **Rules for the computation of the profits and gains of insurance business**

**a) Tax rates on gain on disposal of securities for insurance companies**

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	
		Existing	New	Existing	New
1	2011	10.0%	No change	8.0%	No change
2	2012	12.5%	10.0%	8.5%	8.0%
3	2013	15.0%	12.5%	9.0%	8.5%
4	2014	17.5%	15.0%	9.5%	9.0%
5	2015	17.5%	No change	10.0%	9.0%



#### 49. Amendments in Fifth Schedule of the Ordinance

#### Section 100

##### ❖ Rules for the computation of the profits and gains from the exploration and production of petroleum **PART I**

##### **Newly Inserted Clause:**

(4A) Notwithstanding anything contained in this schedule, a person, for tax year 2012 and onward, may opt to pay tax at the rate of forty per cent of the profits and gains, net of royalty, derived by a petroleum exploration and production undertaking:

Provided that this option shall be available 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 under this Ordinance upto tax year 2011, by the 30th June, 2012:

Provided further that this option is available only for one time and shall be irrevocable.”;

#### 50. Amendments in Seventh Schedule of the Ordinance

#### Section 100A

##### ➤ Rules for the computation of the profits and gains of a banking company and tax payable thereon

##### **Amended Rule:**

(6) Provided further that the “dividend” received by a banking company from its asset management company shall be taxed at the rate of 20%:

**Provided also that the dividend received from Money Market Funds and Income Funds shall be taxed at the rate of 25% for tax year 2013 and at the rate of 35% for tax years 2014 and onwards.”;**

## Sales Tax

### Significant Amendment / Changes

#### 1. Assessment of tax and recovery of tax not levied or short levied or erroneously refunded. Section 11

- 1) The Bill seeks to substitute section 11 of the Sales Tax Act, 1990 to combined the provision of section 36 with the provision of section 11.
- 2) The section 11 has been reenacted to accommodate the merger of provision of section 36.
- 3) The consolidated section 11 of the Act after merger will deal with the following eventualities.
  - a) Non filing of return for a tax period within due date or short payment due to miscalculation.
  - b) Non payment or short payment of tax due on supply made, claim of inadmissible tax credit or refund for the reason other than miscalculation or non filling of return.
  - c) Non levy, short levy or erroneous refund due to collusion or deliberate act.
  - d) Non levy, short levy or erroneous refund by the reason of inadvertence, error or misconstruction.
- 4) Uniform limitation period of five year has been fixed for the issuance of show cause notice from the relevant date.
- 5) Earlier the limitation for issuance of show cause notice in case of non levy short levy, erroneous refund due to inadvertence, error or misconstruction was 3 years and now extended to 5 year.
- 6) The uniform procedure for exercise of jurisdiction with regard to the aforesaid eventualities has been provided and is summaries as under
  - a) Issuance of show cause notice by the officer of inland revenue containing ground on which he is intended to proceed against the person.
  - b) Issuance of show cause notice within 5 years from the relevant date seeking explanation and considering the representation/reply of such person.
  - c) Providing reasonable opportunity of being heard.
  - d) passing order within 120 days from the date of issuance of show cause notice or extended period not exceeding 90 days excluding the adjourned period on account of stay order, ADR proceeding, or time taken for a

adjournment by petitioner not exceeding 60 days. Earlier extended period was 60 days.

- 7) After adhering the aforesaid procedure, the inland officer may make the following order.
  - a) In case subsection 1 of section 11, order of assessment of tax including imposition of default surcharge and penalty in accordance with section 33 and 34.
  - b) In case of subsection 2 of section 11 order of assessment of tax actually payable, or determination of amount of tax credit unlawfully claimed and imposition of penalty and default surcharge in accordance of section 33 and 34.
  - c) In case of subsection 3 and 4 of section 11 power of making order of assessment is not available to the Inland Revenue Officer due to mere clubbing of provision of section 36 with section 11 without suitable modification of language empowering the Inland Revenue officer to pass assessment order.
- 8) In case of non filing of return, Officer of Inland Revenue not below the rank of Assistant Commissioner have been empowered to determine minimum tax liability of the registered person subject to condition as specified by the FBR.
- 9) The condition and procedure for determination of minimum tax liability has been laid down by the FBR in Sale Tax General order no. 3/2004 dated 12-06-2004 part 2 Para (I). The assessment and payment of minimum tax liability shall be governed by the principles stated in the aforesaid general order.
- 10) In case the return is filled by such person after the due date and amount of tax payable is paid in accordance with the return along with default surcharge and penalty, the show cause notice and order of assessment shall stand abated.
- 11) The parameter for the operation of these sub section is separate and independent and they shall operate in their respective field. However sub sections (2) hold fundamental and central position and empowered to deal with all situations except provided in sub section (1). The operation of sub section (3) and (4) is grounded upon the precedent operation of sub section (2). The provision of sub-section 1 and 2 are mutually exclusive and provision of sub section 2,3 and 4 are mutually inclusive .
- 12) Consequential amendments arising due to omission of section 36 has not been made in section 25 (4A) and section 45B of the Act.

**2. Amendment in fifth schedule**

**Section 4 (zero rating)**

- Bill seeks to withdraw facility of zero rating available to supply against International Tenders by omitting entry no 4 of Fifth schedule. The exemption facility has been given against this supply by addition of entry no 12 in Table II, Sixth Schedule of the Sales Tax Act 1990. These amendments are effective from 02-06-2012.

**3. Amendment in Sixth Schedule**

**Section 13 (1)**

➤ **TABLE I**

Amendments in Table I are proposed to align PCT heading mention therein with the HS-2012 of Pakistan Custom Tariff.

➤ **TABLE II**

The exemption available to the cotton seeds vide entry of 2 Table II has been withdrawn and exemption to supply against International Tender allowed by inserting new entry no. 12 in Table II.

**4. Amendments in Sales Tax Rules, 2006**

- The following amendments has been made in the Sales Tax Rules, 2006 vide SRO no. 589(I)/2012 dated 01-06- 2012 effective from 2<sup>nd</sup> June, 2012.
  - a) Rule 5 has been amended by inserting second proviso whereby the FBR may transfer the jurisdiction of registered person on the basis of place of business, registered office or location of manufacturing unit.
  - b) Sub rule 4 has been inserted in rule 7 regarding procedure of change of nature of business. The procedure of change of business is listed below:

Description of Nature of change	Authority empowered to grant change
(i) Transfer of individual Business to his spouse or children	(i) LRO on the receipt of documents from RTO
(ii) Transfer of business from individual to	(ii) ---do-----



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<p>AOP. (iii) Transfer of business from AOP to Corporate entity.</p>	<p>(iii) LRO on receipt of verification from RTO or LTU subject to the condition that same member of AOP are nominated as director of the corporate entity.</p>
<p>(iv) Transfer of business or change of nature on any other account</p>	<p>(iv) New sales tax registration process and relevant authority.</p>

- c) Rule 12 relating to black listing and suspension of registration is substituted and the Commissioner or Board is empowered to suspend or black list to the registered person after following the procedure prescribed by the Board.
- d) In rule 46 dealing with procedure and condition with zero rated supply against international tender for Afghan refugees the reference to clause (a) of section 4 read with Serial no.4 of the Fifth Schedule to the Act. shall be omitted.
- e) Rule 50A, 50B and 50C shall be substituted and new rules 50A, 50B and 50C shall be inserted regarding procedures and condition for making exempt supplied of locally produced goods against International Tenders contracts.
- f) Rule 58 and 62 dealing with rules applicable to Authorized Representative has been amended and authorized representative has been allowed to represent his tax payer before the Board. Further an officer of the Board may also have been allowed to lodge complain against Authorized Representative for misconduct to the Board for the purpose of disqualification.
- g) The above amendments in Sales Tax Rules 2006 vide SRO No. 589(1)/2012 dated 01-06-2012 are enforced from June 02, 2012.

**5. Amendments in Special Procedure Rules, 2007**

- a) Rule 58 dealing with filling of return and audit of importer paying value addition tax and not exposed to audit without the permission of the Board on the condition of non claim of refund of excess input has been withdrawn vide SRO No. 592(1)/2012 dated 01-06-2012 effective from June 02, 2012.

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- b) Rule 58F,58G,58H,58Ha,58I,58J,58K,58L,58M,58MA and 58MB dealing with payment of sales tax by steel melters, re-rollers and ship brackers has been substituted with new rules that is 58F, 58G, 58H, 58Ha, 58I, 58J, 58K, 58L, 58M, 58MB ,58MC. The salient features are as under:-
- In case of steel melters, re-rollers and composite units, the sales tax rate of Rs. 6 per unit of electricity consumed for production has been increased to Rs. 8 per unit of electricity consumed.
  - Stainless steel product has been excluded from the (MS) products and application of these rules.
  - In case of ship brackers sales tax rate has been increased from Rs. 4,848 per metric ton to Rs. 6,700 per metric ton.
  - Steel melters and re-roller operating on self generation basis, the rate on the basis of gas Bill from Rs. 1392 to Rs. 1900 and on the basis of self generated electricity the rate has been increased from Rs. 38,964 to Rs. 51,822.
  - Steel melters and re-rollers opting to pay sales tax under normal tax regime shall be allowed to adjust the sales tax paid along with electricity Bill at the rate of Rs 8 per electricity unit consumed against the output tax. The rate of Rs 8 per electricity unit consumed shall remain included in the electricity Bill and shall not be excluded.
  - Steel unit exporting more than 50% of their production shall be entitled to opt the exclusion of sales tax from the electricity Bill charged at the rate Rs. 8 per electricity unit consumed subject to the permission of the Commissioner.
  - Steel melters and re-rollers also supplying stainless steel products or products other than Billets, ingots and re-rolled (MS) product shall be out of the scope of special procedure rules and shall governed by the standard rules procedures and normal tax regime.
  - The amendments in special procedures rule 2007 vide SRO No. 592(1)/2012 dated 01-06-2012 are effective from 02-06-2012.

## 6. Significant Sales Tax Notifications

### a) Exemptions SROs'

- The SRO No. 551(I)/2008, dated 11<sup>th</sup> June, 2008 has been amended relating to grant of exemption u/s 13(2) of the Act through SRO 595(1/2012) dated 01-06-2012 effective from June 02, 2012.

### **Exemption amendments**

- a) Exemption granted earlier to Raw Materials, sub components and components if imported for the manufacturing of goods to be supplied against international tenders has been withdrawn.
- b) Exemption has been granted to the following items.
 

30.	Waste Paper	Supplies thereof.
31.	Remeltable Scrap (PCT Heading 72.04)	import and supplies thereof.
32.	(i) Sprinkle equipment	Supplies thereof.”
	(ii) Drip Equipment	
	(iii) Spray pumps and nozzles.	

### **2. SRO NO. 849(1)/1997 dated 25-09-1997 rescinded vide SRO No. 594(1)/2012 effective from June 02, 2012.**

- SRO NO. 849(1)/1997 dated 25-09-1997 granting exemption to the supply of imported industrial raw material, components and sub components and goods other than consumer goods and consumer durable excluding the mild steel products and their raw materials has been rescinded vide SRO No. 594(1)/2012 effective from June 02, 2012.

### **b) Zero Rating SROs'**

- 1) **SRO no. 593(I)/2012 dated 1st June, 2012, effective from 2<sup>nd</sup> day of June, 2012, has amended SRO No. 1125(I)/2011 dated 31<sup>st</sup> December 2011 relating to zero rated supply.**
  - In the aforesaid notification, in column (1) against S. No.2 the Word “**mono filament**” has been substituted by the Word “**of more than 67 decitex**”.
- 2) **SRO No. 591(I)/2012 dated 1st June, 2012 effective from on 02 June, 2012**
  - The facility of zero rated granting to import and supply of polyethylene and polypropylene for manufacturing of mono filament yarn and net cloth vide SRO No. 811(1) 2009, dated 19th September 2009, subject to certain conditions, limitations and procedures provided therein has been substituted with the facility of exemption from tax through SRO no

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591(I)/2012 dated 1st June, 2012 under the same conditions, limitations and procedures.

**3) SRO No. 602(1)/2012 dated June 2, 2012 effective from June 2, 2012.**

- Zero rating facility granted by the Federal Govt. under clause (c) of section 4 the Sales tax Act 2001, to the items given below. Has been withdrawn vide **SRO No. 602(1)/2012 dated June 2, 2012 effective from June 2, 2012.**

- a) Remeltable Scrap (PCT heading 72.04) (serial 4 entry xxii)
- b) Wheel chair (8713.1000 and 8713.9000.)

**4) SRO No. 549(1)/2008, dated 11 June 2008 amended by SRO No. 602(1)/2012 dated June 2, 2012.**

- Zero rating facility has been extended to Cotton seed Oil if supplied to the registered manufacturer of vegetables ghee and cooking oil vide aforesaid SRO through amendment in the earlier by **SRO No. 602(1)/2012 dated June 2, 2012.**

**c) Minimum value addition under section 7A of the act**

**1) SRO No. 1020(1)/2006 amended vide SRO No. 590(1)/2012 dated 01-06-2012 , effective from 2<sup>nd</sup> June 2012**

- Minimum value addition fixed by the Federal Govt. under section 7A for the purpose of payment of sales tax on supply of computer hardware and parts vide **SRO No. 1020(1)/2006** in respect of Commercial importers, Assemblers, Wholesalers/ Distributors and Retailers at the rate 10%,5%,5% and 5% respectively.
- The minimum value addition in respect of Commercial importers at the rate of 10 % has been withdrawn vide **SRO No. 590(1)/2012 dated 01-06-2012 , effective from 2<sup>nd</sup> June 2012** by amending the **SRO No. 1020(1)2006.**

**d) Reduced rate under section 3 (2)(b) of the Act**

**1) SRO No. 644(1)/2007 dated 27<sup>th</sup> June, 2007. (22% & 19.5%) rescinded by SRO No. 594(1)/2012 Dated 01-06-2012**

- The rates higher than the standard sales tax rates on large no of chemicals, paper and paper board, steel products, etc at 22 % and 19.5%



has been reduced to 16% by rescinding this SRO. Now the goods mentioned in this SRO shall be charged to tax at standard rate of 16%.

- The Federal Govt. in exercise of the power u/s 3 (2)(b) of the Act levied sale tax at 16% on the value of import of rape seed by solvent extraction industries vide **SRO No. 69(1)/2006 dated 28-01-2006**.
- The aforesaid rate 16% had been reduced to 14% vide **SRO No 605(1)/2012 dated June 1, 2012 effected from June 02, 2012**.

**2) SRO 333(1)/2006 dated March 31, 2006 amended by SRO No. 604(1)/2012 dated 01-06-2012 effective from 02-06-2012.**

- The levy sales tax at 7% on the value of import of soya been seeds by the solvent extraction industries vide **SRO 333(1)/2006 dated March 31, 2006** has been reduced to 6% vide **SRO No. 604(1)/2012 with effect from June 02, 2012**, subject to the condition that no refund of input tax shall be admissible.

**e) Fixation of value of supply u/s 2(46)**

**1) SRO No. 345(1)/2010 dated May 24, 2010 amended by SRO No. 597(1)/2012 dated June 01, 2012 with effect from June 02,2012**

- The value of Billets and ingots fixed at Rs. 55,000 and Rs. 50,000 respectively by the FBR vide **SRO No. 345(1)/2010 dated May 24, 2010** has been increased to Rs. 65,000 and Rs. 60,000 respectively vide **SRO No. 597(1)/2012 dated June 01, 2012 with effect from June 02,2012**.

**2) SRO No. 15(1)/2006 dated 06-01-2006 has rescinded by SRO No. 594(1)/2012 effective from June 02, 2012**

- **SRO No. 15(1)/2006 dated 06-01-2006** has been rescinded vide **SRO No. 594(1)/2012 effective from June 02, 2012**. Resultantly the value of locally produced nitrogen fertilizer calcium ammonium nitrate at Rs. 3765 per metric ton fixed by Federal Govt. by exercising the power u/s 2 (46) vide **SRO No. 15(1)/2006** stand abolished.

**3) SRO No. 103(1)/2005 dated 03-02-2005 has rescinded by SRO No. 594(1)/2012 effective from June 02, 2012**

- **SRO No. 103(1)/2005 dated 03-02-2005** has been rescinded vide **SRO No. 594(1)/2012 effective from June 02, 2012**. Resultantly the value of

potassic fertilizers fixed at Rs. 4610 per metric ton of Sulphate of Potash and Mariate of Potash stand abolished.

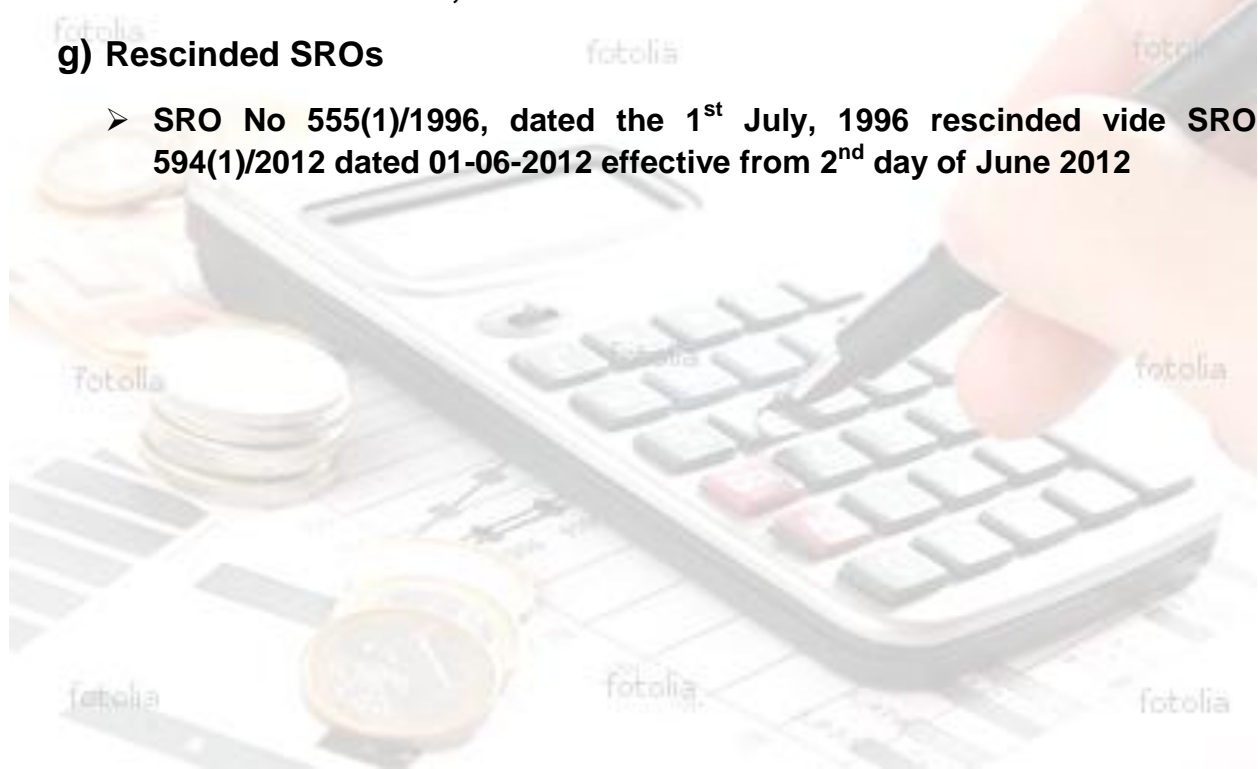
**f) Amendment in repayment-cum-drawback rate.**

**1) SRO No. 308(1)/2008 dated March 24, 2008 amended by SRO No. 596(1)/2012 dated June 01, 2012 with effect from June of 02, 2012.**

- Repayment of sales tax paid on the steel product allowed by the FBR u/s 61 of the Act vide **SRO No. 308(1)/2008 dated March 24, 2008** has been increased vide **SRO No. 596(1)/2012 dated June 01, 2012 with effect from June of 02,2012.**

**g) Rescinded SROs**

- **SRO No 555(1)/1996, dated the 1<sup>st</sup> July, 1996 rescinded vide SRO 594(1)/2012 dated 01-06-2012 effective from 2<sup>nd</sup> day of June 2012**



## Federal Excise Duty

### Significant amendments / changes

#### 1. Amendments in First Schedule of Federal Excise Act, 2005

#### (Excisable goods) TABLE-I

Sr. No.	Entry No.	Description of Goods	Heading/ sub-heading Number	Rate of Duty
<b>SUBSTITUTED ENTERIES</b>				
1	9	Retail price of Locally produced cigarettes has been increased from RS. 21 per ten cigarettes to RS. 22.65.	24.02	Same rate.
2	10	Retail price of Locally produced cigarettes ranging from Rs. 11.50 to Rs 21 per ten cigarettes has been increased to range Rs. 13.36 to Rs. 22.86.	24.02	Increase from Rs. 6.04 per ten cigarettes to Rs. 7.02 per ten cigarettes. Effective from 2 <sup>nd</sup> day of June, 2012
3	11	Retail prices of Locally produced cigarettes not exceeding Rs 11.50 per ten cigarettes has been increased to Rs. 13.36 per ten cigarettes.	24.02	<b>Increase from Rs. 6.04 per ten cigarettes to Rs. 7.02</b> Effective from 2 <sup>nd</sup> day of June, 2012
4	13	Portland cement. Aluminous cement, slag cement, super sulphate cement and similar hydraulic cements or in the form of clinkers.	25.23	Rate has been reduced from Rs.500 to Rs. 400 per metric ton.

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<b>DELETED ENTERIES AND FED WITHDRAWN</b>				
5	22	Lubricating oil in packs not exceeding 10 litres	2710.1951	10% of the retail price.
6	23	Lubricating oil in packs not exceeding 10 litres	2710.1952	10% of the retail price.
7	24	Lubricating oil in bulk (vessels, boozers, lorries etc)	2710.1953	Rs.7 and 15 paise per litre.
8	25	[Lubricating oil manufactured from reclaimed oils or sludge or sediment, subject to the condition if sold in retail packing or under brand names the the words manufactured from reclaimed oil or sludge or sediment should be clearly printed on the pack.]	Respective headings	Rs.2 per litre.
9	27	Base lube oil	2710.1993	Rs.7 and 15 paise per litre.
10	42	Perfumes and toilet waters	3303.0000	10% of retail price if packed in retail packing and ten percent ad valorem if in bulk.
11	43	Beauty and make-up preparations and preparations for the care of the skin (other than medicaments), including sun screen and sun tan preparations; manicure or pedicure preparations	33.04	10% of retail price if packed in retail packing and ten percent ad valorem if in bulk.
12	44	Preparations for use on the	33.05	10% of retail price if



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		hair excluding herbal hair oil and kali mehndi.		packed in retail packing and ten percent ad valorem if in bulk.
13	45	Pre-shave, shaving or after-shave preparations, personal deodorants, bath preparations, depilatories and other perfumery, cosmetic or toilet preparations, not elsewhere specified or included; prepared room deodorisers, whether or not perfumed or having disinfectant properties (excluding agarbatti and other odoriferous preparations which operate by burning).	33.07	10% of retail price if packed in retail packing and ten percent ad valorem if in bulk.
14	50	Filtre rods for cigarettes	5502.0090	20% ad value

**2. Restrictions:-**

- (a) Reduction in the prices of cigarettes from the level adopted on the day of announcement of the latest Budget by the manufacturer of cigarettes is prohibited.
- (b) The introduction and sale of new cigarettes of the same brand at price lower than the actual price by the manufacturer or importer of cigarettes are also prohibited. The minimum current price mean the lower price of brand on the day on the announcement of Budget.
- (c) The newly introduced brand shall not priced and sold lower than 5% of the price most popular price at which highest no of excise tax paid cigarette are sold in the market in the previous fiscal years.

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**Table II  
(Excisable Services)**

Sr. No.	Entry No.	Description of Goods	Heading/sub-heading Number	Rate of Duty
<b>Modified entries</b>				
1	3(a)	(a) Services provided or rendered in respect of travel by air of passenger within the territorial jurisdiction of Pakistan.	9803.1000	16% of the charges (plus Rs.20 per ticket <b>increased to Rs. 60 per ticket</b> )
2	3(b)	Excise duty on travelling has been substituted and Travelling service has been reclassified for the purpose of excise duty. New classification and rates as under:  <b>Services provided or rendered in respect of travel by air of the passengers embarking on international journey from Pakistan:-</b>  (i) Economy and economy plus.  (ii) Club business and first class	9803.1000 -	-  Rs. 3,840  Rs.6,840

### 3. Amendments in Third Schedule of Federal Excise Act, 2005

Conditional exemptions, section 16(1) Table-II(Services)

Exemption entry inserted

Sr. No.	Entry No.	Description of Goods	Heading/sub-heading Number
1	7	Live stock insurance	9813.1600
2	8	Services provided by Asset Management Companies with effect from first July, 2007.	Respective headings

### 4. Significant FED Notifications:-

#### ➤ Exemption SRO's

1. SRO 599(I)/2012 dated 1<sup>st</sup> June 2012 amending SRO No. 474(I)/2009 dated 13<sup>th</sup> June 2009 effective from

S. No	Description	Heading	Amendment
2	Viscose staple fibre	Respective heading	Omission/withdrawal of exemption

2. SRO 603(I)/2012 dated 1<sup>st</sup> June 2012 effective on and from 2<sup>nd</sup> day of June 2012 has rescind the SRO 949(I)/2006 dated 6<sup>th</sup> September, 2006 relating to exemption to import and supply of solvent oil (PCT heading 2710. 1150) for manufacture of shoes.

### 5. Amendment in Federal Excise Rules, 2005

1. SRO 600(I)/2012 dated 1<sup>st</sup> June 2012 effective from 1<sup>st</sup> day of July 2012.

#### ➤ Amendments in Rule 41 A

- (a) The phrase, "or embarking for Pakistan from anywhere in the world" has been omitted from the title of the Rule 41A.
- (b) The same phrase has been omitted in sub rule (1) of 41A.
- (c) Sub rule (6) has been amended and the excise duty on the international air ticket shall be charged on all international air tickets for international

journeys started from Pakistan to anywhere and the condition of termination in Pakistan has abolished.

- (d) The sub rule (7) shall be substituted and the liability to charge, collect and pay federal excise duty with respect to uplifted passengers in Pakistan for another air line has been fixed on the uplifting air line.
- (e) The rule 15 has been amended and the excise duty collected under the rule shall confine to the international travel from Pakistan and the condition of international travel to Pakistan has been abolished.

**2. SRO 598(I)/2012 dated 1<sup>st</sup> June 2012 effective on and from 2<sup>nd</sup> day of June 2012**

- a) The following goods specified by the Federal Govt. in the SRO No. 649(1)/2005 dated 01-06-2005 produced or manufactured in the non Tariff area and brought to the Tariff area for the purpose of levy of Excise Duty has been omitted from the said SRO.

<b>S. No</b>	<b>Description of goods</b>	<b>Heading/sub heading No.</b>
1	Perfumes and toilet waters.	3303.0000
2	Beauty or make-up preparations and preparations for the care of the skin(other than medicaments), including sunscreen or sun tan preparations: manicure or pedicure preparations	33.04
3	Preparations for use on the hair excluding herbal hair oil and kali mehndi.	33.05
4	Pre-shave, shaving and others.	33.07



## 6. Rescinded Federal Excise Notification

- The listed below SROs has been rescinded through SRO No. 603(I)/2012 dated 1<sup>st</sup> June 2012 effective from 1<sup>st</sup> day of June 2012:-

S.N o	SRO	Subject	Rule/Section
1	No. S.R.O. 807(I)/2005, dated the 12th August, 2005;	duty draw back	R-33
2	No. S.R.O. 671(I)/2006, dated the 29th June, 2006;	fixation of minimum price	S12(5)
3	No. S.R.O. 777(I)/2006, dated the 1st August, 2006;	Fixation of higher or lower rate by Federal Govt.	S3 (4)
4	No. S.R.O. 1229(I)/2007, dated the 18th December, 2007;	Exemption by Federal Govt.	S16(2)
5	No. S.R.O. SRO 47(I)/2012, dated the 20th January, 2012.	Fixation of higher or lower rate by Federal Govt.	S3 (4)

## Customs Act

### 1. Smuggle

### Section 2(s)

- The Bill seeks to extend the scope of term “smuggle” by including within its ambit en route pilferage of transit goods. Earlier the smuggle covers bringing in or taking out of Pakistan articles specified therein in breach of any prohibition or restriction for the time being in force, or evading payment of custom duties or taxes applicable thereon. Now the pilferage during the transit has been brought within its folder.

### 2. Directorate General of Transit Trade.

### Section 3AA

- A new section 3AA is inserted in Customs Act, 1969 whereby The Directorate General of Transit Trade has been constituted. The Directorate shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.

### 3. Directorate General of Reform and Automation

### Section 3BB

- A new section 3BB is inserted in Customs Act, 1969 whereby the Directorate General of Reform and Automation has been established. The Directorate shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.

### 4. Directorate General of Risk Management

### Section 3BBB

- A new section 3BB is inserted in Customs Act, 1969 whereby the Directorate General of Risk Management shall be established. The Directorate General of Risk management shall be consist of a Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.

### 5. Directorate General of Intellectual Property Rights Enforcement Section 3CC

- The Directorate General of Intellectual Property Rights Enforcement shall be formed. This Directorate shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.

**6. Power and functions of Directorate**

**Section 3E**

- The powers, functions and jurisdiction of these Directorate and their officers shall be specified by the Board like the other existing Directorates by notification in the official Gazette.

**7. Pakistan Customs Tariff**

**Section 18E**

- Bill seeks to insert a new section 18E in the Act. Under the newly inserted section the Board is empowered to make changes in the Pakistan Custom Tariff specified in first schedule only for purpose of statistical suffix of the Pakistan Custom Tariff (PCT) Code. These changes could be made through notification in the official Gazette, subject to such conditions, limitations or restrictions as it may deem fit and specified therein.

**8. Provisional determination of liability.**

**Section 81**

- The Bill seeks to amend the second proviso to sub section (1) of section 81 of the Act and had provided additional mode in the form of **pay order** in addition to bank grantee and post dated cheque to secure provisionally assessed liability and validity of provisional assessment.

**9. Punishment for offences**

**Section 156**

- The Bill seeks to abolish sentence of whipping against the offences specified in section 156 of the Act.
- In case of offences of concealments, non declaration or mixing of goods, the punishment provided under clause 45 of subsection 1 of section 156 shall attract for contravention of substituted section 79 and 131. The section 79 and 131A mention therein has already been omitted from the statute by Finance Act 2005.
- That in case of violation of condition of transport of goods specified under section 128 or 129 from one part of Pakistan to another through Foreign Territory, or transit of goods across Pakistan foreign territory, the maximum penalty Rs. 25,000 and confiscation of goods has been substituted. Now the transporter including the custodian and inland carrier shall be liable to penalty up to twice of the value of goods, imprisonment for a term not exceeding 5 year and confiscating subject goods.
- The offences of unauthorized access to or improper use of the Customs computerize system by any person has been extended to include therein an attempt to make unauthorized access or attempt to improper use of such system within its ambit. The said attempt shall also be offences and liable for penalty and punishment provided under clause 101 of sub section 1 of section 156 for

valuation of section 155-I. Attempt to interfere with the custom computerized system made liable for the same penalty and punishment as specified in clause 102 of subsection 1 of the section 156 for contravention of section 155-J. Similar amendment has been made in clause 103 of subsection 1 of section 156 to cover an attempt to make unauthorized use of such system within its folder.

## **10. Power of adjudication**

## **Section 179**

- The Bill seeks to substitute sub section 1 of section 179 dealing with scope and power of adjudication. The new scope of adjudication includes.
  - Confiscation of goods
  - Recovery of duties and taxes not levied
  - Recovery of duties and taxes short levied
  - Recovery of duties and taxes erroneously refunded
  - Imposition of penalty
  - Any other contravention of Act and or rules made there under.
- The reorganized pecuniary power of adjudication of the custom authority in respect aforesaid matter excluding the conveyance are listed as under:-

<b>SR no.</b>	<b>Custom Authority</b>	<b>Adjudication Limits</b>
<b>(i)</b>	Collector	Without limit
<b>(ii)</b>	Additional Collector	Not exceeding three million rupees
<b>(iii)</b>	Deputy Collector	Not exceeding five hundred thousand rupees.
<b>(iv)</b>	Assistant Collector	Not exceeding five hundred thousand rupees.
<b>(v)</b>	Superintendent	Not exceeding fifty thousand rupees.
<b>(vi)</b>	Principal Appraiser	Not exceeding fifty thousand rupees.

Subsection 2 of section 179 is also proposed to be amended in order to empower the Board to transfer by an Order in writing any case to any officer of Custom irrespective of territorial jurisdiction. Earlier such power of transfer vested with the Board were limited to the extent of transfer of case to Collector Custom.



## **11. Appeals to Collector (Appeals)**

**(Section 193)**

- The Bill seeks to substitute sub section 1 of section 193 dealing with the person entitled to institute appeal to the Collector and stating the appealable sections as well as time limitation within which appeal could be furnished and procedure for condonation of delay in furnishing of appeal. The following amendment has been made in this subsection:-
  - a) Order or decision under section 33 regarding refund to be claimed within 1 year has been made appealable.
  - b) Officer of Custom aggrieved with by any decision or order u/s 33, 79, 80 and 179 is also entitled to exercise the right of appeal.
  - c) The order or decision u/s 33, 79, 80 and 179 of the Act pass by an officer of Custom below the rank of additional Collector are appealable to the Collector appeals.

## **12. Appeals to the Appellant Tribunal**

**(Section 194)**

- The Bill seeks to insert a new sub clause (a) in section 194 of the Act where by any decision or order u/s 79 of the Act passed by officer of Customs not below the rank of Additional Collector has been made appealable to the Appellant Tribunal.

## **13. Procedure for sale of goods and application of sale proceeds. (Section 201)**

- Bill seeks to add additional mode of disposal of goods through electronic means in addition to existing mode of the disposal of goods through public auction or by tender or by private offer of consent of parties. The disposal through electronic means shall be subject to the procedure and condition prescribed by the Boards under the rules.

## **14. Reward to Customs Officers and Officials.**

**(Section 202B)**

- The new section 202B is proposed to be inserted for payment of reward to the officer of Pakistan Custom service, and officials for their better performance and to the informer for providing credible information on the realization of whole or part evaded duties and taxes.
- The Board is empowered to prescribe rules and procedures for awarding, sanctioning and payment of award for individual performance or collective welfare of the officials of Customs and matter related thereto.

## **15. Maintenance of record.**

**(Section 211)**

- Bill seeks to substitute sub section (1) of section 211 dealing with maintenance of record and correspondence concerning import and export transaction. After the substitution, the person mentioned therein and carrying out business under the Act or rule made there under or under any other law, directly or indirectly, relating to international trade, shall be required to maintain and keep records and correspondence concerning transit trade in addition to import and export.

## **16. Extension of time limit.**

**(Section 224)**

- The Bill seeks to amend section 224 of the Act for the purpose of empowering Federal Government, Board or the appropriate officer of Custom to condone the delay and extend the time limit laid down in the rules. Presently these authorities are vested with the power of extension of time limit mentioned in the section of the Act only and not power of condonation of time limit. Now the power of condonation of time limit has also been conferred to the authorities but the exercise of condonation and extension of time limit shall be subject to the conditions specified therein. Further the expired time limit may also be revived by condoning the delay and thereafter time limit can be extended under the amended provisions.

## **17. Amendments in First Schedule**

- The amendments set out in the Schedule to this Act shall be made in the First Schedule to the Customs Act, 1969 (IV of 1969), effective from 2<sup>nd</sup> day of June, 2012.
  - a) The Bill seeks to reduce the customs duty from 25% to 10% on the self-adhesive paper.
  - b) It is proposed to levy customs duty @ Rs. 5 per meter on cinematographic film.
  - c) Customs duty is proposed to be reduced from 35% to 30% in respect of listed below Sectors or Industries.

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Sr No.	Sectors/ Industries
1	Buttermilk, curdled milk and cream, yogurt, etc.
2	Butter, cheese, curd and other fats and oils derived from milk.
3	Natural honey.
4	Dates, figs, pineapples, avocados, guavas, mangoes, etc. and citrus fruits.
5	Grapes, melons and papaws (papayas).
6	Apples, pears and quinces, apricots, cherries, peaches, plums and other fruits.
7	Fruit and nuts.
8	Peel of citrus fruit or melons.
9	Sugar confectionery not containing cocoa.
10	Prepared foods obtained by the swelling or roasting of cereals or cereal products.
11	Bread, pastry, cakes, biscuits and other bakers' wares.
12	Vegetables and other edible parts of plants, tomatoes and mushrooms
13	Other vegetables, frozen, other than heading 20.06.
14	Vegetables, fruit, nuts, fruit- peel and other parts of plants.
15	Jams, fruit jellies, marmalades, fruit or nut puree and fruit or nut pastes.
16	Fruit juices and vegetable juices.
17	Sauces.
18	Soups and broths.
19	Ice cream and other edible ice.
20	Food preparations not elsewhere specified or included.
21	Waters and aerated waters.
22	Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes.
23	Perfumes and toilet waters.
24	Beauty or make-up preparations and preparations for the care of the skin.
25	Preparations for use on the hair.

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26	Preparations for oral or dental hygiene.
27	Pre- shave, shaving or after- shave preparations, personal deodorants, etc.
28	Soap; organic surface- active products and preparations for use as soap.
29	Marble, Granite and Other stone.
30	Unglazed and glazed ceramic flags and paving, hearth or wall tiles, etc.
31	Ceramic sinks, wash basins, wash basin pedestals, baths, etc.
32	Tableware, kitchenware, other household articles and toilet articles.
33	Statuettes and other ornamental ceramic articles, etc.
34	Refrigerators, freezers and other refrigerating or freezing equipment, etc.
35	Household or laundry- type washing machines.
36	Other firearms and similar devices.
37	Bombs, grenades, torpedoes, mines, missiles, etc.

**18. Amendment in Custom Rules 2001**

**(Section 219)**

- **SRO 601(1)/2012 amending SRO 450(1)/2001 (Customs Rules, 2001), effective 01 June 2012**

The following amendment has been made in the Custom Rule 2001 through the aforesaid notification:-

1. The latter "PACCS" wherever occurring in the rules shall be substituted with the letter "Customs Computerized System"
2. Under Rule 297(1)(b), a minimum value addition of 15% has been fixed for allowing DTRE facility.
3. Under Rule 305, time period has been decreased from 24 month to 12 months for manufacturing and export of goods to avail the facility DTRE.



## 19. Significant Customs notifications

### 1) SRO 573(1)/2012 amending SRO 565(1)/2006, effective 02 June 2012 Section 19(Exemption)

S. No.	Description	Item	Existing Duty	New Duty	Remarks
6.	Car Air-conditioners	Components	10%	5%	50% Reduction and deletion of certain raw materials
13.	Articles of stationery	Raw Material	5%	0%	100% Reduction
		Parts and components	10%	5%	50% Reduction
83.	Microwave Oven	Raw materials	10%	5%	50% Reduction and deletion of certain raw materials
	Cassette Player / DVD / VCD	Raw materials / components	10%	5%	50% Reduction and deletion of certain raw materials
84.	Different type of Mobile phones	Component (Sealed lead acid batteries)	5%	10%	50% Increase and deletion of certain raw materials

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	Kits for CDMA Fixed Wireless Terminals	Component (Sealed lead acid batteries)	0%	10%	Deletion of certain raw and duty levied
85.	Viscose Staple fiber	Raw Material (Wood Pulp)	0%	0%	Deletion of raw Material
88.	Welded Steel Pipes	Raw Material [HRC(Prime Quality) of a thickness exceeding 10mm]	-	5%	Addition of raw material
98.	Fans	Raw Material (Non Grain Oriented Electrical Steel Sheet)	0%	0%	Deletion of raw Material
133	Fortified Rosin	Raw Material (Malcic Anhydride)	5%	10%	Deletion of raw Material

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**2. SRO 574(1)/2012 amending SRO 567(1)2006, effective 02 June 2012**

S. No.	Description	Concessionary Custom Duty	Condition
23A	Shredded Tyre Scrap	10%	If imported by cement
36	Specific type ambulances instead of general ambulances.	30%	Ambulances where specified medical facilities, etc., are available.
Various	88 Pharmaceutical raw materials / pharmaceutical goods.	5%	-
44A	Black + color Ink, fully sensitized cheque paper, Anti-forgery securities	10% 5%	If imported by printing Industry.

## 20. Section 19 (Exemption of Duty)

- The amendment has been made by the SROs listed below in order to align the Pakistan Custom Tariff (PCT) Heading with the HS Nomenclature for Commodity Classification 2012 version issued by World Customs Organization (WCO):

SROs	SRO Title
576(I)/2012	SRO.576(I)/2012 is an amending notification of SRO.693(I)/2006
578(I)/2012	SRO. 578(I)/2012 is an amending notification of SRO.594(I)/2009
579(I)/2012	SRO.579(I)/2012 is an amending notification of SRO.209(I)/2009
580(I)/2012	SRO.580(I)/2012 is an amending notification of SRO.210(I)/2009
581(I)/2012	SRO.581(I)/2012 is an amending notification of SRO.212(I)/2009
582(I)/2012	SRO.582(I)/2012 is an amending notification of SRO.659(I)/2007
583(I)/2012	SRO.583(I)/2012 is an amending notification of SRO.1261(I)/2007
584(I)/2012	SRO.584(I)/2012 is an amending notification of SRO.1296(I)/2005
585(I)/2012	SRO.585(I)/2012 is an amending notification of SRO.558(I)/2004
586(I)/2012	SRO.586(I)/2012 is an amending notification of SRO.570(I)/2005
587(I)/2012	SRO.587(I)/2012 is an amending notification of SRO.894(I)/2006
588(I)/2012	SRO.588(I)/2012 is an amending notification of SRO..1274(I)/2006

## 21. Other Custom SROs

SROs	SRO Title	Subject	Section	Remarks
575(I)/2012	SRO.575(I)/2012 is an amending notification of SRO.575(I)/2006	Exemption from Custom Duty	19	Editorial amendments



## Capital Value Tax

### (Finance Act, 1989, section 7)

1. The amendment introduced by Finance (Amendment) Ordinance, 2012 in sub section 1 of section 7 of Finance Act, 1989 has been proposed to be incorporated by the Bill. The amendment was made to extend the levy of capital value tax on the purchase of shares of public company listed on Stock Exchange of Pakistan to all the persons defined in section 80 of the income tax Ordinance, 2001. Earlier it was applicable to the resident person only.
2. The Bill seeks to omit sub Clauses (ii) and (iii) of clause (e) of explanation to sub section of (1) of section (7) relating to the definition of Urban Area.

The existing and post amendment clauses of clause (e) to explanation of sub section (1) of section (7) are as under.

#### Urban Area means area falling within the limits of--

Pre amendment		Post amendment	
(i)	The Islamabad capital Territory	(i)	The Islamabad capital Territory
(ii)	A Cantonment Board;	(ii)	Omitted
(iii)	The rating areas as defined under the Urban Immovable Property Act, 1959. (W.P V of 1958) as enforce in Punjab, NWFP, Sindh and Baluchistan except where the rate under section 117 of the respective provincial local Govt. Ordinance, 2001 is zero.	(iii)	Omitted
(iv)	Such areas the Federal Board of Revenue may, from time to time, by notification in the official Gazette, specify.]	(iv)	Such areas the Federal Board of Revenue may, from time to time, by notification in the official Gazette, specify.]

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3. The Bill seeks to levy CVT on the purchase of immovable property specified here under (Islamabad Capital territory or area specified by the Board) by adding sub clause (A) (a), (b), (c) in sub section (2) of section 7.

S.No	Description of asset	Rate of CVT % of the capital value
1	Residential immovable property, (other than flats), situated in urban area measuring at least 500 square yards or one kanal (which ever is less) and more,-- (i) Recorded (ii) Not recorded (iii) Constructed	2% of the recorded value Rs.100 per square yard of the landed area Rs 10 per square feet of the constructed area in addition to the value worked out above.
2	Residential flats of any size situated in urban area--- (i) Recorded Value (ii) Not recorded	2% of the recorded value. Rs 100 per square feet of the covered

**Whichever is higher**

**Whichever is higher**

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<p>3</p>	<p>Commercial immovable property of any size situated in an urban areas—</p> <p>(i) Recorded</p> <p>(ii) Not recorded</p> <p>(iii) constructed</p>	<p>areas of the immovable property;</p> <p>2% of the recorded value of the landed area.</p> <p>Rs 100 per square feet of the landed area</p> <p>Rs 10 per square feet of the constructed area in addition to the value worked out above.</p> <p><b>Whichever is higher</b></p>
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4. The Finance (Amendment) Ordinance, 2012 introduced CVT at the rate of 0.01% on purchase value of shares of a public company with effect from 24 April 2012. The Bill now has proposed to reenact the amendment.

## **Amendment in Other Laws**

**The Bill seeks to make amendment in the following statues as well:**

- 1. Petroleum Products (Petroleum Levy) Ordinance, 1961**
- 2. Natural Gas (Development Surcharge) Ordinance, 1967.**
- 3. President's Pension Act, 1974.**
- 4. Prime Minister's Salary, Allowances and Privileges Act, 1975**
- 5. Pakistan Telecommunication (Re-organization) Act, 1996.**
- 6. Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997.**
- 7. Securities and Exchange Commission of Pakistan Act, 1997**
- 8. Pakistan Nuclear Regulatory Authority Ordinance, 2001.**
- 9. Pakistan Electronic media Regulatory Authority Ordinance 2002**
- 10. Oil and Gas Regulatory Authority Ordinance 2002**
- 11. Gas Infrastructure Development Cess Act 2011**



## Enforcement of Amendments

### 1. Amendment in the Statutes

Amendment proposed to be made by Finance Bill, 2012-13 shall be effective from 1<sup>st</sup> day of July, 2012 except the following which are effective from June 2, 2012.

- a) The amendments set out in the Schedule to the Customs Act, 1969 shall be made in the First Schedule to the Customs Act, 1969 (IV of 1969) vide sub-clause 15 of clause 4 of Finance Bill 2012-13.
- b) Amendments made in Fifth Schedule of Sales Tax Act, 1990 by omission of entry no 4 relating to supply against international tender vide sub clause 3 of clause 8 and amendment in sixth Schedule in table 1 and table 2 vide sub clause 4 of clause 8 of Finance Bill 2012-13.
- c) Amendments made in First Schedule in Table-I entry no 9,10,11 relating to increase in retail price of cigarette, omission of entry no 22,23,24,25,27,42,43,44,45,50 and interpretation clause relating to price of cigarette table I of Federal Excise Act, 2005 vide sub-clause 2(a)(i), sub clause 2(a)(iii) and sub clause 2(b) respectively of clause 16 of Finance Bill, 2012-13.

### 2. Amendment by Notifications/SROs

- Amendments, omission or addition, substitution, made by the recent Custom, Sale tax and Federal Excise Duty Notification/SROs shall be enforced from the date stated in the respective notification.

## Implications of amendments in fiscal legislation

- Legislator is competent to enact laws and make amendment therein from time to time and enforce them prospectively or retrospectively.
- The amendment may include addition, omission, substitution (repeal) or modification.
- The amendments may be substantive, remedial, curative, beneficial, clarificatory, explanatory, procedural or editorial etc.
- The amendments are presume to be prospective unless retrospective effect has been given with express words or necessary implication.
- The amendments may be prospective, retrospective, mandatory or directory and in the absences of clear indication the effect is to be determine having regard to intention and object of the legislature, nature and scope of legislation, sections, subject, context, amendments, language employed circumstances and consequence provided .
- Generally the amendments are made to bring change in the law and to make the law more comprehensive, complete and effective.

### Case laws

- a) It is well-settled principle of interpretation of statute that where a statute affects a substantive right, it operates prospectively unless “by express enactment or necessary indictment” retrospective operation has been given. (PLD 1956 SC Pak 256, PLD 1965 SC 681, PLD 1966 SC 362, 1996 SCMR 237)
- b) Statute, which is procedural in nature, operates retrospectively unless it affects an existing right on the date of promulgation or causes injustice or prejudice the substantive right. (PLD 1969 SC 187, 2009 PTD 1392 SC, 1969 SCMR 166, 1972 SCMR 173, 1987 SCMR 978, PLD 1988 Sc 391, 1994 SCMR 1007, 2011 SCMR 1254)
- c) Law does not recognize any retrospective enforceability of a fiscal measure. PLD 2011 SC 347.
- d) Rights of the party shall be governed / decided as per the law prevailing at the time when cause of action has accrued, particularly in the matters pertaining to fiscal disputes, unless manifestly intention of the law is otherwise. (2010 SCMR 1186, 1993 SCMR 920, 1993 SCMR 274)

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- e) "The Courts must lean against giving a statute retrospective operation on the presumption that the Legislature does not intend what is unjust." (PLD 1963 SC 322)
- f) "Where rights and procedure are dealt with together, the intension of the Legislature may well be that the old rights are to be determined by the old procedure, and that only the new rights under the substituted section are to be dealt with by the new procedure." (2009 PTD 1392 S.C)
- g) "In other words liabilities that are fixed or rights that have been obtained by the operation of law upon facts or events or perhaps it should be said against which the existing law provided are not to be disturbed by a general law governing future rights and liabilities unless the law so intends" (PLD 1970 SC 514)
- h) Right arising from the fact before passing the statute or amendment are presume to be unaffected unless retrospective effect has been giving with express words or necessary implications. (PLD 1969 SC 599)
- i) "It is well-established principle, that in general, when substantive law is altered during the pendency of an action, the rights of the parties are decided according to the law as it existed when the action was begun, unless the new statute shows a clear intention to vary such rights."( PLD 1975 SC 1, PLD 1965 SC 681, PLD 1966 SC 362)
- j) "No rule of construction is more firmly established than this, that retrospective operation is not to be given to a statute so as to impair an existing right or obligation. The main and primary rule that every statute is deemed to be prospective unless by express provision or necessary intendment it is to have retrospective effect. (1988 SCMR 715 S.C, AIR 1951 SC 128)
- k) The rule that no statute shall be construed so as to have retrospective operation effecting vested rights to a greater extent than its language renders necessary is firmly established".(1988 SCMR 715 S.C, 2000 SCMR 367)
- l) The rule of presumption is that the legislature does not intend what is unjust or to reopen transactions which have already resulted in creating title to property to be reopened or exposed to jeopardy". (1988 SCMR 715 S.C)
- m) That if two interpretation of a statute are permissible the statute must be interpreted to be prospective and not retrospective." (1982 PLJ 141 S.C (AJK ),PLD 1971 Lah. 317)
- n) The statute impairing the existing rights, imposing new burden or increasing liability or causing injustice, inconvenience or taking existing defense, exemptions, benefits, privileges are prospective unless retrospective effect

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- has been given by the Legislature by the express words.(1996 SCMR 237, PLD 1969 SC 187, 1989 PTD 221, 1981 CLC 6)
- o) Beneficial, remedial, clarificatory, explanatory, curative and procedural, not affecting the existing rights and liabilities are retrospective unless prospective effect has been given by the Legislature. (1996 SCMR 237, 1993 SCMR 73, 1992 SCMR 1652, PLD 2001 SC 340, 2005 SCMR 492, 2008 PTD 1401 LHC, PLD 1984 SC 29, 2001 PTD 570, 998)
  - p) It is an accepted rule of construction that no statute is to be construed as having retrospective operation unless such a construction appears to be clearly indicated by the term of the statute itself or unless such interpretation is suggested by necessary implication.(1996 SCMR 83 1993 SCMR 1905, 1985 PTD 529, PLD 1970 SC 80)
  - q) “The rights, privileges, advantages and benefits, which accrue to any person under the provisions of a statute prior to any amendment therein would be protected and not affected in any manner by any provision introduced through it.(2011 PTD 1076)
  - r) Amendment in procedural or machinery provision effect right or having the potential of increasing liability or assembled with limitation for reopening of cases, is prospective unless respective effecting is expressly given. (2009 PTD 1399 SC)
  - s) Acid test for ascertaining whether a statute or amendment operates prospectively or retrospective is the legislative intention. (2003 SCMR 39, AIR 1958 SC 560-573)
  - t) Legislation can promulgate and enforce a law retrospectively even by creating any liability of person with retrospective effect. (2002 YLR 2982, 2002 SCMR 356, PLD 1991 SC 546, PLD 1969 SC 623, 2000 PTD 2441, PLD 1967 SC 289)
  - u) Dispute having become past and closed transaction creating right in one’s person cannot be taken away by giving retrospective operation to the amended statutory provision. (2001 SCMR 1023, PLD 2001 SC 607)
  - v) Retrospective effect is not to be given to a statute so as impair an existing right unless such effect cannot be avoided without doing violence to the language of the statute (1987 SCMR 1709)
  - w) Change of forum pecuniary or otherwise is a procedural in nature and has retrospective effect unless contrary is provided expressly or impliedly or it affects the existing right or causes injustice or prejudice. (2011 SCMR 1254, 2000 SCMR 232, 1996 SCMR 237, 2001 PTD 2982, 2001 PTD 570)



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- x) No Rule or Notification issued under a statute can be enforce with retrospective operation unless statute expressly so provide or beneficial to the citizen. (PLD 1977 SC 315, 1992 SCMR 1652)
- y) The use of word “Shall or hereinafter” indicate an intention of prospective operation and the use of words denoting past time such as “has been or herebefore” consititute retrospective operation (PLD 1970 SC 80)
- z) Appeal is a substantive right and amendment affecting such right is prospective unless retrospective affect is given with express words. (PLD 1956 SC 256, PLD 1964 SC 456, 2011 PTD 1076 PHC)
- aa) Amendment are made to bring change in law (PTCL 1992 CL 363 SC, 2002 PTD 877 SC)
- bb) Amendments latter in time and last in sequence prevail and repeal the existing inconsistence law. (PTCL 2010 CL 89 SC, 1997 PTD 1555 SC, PLD 1996 Sc 77, PLD 1963 SC 704).
- cc) Amendment to read as whole and not independence or in isolation. (2004 PTD 1731 LHC, PTCL 2008 CL 337 SC, AIR 1987 SC 849, AIR 1960 SC 122, AIR 1960 SC 47, AIR 1962 SC 1553, 1961 PTD 771 SC).

