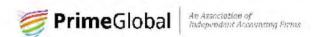
# Budget 2015-16 **Tax Memorandum**



# "Exceptions prove the rule, and wreck the budget"

Naveed Zafar Ashfaq Jaffery & Co. Chartered Accountants

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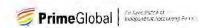
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## **FINANCE BILL FOR THE YEAR 2015-2016**

This tax memorandum gives an overview of the country's economy for the financial year 2015-2016; and the important changes which are proposed through the Finance Bill 2015-16 tabled before the Parliament on June 05, 2015. It contains highlights on the proposed budget and comments on the changes proposed in the bill 2015; through the Income Tax Ordinance, 2001; the Sales Tax, 1990; and the Federal Excise Act, 2005.

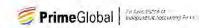
The amendments proposed through these laws are intended to be effective, once the Bill passed by the Parliament in its present form or with some amendments and would therefore be effective from July 01, 2015 - Tax Year 2016 unless otherwise indicated.

This Tax Memorandum is intended to provide general guidance to our clients and other readers on the important changes proposed to be brought through the Bill and should not be considered as an expert advice relating to a particular matter. For assessing the impact of proposed changes, reference should be made to the appropriate wording to the relevant law, notifications issued there under, and judgments given by the courts.

This Memorandum has been prepared exclusively for the use of our staff, clients and intended readers based on the information available with us till the time of giving it for printing. This Memorandum should not be published or printed in any manner without seeking a written consent from the Firm.

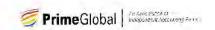
Naveed Zafar Ashfaq Jaffery & Co. Chartered Accountants

Dated: Friday, June 05, 2015



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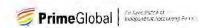
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## 1. PAKISTAN ECONOMIC OUTLOOK 2015-16

International good practices for 'Fiscal Transparency' requires: comprehensiveness, clarity, reliability, timeliness, and relevance of public reporting on the past, present, and future state of public finances - is critical for effective fiscal management and accountability. It helps ensure that governments have an accurate picture of their finances when making economic decisions, including of the costs and benefits of policy changes and potential risks to public finances. It also provides legislatures, markets, and citizens with the information they need to hold governments accountable. Perhaps, these good practices were in the mind of Finance Minister of Pakistan when he assumed the charge on June 07, 2013; promised that the PML-N government would not bring any mini-budgets. During his budget speech of June 2013; he claimed that austerity measures will be taken to control undue expenditures including 45 percent of the Prime Minister House and 30 percent of all other ministries. But he violated his understanding of the fiscal good practices; he presented 20 mini-budgets during his ministerial period including most recent attempt to pass from both houses the Gas Infrastructure Development Cess for collecting extra Rs. 145 billion where as 100 percent increase in PM House expenditure. Further, with the 18th Amendment, functions of 17 ministries have been devolved to provinces, however, there is no significant reduction in the payroll as majority of the employees preferred to stay at the federal payroll, hence increase in budgetary expenditure.

With all the talk about increasing the tax collection, the country still suffered Rs. 665 billion revenue loss in the outgoing fiscal year because of tax exemptions, an amount which was 39% more than the previous year, despite withdrawal of Rs. 103 billion worth of tax relief in the previous budget. This revenue loss, which is the highest ever reported publicly, was Rs. 188 billion higher than the preceding year when exemptions valuing Rs. 477 billion were given. The details of tax exemptions revealed in the Economic Survey of Pakistan for 2014-15, released on June 04, 2015; have dashed hopes of a significant reduction in losses after the government began withdrawing Statutory Regulatory Orders (SROs) in June last year. Pakistan spent 44.5% of its total revenue to service debt payments in nine months till March 2015; compared to 47% spent during the same period of previous year, the Economic Survey 2014-15 said. Public debt stands at Rs. 16.936 trillion with the major chunk (Rs11.932. trillion) comprising of domestic debt while component of external debt is around Rs. 5.004 trillion. As a percentage of GDP,

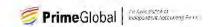


Pakistan's public debt came down to 61.8% by the end of March 2015; compared to 62% during the same period last year. The slippages are indicative of the fact that the country needs public financial management (PFM) reforms.

In spite of all negative pressures, the Finance Minister is candid while presenting the Economic Survey of Pakistan - 2015 indicating that the state of economy is not yet out of the woods - all growth targets have been missed due to combination of various factors, ranging from floods, global economic recession to extended protests in Islamabad. The Economic Managers of the government are striving hard to cut down non-development expenditures, which require political commitment in implementing cost-cutting measures. The authorities remain committed to their economic reform program, but they continue to face significant challenges. Security conditions remain difficult due to ongoing military operations against the Taliban and the fallout from the recent attack on a school in Peshawar. While political pressures have eased somewhat, as sit-ins organized by different opposition groups during the summer of 2014 have ended, sensitivities remain in implementing some structural reforms, particularly in energy tariff adjustments, central bank independence, and greater exchange rate flexibility.

The IMF recent economic outlook on Pakistan indicates some positive indicators as shown below:

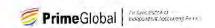
- Fiscal consolidation remains on track, despite challenges on the revenue side,
- Effective measures to address the revenue shortfall going forward (prior action). The additional revenue measures introduced include: (i) raising the GST rate on petroleum products (excluding furnace oil) from 17 to 27 percent in two stages among other revenue enhancement measures,
- Privatization: The government completed sales of minority shares in Allied Bank Limited in December 2014; raising around US\$ 150 million,
- Growth and inflation prospects are favorable, with downside risks due to political uncertainties and security challenges roughly balanced against upside risks from the decline in oil prices, and



Growth is expected to reach 4.7 percent next year (0.3 percent higher than previous projections), helped by the decline in oil prices and imports. It should rise further over the medium-term with improvements in the energy sector, public enterprises, the investment climate, and remove key bottlenecks for investment.

#### **KEY RISKS:**

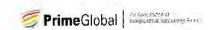
- Slippages in policy implementation could discourage investment, weaken growth prospects, and delay needed structural reforms
- Challenging political and security conditions could disrupt economic activity, discourage investment, and undermine fiscal consolidation. Conversely, an improvement in the security situation could boost investment and growth.
- External vulnerabilities including a protracted period of slower growth in key advanced (e.g., Euro Area and Japan) and emerging market economies, could impair exports and hurt remittances, and surge in global financial volatility or a market reassessment in sovereign risk could make debt issuance more difficult and costly. Increased volatility in oil prices could destabilize investment or efforts to reform energy subsidies. A persistent dollar appreciation with limited exchange rate flexibility may also contribute to erode export competitiveness.



## PAKISTAN ECONOMY - SELECTIVE MACRO INDICATORS

Key Factor	Unit	Apr-15	Jun-14
Inflation - Same Month (Year to Year)			
- Consumer Price Index (CPI)	%	2.10	8.62
- Sensitive Price Index (SPI)	%	(1.60)	9.30
Inflation - Same Year (Month to Month)			
- Consumer Price Index (CPI)	%	1.30	8.22
- Sensitive Price Index (SPI)	%	0.40	6.24
Foreign Trade			
Total Imports (Month)	US \$ mln	3,851.00	4,338.00
Total Imports (Year to date)	US \$ mln	37,849.00	45,113.00
Total Exports (Month)	US \$ mIn	1,995.00	2,027.00
Total Exports (Year to date)	US \$ mln	19,926.00	25,132.00
Net Balance of Trade (Month)	US \$ mIn	(1,856.00)	(2,311.00)
Net Balance of Trade (Year to Date)	US \$ mln	(17,923.00)	(19,981.00)
Home Remittances - Current Month	US \$ mln	1,640.58	1,499.28
Home Remittances - Year to-date	US \$ mIn	14,968.05	15,710.90
Deposits (Time & Demand)	PKR (mln)	8,176,268	7,777,021
Government Borrowings from Banks	PKR (mln)	6,150,503	5,549,358
Lending by Banks & Fis (Private Sector)	PKR (mln)	3,890,428	3,728,727
Reserves (US\$) - With SBP	US \$ mIn	12,517.30	9,022.20
Reserves (US\$) - With Banks	US \$ mIn	5,172.80	4,956.90
Total Reserves	US \$ mln	17,690.10	13,979.10
Currency in Circulation	PKR (mln)	2,506,695	2,177,873
Currency Printed - Current Year	PKR (mln)	328,822	18,926.00
Total Debt Outstanding			
Total Domestic Debt Outstanding	PKR bln	12,044.80	10,907.00
Total External Debts	PKR bln	6,498.60	6,158.00
Conversion to PKR at I-Bank Average		101.41	98.81
Total Country Debt	PKR bln	18,543.40	17,065.00
GDP at Market Value	PKR bln	29,078.00	25,401.90
Debt to GDP Ratio	%	63.77	67.18

Debt to GDP Ratio and relevant figures are updated on the basis on March, 2015 Figures.



# 2. SIGNIFICANT AMENDMENTS IN SALES TAX ACT 1990 ("STA")

Finance Bill ("FB-15"), proposes following amendments in STA:

1. Title: Definition of Active Taxpayer List ("ATL")

Nature: Amendment

Reference: Section 2, 21A, Sales Tax General Order ("STGO") 34

of 2010

#### **Historic Perspective:**

The concept of ATL, already defined in Income Tax Ordinance, 2001 ("ITO"), had been introduced in Sales Tax ("ST") vide STGO 34 of 2010, as amended from time to time.

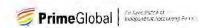
#### Significant Amendment/Introduction:

Such person has been defined as;

- a) Blacklisted or whose registration is suspended or is blocked;
- b) Fails to file the return under section 26 by the due date for two consecutive tax periods;
- c) who fails to file an Income Tax return under section 114 or statement under section 115, of the ITO (XLIX of 2001), by the due date; and
- d) who fails to file two consecutive monthly or an annual withholding tax statement under section 165 of the Income Tax Ordinance, 2001;

Section 21A empowers board to maintain such list in any manner including but not limited to periodic update of such list.

Financial Impact: None-specific



2. Title: Utility Bills Limits of Cottage Industry

Nature: Amendment

Reference: Section 2 (54B)

#### **Historic Perspective:**

The limit for utility bills was raised from PKR 600,000 to PKR 700,000 in the year 2008. Such Cottage Industry's turnover is defined as less than PKR 5 million per annum.

#### Significant Amendment(s):

The limit of Electricity bill is proposed to be raised from PKR 700,000 to PKR 800.000.

Financial Impact: None specific

3. Title: Registration

Nature: Amendment

Reference: Section 2 (28), and 14

#### **Historic Perspective:**

Presently, a turnover limitation has been defined in STA for the purposes of registration under STA.

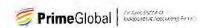
#### Significant Amendment(s):

FB15 proposes following fundamental changes in the classes of persons to be registered as sales tax registered persons engaged in taxable supplies (including zero-rated supplies) in the course or furtherance of any taxable activity carried on by him.

- a. Manufacturer other than cottage industry
- b. Retailer excluding such retailer required to pay sales tax through his electricity bill,
- c. Importer,
- d. Exporter who intends to obtain sales tax refund against his zero-rated supplies;
- e. Wholesaler dealer or distributor; and
- f. Person who is required, under any other Federal law or Provincial law, to be registered for the purpose of any duty or tax collected or paid as if it were a levy of sales tax to be collected under the Act.

#### **Financial Impact:**

It will enhance government revenue.



4. Title: Toll Manufacturing

Nature: Addition

Reference: Section 2 (33)

#### **Historic Perspective:**

Toll Manufacturing is a disputed issue between the Federation and Provinces. Consequently, the Federation is losing ST on such value additions.

#### Significant Amendment(s):

FB15 proposes definition of Toll Manufacturing, hence, consequent to approval, the Federation will be entitled to collect ST on Toll Manufacturing. It may trigger litigation and may further aggravate already soaring relations between the tax authorities.

#### **Financial Impact:**

Federal Government will accrue financial benefits on account of this amendment.

5. Title: Whistleblowers

Nature: Addition

Reference: Section 2 (46A) and 72D

#### **Historic Perspective:**

At Present no prescribed definition and consequent rules are embedded in STA. Through proposed addition following significant amendments has been proposed.

#### Significant Amendment(s):

Definition of whistleblowers and prescribed methodology has been proposed as follows:

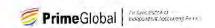
**Definition:** A person who reports concealment or evasion of ST and tax fraud etc, to competent authority, however, no reward will be given if;

- a. the information provided is of no value;
- b. the Board already had the information;
- c. the information was available in public records; or
- d. no collection of taxes is made from the information provided

Board is authorized to prescribe rules in this regard.

#### Financial Impact:

It will increase government revenues.



6. Title: Claiming of Input Tax on Partial Payment of Duties

and ST under section 81 of Custom Act, 1969 ("CA")

Nature: Addition

Reference: Section 7(2)

#### **Historic Perspective:**

At present, no ST input adjustment is allowed if goods are cleared under section 81 of CA. Furthermore, it complicates input adjustment on final clearance of goods.

#### Significant Amendment(s):

FB15 proposes allowance of such input adjustment in the event of partial clearance of bonded goods.

#### **Financial Impact:**

None except timing of input adjustment.

7. Title: Disallowance of Tax Credit or Input Adjustment

Nature: Addition

Reference: Section 8

#### **Historic Perspective:**

ST paid on prefabricated building is not allowed at present. Furthermore, ST Registered Persons, owing to no clear explanation in the STA, are claiming input adjustments of ST paid on reduced rates services in provincial ST Laws.

#### Significant Amendment(s):

#### FB15 proposes:

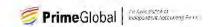
- Allowance of ST input adjustment paid on prefabricated buildings,
- Disallowance of Input adjustment of ST on services (reduced rates paid in provinces)

Furthermore, FB15 also proposes disallowance of:

Reduced rate import or equipment (at 7% ST under 8<sup>th</sup> Schedule).

#### **Financial Impact:**

Positive for Federal Government.



8. Title: Burden of Proof on Disallowance of Input Adjustment

**Blacklisted Purchases** 

Nature: Addition

Reference: Section 8(A)

#### **Historic Perspective:**

At present, burden of proof for purchase made from blacklisted supplier, in the absence of any explanation in section 8A, lies with taxpayer. Although many citations have favored taxpayers in this regard.

#### Significant Amendment(s):

FB15 proposes explicit burden on department's shoulder.

#### **Financial Impact:**

Positive for taxpayers.

9. Title: Exemption

Nature: Amendment

Reference: Section 13

#### **Historic Perspective:**

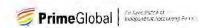
Finance Amendment Ordinance, 2015 ("FAO") was promulgated on April 30, 2015 to clip the powers of FBR to issue SROs for variation of rates. Such powers were delegated to FBR by the Federal Government. Furthermore, it is obligatory on the Federal Government to present such notification(s) before National Assembly. In case if such notification(s) are not placed before National Assembly such notifications stand rescinded at the end of fiscal year.

#### Significant Amendment(s):

FB15 proposes giving such powers to Economic Coordination Committee ("ECC") in the event of emergent situations narrated below:

- a. National Security,
- b. Natural Disaster,
- c. National Food Security in emergency situation,
- d. Explicit Burden on Department's Shoulder,
- e. Protection of national economic interests,
- f. Removal of anomalies in taxes.
- g. Development of backward areas; and
- h. Implementation of bilateral and multilateral agreements.

Financial Impact: None specific.



10. Title: Audit by Special Audit Panels

Nature: Amendment
Reference: Section 32A

#### **Historic Perspective:**

Currently STA has provision to pursue special audit by engaging Chartered Accountants ("CA"), Cost & Management Accountants ("CMA"), this provision was added in 1998.

#### Significant Amendment(s):

FB15 proposes appointment of two or more persons from the following classes of resources to carry-out audit and/or forensic audit including audit of refund claim as well:

- a. Officer of Inland Revenue,
- b. CA,
- i. CMA, and
- j. Any other person e.g. values, engineers etc.

#### **Financial Impact:**

Audit on professional lines will increase government revenue.

11. Title: Monitoring or Tracking by electronics or other means

Nature: Amendment/Addition

Reference: Section 40C

#### **Historic Perspective:**

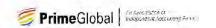
The aforesaid introduction was introduced FA14, however, to-date no practical measures have been taken for its implementation.

#### Significant Amendment(s):

FB15 proposes to include "Labels" in addition to the others tracking modes and also empowering board to direct registered persons to acquire equipment and tracking material at their cost.

#### **Financial Impact:**

E-Monitoring will increase revenue.



12. Title: Global Mutual Exchange of Information

Nature: Addition

Reference: Section 56A, 56B

**Historic Perspective:** None **Significant Amendment(s):** 

FB15 proposes to empower Federal Government to enter into bilateral or multilateral agreements for exchange of information and make such laws to implement them. Furthermore, it bounds public servants to keep such information confidential, except where such disclosures are mandatory under section 216 of ITO.

#### **Financial Impact:**

Such agreements will contribute revenue.

13. Title: Dairy Products

Nature: Amendment

Reference: 5<sup>th</sup> Schedule/8<sup>th</sup> Schedule

### **Historic Perspective:**

At present, dairy products are zero-rated and listed as items ix to xvii of the  $5^{\text{th}}$  Schedule.

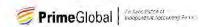
#### Significant Amendment(s):

FB15 proposes most of such dairy items have been re-classified in 8<sup>th</sup> Schedule as tabulated below;

Products	Proposed Schedule	Proposed Rate
Milk (PCT 04.01)	5 <sup>th</sup>	Zero
Milk Flavored (PCT 0402.9900)	8 <sup>th</sup>	10%
Yogurt (0403.1000)	8 <sup>th</sup>	10%
Cheese (0406.1000)	8 <sup>th</sup>	10%
Butter (0405-1000)	8 <sup>th</sup>	10%
Cream (04.01 and 04.02)	8 <sup>th</sup>	10%
Desi Ghee (0405.9000)	8 <sup>th</sup>	10%
Whey (04.04)	8 <sup>th</sup>	10%
Milk & Cream (Sweet 402.1000)	8 <sup>th</sup>	10%
Preparation for Infant use (1901.1000)	5 <sup>th</sup>	Zero
Fat-filled Milk (1901.9090)	5 <sup>th</sup>	Zero

#### **Financial Impact:**

Proposed transposition of aforesaid items will contribute significantly.



14. Nature: Amendment/Transposition

Reference: 6<sup>th</sup> Schedule/8<sup>th</sup> Schedule

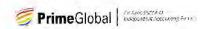
#### **Historic Perspective:**

Government is pursuing withdrawal of concessionary regimes and accordingly SROs worth PKR 102 billion were withdrawn last year. SROs worth PKR 120 billion are proposed to be withdrawn this year.

#### **Significant Amendment(s):**

Following SROs are proposed to be withdrawn and/or transposed.

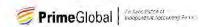
SRO.NO	EXPLANATIONS		
880(I)/2007 01.09.2007	<b>Existing:</b> Under the stated SRO diagnostic kits or equipment were exempted from tax. <b>Proposed:</b> As per FB-15 the same will be treated in accordance with 6 <sup>th</sup>		
76(I)/2008 23.01.2008 115(I)/2008 06.02.2008	Existing: As per the stated SRO sales tax were exempted on supplies made by manufacturers of marble and granite having annual turnover less than 5 million.  Proposed: As per FB-15 the same will be treated in accordance with 6 <sup>th</sup> Schedule.  Existing: As per the stated SRO the whole of sales tax chargeable on the imports and supply of materials and equipments for construction and operation of Gwadar Port were exempt for the period of 40 years.  Proposed: As per FB-15 the same will be treated in accordance with 6 <sup>th</sup>		
326(I)/2008 29.03.2008	Existing: As per the SRO all the goods imported into and exported from an Export Oriented Unit were exempted from Customs duties, sales tax, federal excise duty and income tax.  Proposed: As per FB-15 the same will be treated in accordance with 6 <sup>th</sup> Schedule.		
483(I)/2008 28.05.2008	<b>Existing:</b> As per the stated SRO the whole of sales tax chargeable were exempt on the supply and import of machinery and equipment, imported by financial services providers authorized by State Bank of Pakistan under the Asian Development Program for Improving Access to Financial Services Program. <b>Proposed:</b> As per FB-15 the same will be treated in accordance with 6 <sup>th</sup> Schedule.		



SRO.NO	EXPLANATIONS
539(I)/2008	<b>Existing:</b> The SRO were to exempt the goods specified in column (3) of the Table below, imported for the manufacture of goods specified in column (2) of the said Table, (PVC Medical Grade, Polystyrene Medical Grade, Latex Tube.)
11.06.2008	<b>Proposed:</b> As per FB-15 the same will be treated in accordance with $6^{\rm th}$ Schedule.
42(I)/2009	<b>Existing:</b> Under the SRO the Incentive Package for the development of Pak-China Investment Zones were exempt from customs duty and sales tax.
19.01.2009	<b>Proposed:</b> As per FB-15 the same will be treated in accordance with 6 <sup>th</sup> Schedule.
408(I)/2010 22.06.2012	<b>Existing:</b> Under the SRO the sales tax chargeable on Blood Bag CPDA-1 with blood transfusion set pack in Aluminum foil with set were exempt.
	<b>Proposed:</b> As per FB-15 the same will be treated in accordance with 6 <sup>th</sup> Schedule.
760(I)/2012 22.06.2012	<b>Existing:</b> The SRO was to exempt urine drainage bags from sales tax changeable on it.
	<b>Proposed:</b> As per FB-15 the same will be treated in accordance with 6 <sup>th</sup> Schedule.
499(I)/2013 12.06.2013	<b>Existing:</b> To Exempt from duty sales tax and withholding tax through the SRO on import of Hybrid Electrical Vehicles.
	<b>Proposed:</b> As per FB-15 the same will be treated in accordance with 6 <sup>th</sup> Schedule.
84(I)/2015 28.01.2015	<b>Existing:</b> To exempt from payment of whole of sales tax on the import and supply of raw material for the basic manufacture of pharmaceutical active ingredients and for manufacture of pharmaceutical products through the SRO.
	<b>Proposed:</b> As per FB-15 the same will be treated in accordance with 6 <sup>th</sup> Schedule.
657(I)/2013 11.07.2013	<b>Existing:</b> Sales Tax at the rate of 5% on import and local supply of second hand and worn clothing falling under PCT heading No 9309.000 under the SRO.
	<b>Proposed:</b> As per FB-15 the same will be treated in accordance with 8 <sup>th</sup> Schedule.
572(I)/2014	<b>Existing:</b> Under the SRO sales tax at 10% on import or supply of agricultural tractors will be chargeable.
	<b>Proposed:</b> As per FB-15 the same will be treated in accordance with 8 <sup>th</sup> Schedule.

### **Financial Impact:**

Exchequer will accrue benefit from these withdrawal/transpositions.



15. Title: Cellular Phones

Nature: Amendment

Reference: Schedule 9

#### **Historic Perspective:**

Presently, ST is charged at the time of import and registration of IMEI number at different rates given in 9<sup>th</sup> Schedule. The 9<sup>th</sup> Schedule was inserted through FA14.

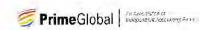
#### **Significant Amendment(s):**

FB15 proposes to double the existing rates:

		Existing		Proposed			
S#	Particulars	At Import Stage(Payable by Importer)	At the time of registration of IMEI No by CMOs	At the time of supply by CMOs	At Import Stage(Pay able by Importer)	At the time of registration of IMEI No by CMOs	At the time of supply by CMOs
1	Low priced Cellular Mobile phones or Satellite Phone.	Rs.150	Rs.150	-	Rs.300	Rs.300	-
2	Medium priced Cellular Mobile phones or Satellite Phone.	Rs.250	Rs.250	-	Rs.500	Rs.500	-
3	Smart Cellular Mobile phones or Satellite Phone.	Rs.500	Rs.500	-	Rs.1,000	Rs.1,000	-
4	SIM Cards	-	-	Rs.250	-	-	Rs.500

#### **Financial Impact:**

Government Revenues are expected to increase due to increase in rates charged.



# 3. SIGNIFICANT AMENDMENTS IN FEDERAL EXCISE ACT, 2005 ("FEA")

Finance Bill; propose following amendments in FEA:

1. Title: Whistleblowers

Nature: Addition

Reference: Section 2 (24), 42(C)

#### **Historic Perspective:**

At Present no prescribed definition and consequent rules are embedded in FEA. Through proposed addition following significant amendments has been proposed.

#### Significant Amendment(s):

Definition of whistleblowers and prescribed methodology has been proposed as follows:

**Definition:** A person who reports concealment or evasion of FE and tax fraud etc, to competent authority, however, no reward will be given if;

- e. the information provided is of no value;
- f. the Board already had the information;
- g. the information was available in public records; or
- h. no collection of taxes is made from the information provided

Board is authorized to prescribe rules in this regard.

#### Financial Impact:

It will increase government revenues.

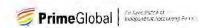
2. Title: Exemption

Nature: Amendment

Reference: Section 16

#### **Historic Perspective:**

Finance Amendment Ordinance, 2015 ("FAO") was promulgated on April 30, 2015; to clip the powers of FBR to issue SROs for variation of rates. Such powers were delegated to FBR by the Federal Government. Furthermore, it is obligatory on the Federal Government to present such notification(s) before National Assembly. In case if such notification(s) are not placed before National Assembly such notifications stand rescinded at the end of fiscal year.



#### **Significant Amendment(s):**

FB15 proposes giving such powers to Economic Coordination Committee ("ECC") in the event of emergent situations narrated below:

- a. National Security,
- b. Natural Disaster.
- c. National Food Security in emergency situation,
- d. Explicit Burden on Department's Shoulder,
- e. Protection of national economic interests,
- f. Removal of anomalies in taxes,
- g. Development of backward areas; and
- h. Implementation of bilateral and multilateral agreements.

**Financial Impact:** None specific.

3. Title: Monitoring or Tracking by Electronics or other means

Nature: Amendment/Addition

Reference: Section 45C

#### **Historic Perspective:**

The aforesaid introduction was introduced FA14, however, to-date no practical measures have been taken for its implementation.

#### Significant Amendment(s):

FB15 proposes to include "Labels" in addition to the others tracking modes and also empowering board to direct registered persons to acquire equipment and tracking material at their cost.

#### **Financial Impact:**

E-Monitoring will increase revenue.

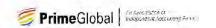
4. Title: Audit by Special Audit Panels

Nature: Amendment

Reference: Section 46

#### **Historic Perspective:**

Currently STA has provision to pursue special audit by engaging Chartered Accountants ("CA"), Cost & Management Accountants ("CMA"), this provision was added in 1998.



#### Significant Amendment(s):

FB15 proposes appointment of two or more persons from the following classes of resources to carry-out audit and/or forensic audit including audit of refund claim as well:

- a. Officer of Inland Revenue,
- b. CA.
- c. CMA, and
- d. Any other person e.g. values, engineers etc.

#### **Financial Impact:**

Audit on professional lines will increase government revenue.

5. Title: Global Mutual Exchange of Information

Nature: Addition

Reference: Section 47A, 47B

Historic Perspective: None

**Significant Amendment(s):** FB15 proposes to empower Federal Government to enter into bilateral or multilateral agreements for exchange of information and make such laws to implement them. Furthermore, it bounds public servants to keep such information confidential, except where such disclosures are mandatory under section 216 of ITO.

#### **Financial Impact:**

Such agreements will contribute revenue.

6. Title: Aerated Water

Nature: Amendment

Reference: First Schedule

#### **Historic Perspective:**

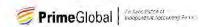
Presently, FED on Aerated water containing added sugar or other sweetening matter is charged at 9% on retail price. Previously the rate was 6% which was increased to 9% by FA 2013.

### **Significant Amendment(s):**

FB15 proposes to further increase the rate to 12%.

#### **Financial Impact:**

Increase in rate is expected to generate more revenues.



7. Title: Federal Excise Duty ("FED") on Cigarette

Nature: Addition

Reference: First Schedule

#### **Historic Perspective:**

FED on locally produced cigarettes is charged at Rs. 2,632 per thousand Cigarettes and Rs. 1,085 per thousand cigarettes for higher tier and lower tier cigarettes respectively. The rates were increased from Rs. 2,325 to Rs. 2,632 for higher tier cigarettes and from Rs. 880 to Rs. 1,085 for lower tier.

#### Significant Amendment(s):

FB 15 proposes to increase FED rates for higher tier to Rs.3,030 per thousand and Rs. 1,320 for lower tier cigarettes.

#### **Financial Impact:**

Government Revenues are expected to increase due to increase in rates charged.

Serial No.	Description	Existing	Proposed	
1	Printed price Rs.2,286 or	Rs.2,632 per	Rs.3,030 per	
	more per thousand	thousand	thousand	
	cigarettes	cigarettes	cigarettes	
2	Lower than Rs. 2,286 per	Rs.1,085 per	Rs.1,320 per	
	thousand cigarettes	thousand	thousand	
		cigarettes	cigarettes	

8. Title: FED on Filter Rod

Nature: Addition

Section: First Schedule Table I Entry 56

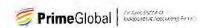
Historic Perspective: None

Significant Amendment(s):

Re.0.75 per Filter Rod, FED adjustable has been proposed to be levied.

#### Financial Impact:

Government Revenues are expected to increase due to additional duties especially from unregistered entities.



9. Title: Conditional Exemption

Nature: Addition

Section: Third Schedule Entries 18.219

**Historic Perspective:** None **Significant Amendment(s):** 

FB15 proposes addition of White Cement and Transport Vans including stations wagons/racing cars having cylinder capacity exceeding 850cc in the Table I of  $3^{rd}$  Schedule.

**Financial Impact:** 

It contributes negatively to the exchequer.

10. Title: Exempted Services

Nature: Addition

Section: Schedule III – Table II

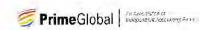
**Historic Perspective:** None **Significant Amendment(s):** 

FB15 proposes following exemptions in Table II of 3<sup>rd</sup> Schedule:

- Air Travel on Socio-Economic Routes,
- Hajj Passengers, Diplomats, and Supernumerary crew
- Advertisements in newspapers and periodicals,
- Services rendered by banking and non-banking Companies in respect Hajj & Umrah, Cheque Book, Insurance, Musharika and Modaraba Financing, and Utility Bill collection.

#### Financial Impact:

It contributes negatively to the exchequer.



# 4. SIGNIFICANT AMENDMENTS IN INCOME TAX ORDINANCE, 2001 ("ITO")

1. Title: Definition

Nature: Addition/significant amendment

Reference: Section 2, 13AA, 22A, 28A, 59A

Historic Perspective: None

Significant Amendment/Introduction: None

- "Consumer Goods" are defined as goods consumed by end consumer rather than used in production of another good.
- "Fast moving consumer goods" are defined as are supplied in retail marketing as per daily demands of consumer.
- "Imputable income" has been defined as the income which results in same amount of tax, had this amount not been subject to final tax.
- "Small Company" the limit of paid up capital plus reserves for a company to be a small company has been increased to 50 million from 25 million.

Financial Impact: None-specific

2. Title: Super Tax

Nature: Addition

Reference: -

Historic Perspective: None

#### Significant Amendment(s):

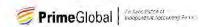
FB15 proposes to charge additional Income Tax, called super tax, for every person whose income exceeds Rs.500 million. The super tax will be charged for the rehabilitation of temporarily displaced persons for tax year 2015. The tax would be charged at 4% for Banking Companies and at 3% for others.

The income would be the sum of following:

- profit on debt, dividend, capital gains, brokerage and commission;
- normal taxable income
- imputable income; and
- income computed under Fourth, Fifth, Seventh and Eighth Schedule for specialized entities.

#### **Financial Impact:**

Government Revenues are expected to increase due to additional taxes.



3. Title: Tax on undistributed reserves

Nature: Addition

Reference: Section 5A

#### **Historic Perspective:**

It was made necessary through FA 1999 for listed companies with free reserves of more than 40% of their paid up capital to distribute at least 50% of their taxed profits as cash dividend.

#### Signigicant Amendment(s):

FB15 proposes to charge tax at 10% on free reserves of a public company (other than scheduled banks or amodaraba) in excess of 100% of paid up capital if the same is not distributed within six months from the end of said tax year.

#### **Financial Impact:**

Government Revenues are expected to increase as the tax on excess reserves will encourage companies to distribute dividends, hence tax on dividends will further add to revenues.

4. Title: Tax on shipping income of a resident person

Nature: Addition

Reference: Section 7A

#### **Historic Perspective:**

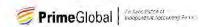
Shipping income of only a non-resident person is taxable under section 7 of ITO as a final tax.

#### **Signigicant Amendment(s):**

FB15 proposes to tax shipping income of a resident person. The income will be taxed under presumptive tax regime. Taxes will be charged on the basis of gross registered tonnage per annum. The income is taxed for a period of five years only i.e. till 30<sup>th</sup> June, 2020.

#### **Financial Impact:**

Government Revenues are expected to increase as tax net will be increased.



5. Title: Tax on profit on debt

Nature: Addition/amendment

Reference: Section 7B, 151,

#### **Historic Perspective:**

Currently undersection 151, profit on debt is deductible at 10% for filers and 15% for non-filers. The same is treated as final tax on the profit on debt arising to a taxpayer other than a company.

#### **Signigicant Amendment(s):**

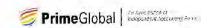
A new section 7B is proposed to be introduced, whereby, profit on debt will be charged at the rates ranging from 10% to 15% on the basis of amount of profit as follows:

Profit on Debt	Rate of Tax
Where profit on debt does not exceed	10%
Rs.25,000,000	
Where profit on debt exceeds	Rs.2,500,000 + 12.5% of the amount
Rs.25,000,000 but does not exceed	exceeding Rs 25,000,000
Rs.50,000,000	
Where profit on debt exceeds	Rs. 5,625,000 + 15% of the amount
Rs.50,000,000	exceeding Rs.50,000,000"

By amendments in section 151, tax on profits on debts received by persons other than companies or persons falling under section 7B, shall be final tax.

#### **Financial Impact:**

Introduction of higher rates for high profits will increase government revenues.



6. Title: Tax Credit for Investment in Shares

Nature: ADDITION

Reference: SECTION 62

#### **Historic Perspective:**

Tax credit for investments in shares of a listed company is currently available for residents other than a company. The amount of tax credit is computed using following formula:

(A/B) x C

Where,

- A is the amount of tax assessed
- B is the taxable income
- C the lessor of:
  - (i) cost of acquiring shares
  - (ii) 20% of person's taxable income
  - (iii) one million rupees

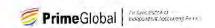
The limit in (i) above was increased to Rs. one million from previous Rs. 500,000 through FA 2012.

#### **Significant Amendment(s):**

FB15 proposes to increase the limit of 1 million above to Rs. 1.5 million.

#### **Financial Impact:**

The proposal will encourage the investments in stock market and buil the confidence of investors, playing a part in further developing the economy.



7. Title: Deductible allowance for Profit on Debt

Nature: Addition/Omission

Reference: Section 64, 64A

#### **Historic Perspective:**

Currently a tax credit is allowed to a person for a tax year in respect of profit on any loan where the person utilizes the loan for the construction or acquisition of a house.

#### Significant Amendment(s):

FB15 proposes to allow the above profit as a deductible allowance. The term 'person' has been replaced by the 'individual' restricting the said allowance to only an individual rather than an AOP or a company. The conversion of above benefit from tax credit into deductible allowance will restrict the benefit to the rate of tax applicable to individual, thereby, reducing the benefit in effect.

The allowance shall not exceed 50% of taxable income. Moreover, the same would not be be allowed to carry forward.

#### **Financial Impact:**

The proposal will have a positive impact as Companies and AOPs will not be allowed tax credit as earlier.

8. Title: Tax Credit for Employment Generation by Manufacturers

Nature: Addition

Reference: Section 64B

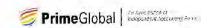
Historic Perspective: None

#### Significant Amendment(s):

FB15 proposes to allow tax credit for a company formed for establishing a manufacturing unit between 1<sup>st</sup> July, 2015 to 30<sup>th</sup> June, 2018 employing more than fifty employees in a tax year. The credit so allowed for a tax year will be equal to 1% per 50 employees with a limit of maximum 10%.

#### **Financial Impact:**

The proposal will have a negative impact on Government Revenues due to tax credit. However, the same will encourage setting up of new manufacturing units, helping revenues indirectly.



9. Title: Tax Credit for Enlistment in any Stock

**Exchange in Pakistan** 

Nature: Amendment
Reference: Section 65C

#### **Historic Perspective:**

At present, where a company gets enlisted in any registered stock exchange in Pakistan, a tax credit equal to 15% of the tax payable shall be allowed for the tax year in which the said company is enlisted.

#### **Significant Amendment(s):**

The said credit is proposed to be increased to 20% through FB15.

#### **Financial Impact:**

The proposal will have a negative impact. However, it will encourage listing of companies.

10. Title: Minimum Tax on Builders

Nature: Amendment
Reference: Section 113A

#### **Historic Perspective:**

Presently, builders are subject to minimum tax at 1% of turnover.

#### Significant Amendment(s):

The builders, under section 113A are proposed to be relieved from minimum tax for a period of 3 years, i.e. upto 30<sup>th</sup> June, 2018.

#### **Financial Impact:**

The proposal will have a negative impact.

11. Title: Minimum Tax on Land Developers

Nature: Amendment
Reference: Section 113B

#### **Historic Perspective:**

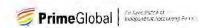
Presently, minimum tax on land developers is charged at rates notified by federal government.

#### Amendment:

FB15 proposes to fix minimum tax at the rate of 2% of the value of land.

#### **Financial Impact:**

None specific.



12. Title: Return of Income

Nature: Amendment
Reference: Section 114

**Historic Perspective:** 

Presently, the revision of return of income requires prior approval of commissioner.

#### **Significant Amendment(s):**

FB15 proposes that if a revised return is filed within 60 days of filing of return, approval of commissioner for revision shall not be required.

#### **Financial Impact:**

None specific.

13. Title: Special Audit Panel

Nature: Amendment

**Reference:** Section 121, 176, 177

**Historic Perspective:** None Significant Amendment(s):

FB15 proposes to introduce a penal of auditors comprising of members of professional bodies such as Chartered Accountants, Cost & Management Accountants, etc. to assist FBR in tax audits.

#### **Financial Impact:**

A positive impact on revenues is expected as the professionals of the field will bring efficiency to tax audits carried out by the department and the collaboration will result in timely identification of tax defaulters. However, issues relating to professional ethics may trigger and may results in litigations.

14. Title: Procedure in Appeal - Stay of Demand

Nature: Amendment Reference: Section 128

#### **Historic Perspective:**

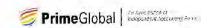
Currently, commissioner appeal is empowered to grant stay from recovery of demand for an aggregate period of 30 days.

#### **Significant Amendment(s):**

The limit of 30 days is proposed to be enhanced to further 30 days provided the commissioner will decide the appeal within the said 30 days.

#### **Financial Impact:**

The impact on revenues will be negative but this proposal may assist in eradicating hassles of excessive recovery procedures and refunds in case of decisions of commissioner in favor of taxpayer.



15. Title: Due Date for Payment of Tax Payable under an Order

Nature: Amendment
Reference: Section 137

#### **Historic Perspective:**

A notice is served to the tax payer for recovery of tax payable under an order of the commissioner and the tax is payable within a period of 15 days of service of the notice.

Tax demand as a result of provisional assessment under section 122C, currently becomes payable within 60 days of service of notice.

#### Significant Amendment(s):

FB15 proposes to extend the above time limit of 15 days to 30 days from the date of service of notice.

Demand consequent to provisional assessment under section 122C is proposed to be payable within 45 days, instead of 60 days.

#### **Financial Impact:**

Impact is expected to be negative.

16. Title: Advance tax paid by taxpayer

Nature: Amendment

Reference: Section 147

#### **Historic Perspective:**

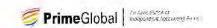
Presently, taxpayers other than banking companies are not required to file 'estimate of tax liability' until the last quarter of the tax year. This results in short payment of advance tax in the first three quarters, even though the taxpayer estimates its tax liability more than the 'tax to turnover ratio' for the latest tax year.

#### **Siginificant Amendment(s):**

FB15 proposes that, like banking companies, the law of advance tax under section 147 of ITO 'own estimate' basis should be rationalized so that taxpayer should estimate their tax liability in the section quarter and thereafter pay advance tax on the basis of 'own estimate' in the third and fourth quarters into quarterly installments.

#### **Financial Impact:**

Early estimation of tax liability for the year will result in early payment of proportionate due tax, thereby, increasing Government Revenues.



17. Title: Cooking Oil Or Vegetable Ghee

Nature: Addition

Reference: Section 148A

Historic Perspective: None

Significant Amendment(s):

The manufacturers of vegetable oil or ghee or both shall be chargeable to tax at 2% on purchase of locally produced edible oil. The tax so charged shall be final in respect of income with respect to edible oil.

**Financial Impact:** 

Impact is expected to be positive.

18. Title: Payment to Non-Residents

Nature: Amendment

Reference: Section 152

**Historic Perspective:** 

At present, to make any payment to a non-resident without deduction of tax or deduction of tax at reduced rate, only the person making payment to non-resident person is allowed to make intimation to the commissioner of such payments.

**Siginificant Amendment(s):** 

FB15 proposes that a recipient of such payment may also apply to commissioner and the commissioner may direct any person to make payment without deduction of tax or after deduction of tax at reduced rates.

Financial Impact: None specific

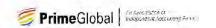
19. Title: Deduction of Tax at Source - Payment of Services

Nature: Amendment

Refrence: Section 153

**Historic Perspective:** 

Currently tax deducted at source from payments in respect of services is treated as minimum tax.



#### Significant Amendment(s):

FB proposes that tax deducted on payments received by a company with respect to services provided would be adjustable with effective from tax year 2009. The tax on payments received by persons other than companies shall continue to be treated as minimum tax.

Tax deducted from payments made to a sportsperson is also proposed to be a final tax with effect from tax year 2013.

#### **Financial Impact:**

Impact is expected to be negative.

20. Title: Deduction of Tax at Source – Exports

Nature: Amendment

Reference: Section 154

#### **Historic Perspective:**

Currently tax deducted at source from exports proceeds is treated as final tax.

#### **Significant Amendment(s):**

FB15 proposes to exporters an option not to be subject to final tax and be subject to normal tax. The option so exercised will be irrevocable. Further, the tax deducted from export proceeds shall be minimum tax.

#### **Financial Impact:**

Impact is expected to be positive.

21. Title: Default Surcharge and Additional Payment for

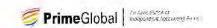
**Delayed Refunds** 

Nature: Amendment

Reference: Section 161, 171, 205

#### **Historic Perspective:**

Default surcharge on failure to pay government dues under ITO is currently charged at 18% per annum. A refund due to a taxpayer which is not paid within three months of the date on which it becomes due, a further amount by way of compensation is liable to be paid by the commissioner at rate of 15% per annum.



#### Significant Amendment(s):

FB15 proposes to reduce the rate of additional payment for delayed refund to KIBOR + 0.5% while rate of for default surcharge is proposed to be 12%.

#### **Financial Impact:**

Reduction in default surcharge rate and decrease in rate of additional payments for delayed refunds are expected to have positive impact as government is making huge payments on delayed refunds especially to banking sector.

22. Title: Furnishing of information by Financial Institutions

including banks

Nature: Addition

Reference: Section 165B

**Historic Perspective:** None **Significant Amendment(s):** 

FB15 proposes to introduce a section whereby, Financial Institutions will be liable to furnish information to Board about non-resident persons in the prescribed mode and manner. All such information will be used for tax and related purposes and will be kept confidential.

#### **Financial Impact:**

Revenue is expected to increase as the information may reveal black money, hence broadening tax net.

23. Title: Taxpayer's Registration

Nature: Amendment
Reference: Section 181A

#### **Historic Perspective:**

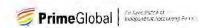
Currently, Board has power to allow Computerized National Identity Card ("CNIC") to use in place of National Tax Number ("NTN")

#### **Significant Amendment(s):**

FB15 proposes to use CNICs of individual as NTNs for tax years 2015 onwards.

#### **Financial Impact:**

Revenue is expected to increase as the tax net will be broaden.



24. Title: Offences and Penalties

Nature: Amendment

Reference: Section 182(IA),(IA), 195

#### **Historic Perspective:**

Currently, minimum penalty for failure to furnish a statement within due date is Rs.50,000. Penalty for non furnishing of wealth statement or wealth reconciliation statement is Rs. 100 for each day of default.

#### **Significant Amendment(s):**

FB15 proposes minimum penalty for failure to furnish a statement within due date to be Rs. 10,000, whereas, Penalty for non furnishing of wealth statement or wealth reconciliation statement is proposed to be 0.1% of taxable income for each week or Rs. 20,000, whichever is higher.

#### **Financial Impact:**

Revenue is expected to increase as the tax net will be broaden.

25. Title: Automatic selection for Audit - Retailers

Nature: Addition

Reference: Section 214D

**Historic Perspective:** None **Siginificant Amendment(s):** 

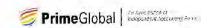
FB15 proposes criteria for automatic selection of audit for retailers. Any person registered as retailer under Sales Tax Special Procedure Rules, 2007 who does not fulfill the parameters will be automatically selected for audit. The para meters are:

- a) Name of the person appears in ATL;
- b) Complete return of income has been filed within due date;
- c) Tax payable under section 137 has been paid;
- d) Two percent tax on turnover (where applicable) has been paid; and
- e) Twenty five percent higher tax from previous year has been paid.

The provisions of this section shall have effect from the date as notified by the Board.

#### **Financial Impact:**

It will increase Government revenues.



26. Title: Reward to Whistle Blowers

Nature: Addition

Reference: Section 227B

**Historic Perspective:** None Significant Amendment(s):

FB15 proposes reward for whistle blowers in cases of concealment or evasion of income tax, fraud, corruption or misconduct, providing credible information leading to such detection of tax

### **Financial Impact:**

Revenue is expected to increase as a result of information being used to recover evaded taxes.

27. Title: Advance Tax - Telephone users

Nature: Addition

Reference: Section 236

**Historic Perspective:** None Significant Amendment(s):

Internet users have also been added along with telephone users for collection of advance taxes from telephone/internet bills as follows:

Description	Rate
Where the amount of bill exceeds Rs.	10% of amount exceeding Rs. 1,000
1,000	
In case of prepaid subscribers	14% of total amount

#### **Financial Impact:**

Revenue is expected to increase due to inclusion of new activities.

28. Title: Advance Tax on Purchase of Air Tickets

Nature: Amendment
Reference: Section 236B

**Historic Perspective:** 

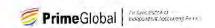
Advance tax is charged on purchase of air tickets currently

#### Significant Amendment(s):

Advance tax on purchase of air tickets of routes of Baluchistan coastal Belt, Azad Jammu and Kashmir, FATA, GilgitBaltistan and Chitral are proposed to be withdrawn.

#### **Financial Impact:**

Revenue will be impacted negatively.



29. Title: Advance Tax on Sale to Retailers

Nature: Amendment

Reference: Section 236h

#### **Historic Perspective:**

Currently, fertilizer sector charge advance tax at 0.5% on sale to retailers

#### Significant Amendment(s):

FB15 proposes to exempt fertilizer sector from chargeability of advance tax on sale to retailers.

#### **Financial Impact:**

Revenue is expected to decrease.

30. Title: Collection of Advance Tax by Educational Institutions

Nature: Amendment

Reference: Section 2361

#### **Historic Perspective:**

Currently, educational institutions charge advance tax at 5% on the amount of fee paid to them.

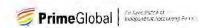
#### Significant Amendment(s):

FB15 proposes to exempt non-resident from section 236I provided:

- a) Copy of passport, along with evidence of non-stay in Pakistan for more than 182 days during previous tax year, is furnished to institution;
- b) A certificate is furnished that the person has no Pakistan source income; and
- c) The fee is directly remitted from abroad through normal banking channel into bank account of institution.

#### **Financial Impact:**

Revenue is expected to be affected negatively.



31. Title: Advance Tax on Banking Transactions otherwise than

**Through Cash** 

Nature: Addition

Reference: Section 236P

**Historic Perspective:** None **Significant Amendment(s):** 

FB15 proposes to charge advance tax on all banking instruments as well in the lines of cash withdrawal to non-filers. The rate is also proposed to be increased to 0.6% (currently 0.5%) which would be adjustable. The instruments will include demand draft, pay order, special deposit receipt, cash deposit receipt, short term deposit receipt, call deposit receipt, rupee traveller'scheque or any other instrument of such nature.

This proposed amendment may discourage banking by non-filers.

#### **Financial Impact:**

Government Revenues are expected to increase tremendously due to inclusion of withdrawals/transactions other than cash withdrawals. The increase in rate for non-filers will also encourage new registrations and broadening of tax base.

32. Title: Payment to Residents for use of Machinery and

**Equipment** 

Nature: Addition

Reference: Section 236Q

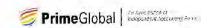
**Historic Perspective:** None

#### Siginificant Amendment(s):

FB15 proposes to charge advance tax on rental paid for plant and machinery at 10%. This rental income from Plant and Machinery is taxed as "Income from other Sources" under section 39 of the ITO, however, this amendment will allow government to collect withholding tax in advance. The tax so charged shall be final tax

#### **Financial Impact:**

Government Revenues are expected to increase due to advance tax being extended to new activity.



33. Title: Advance Tax on Remittances to Abroad for

**Educational Purposes** 

Nature: Addition

Reference: 236R Historic Perspective: None Significant Amendment(s):

FB-15 proposes to charge advance tax at 5% on remittances to abroad for educational purposes

#### **Financial Impact:**

Government Revenues are expected to increase due to levy of new tax.

34. Title: Dividend in Specie

Nature: Addition

Reference: 236S

#### **Historic Perspective:**

Clause 103B was inserted through FA 2010 making dividends in specie exempt from tax.

#### **Siginificant Amendment(s):**

FB 15 proposes to charge advance tax on dividends in specie at the same rates on which advance tax on dividend is charged..

#### **Financial Impact:**

The proposal will impact Government revenues positively.

35. Title: Tax on PMEX Transactions

Nature: Addition

Reference: 236T

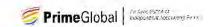
**Historic Perspective:** None

#### Siginificant Amendment(s):

FB15 proposes to charge advance tax on sale or purchase of futures commodity contracts and on commission thereon at the rate of 0.1%.the same will be a minimum tax

#### **Financial Impact:**

Government Revenues are expected to accrue huge due to additional taxes.



37. Title: Powers of Board

Nature: Amendment

Reference: Section 53, 148, 159

#### **Historic Perspective:**

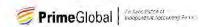
Finance Amendment Ordinance, 2015 ("FAO") was promulgated on April 30, 2015 to clip the powers of FBR to issue SROs for variation of rates. Such powers were delegated to FBR by the Federal Government. Furthermore, it is obligatory on the Federal Government to present such notification(s) before National Assembly. In case if such notification(s) are not placed before National Assembly such notifications stand rescinded at the end of fiscal year.

#### **Significant Amendment(s):**

FB15 proposes giving such powers to Economic Coordination Committee ("ECC") in the event of emergent situations narrated below:

- a. National Security,
- b. Natural Disaster,
- c. National Food Security in emergency situation,
- d. Explicit Burden on Department's Shoulder,
- e. Protection of national economic interests,
- f. Removal of anomalies in taxes,
- g. Development of backward areas; and
- h. Implementation of bilateral and multilateral agreements.

Financial Impact: None specific.



38. Title: Banking Companies

Nature: Amendment

Reference: Section 100A, Schedule 7

#### **Historic Perspective:**

Section 100A was inserted through FA 2007 for the computation of income, profits and gains of Banking Companies, along with seventh schedule which contains the rules for such computations. The different sources of income is charged at the rates as follows:

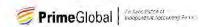
Sources	Rate
Normal Income	35%
Capital Gain	
<ul><li>More than 1 year</li><li>Less than 1 year</li></ul>	12.5% 35%
Dividend	
<ul><li>Investment Fund</li><li>Asset Management Company</li></ul>	25% 20%
of Bank ➤ Normal	10%

#### **Siginificant Amendment(s):**

FB15 proposes to charge every income, profits and gains (such as dividends and capital gains) of a banking company at a uniform rate of 35%.

#### **Financial Impact**:

Government Revenues are expected to increase as incomes, profits and gains which were previously charged at lower rates (such as 12.5%, 20% or 25% etc).



39. Title: Capital Gain Tax ("CGT")

Nature: Amendment

Reference: Section 37A, Schedule I Part I, Div VII, Fourth Schedule

#### **Historic Prospective:**

Section 37A was inserted though Finance Act, 2010. The capital gains were made taxable on, disposal of securities if held for a period of less than 12 months. The rates of CGT were bifurcated into six and twelve months holding periods.

Through Finance Act ("FA"), 2014, the holding period was extended to 24 months for securities to be taxable. The rates of CGT were bifurcated into holding periods up to 12 months and 24 months with CGT rates 12.5% and 10%, respectively.

#### **Siginificant Amendment(s):**

FB15 proposes enhancement of CGT from sales of securities by increasing holding periods for securities to be taxable as well as increasing CGT rates as follows:

Holding Period	Tax Year 2015	Tax Year 2016
Up to 12 months	12.5%	15%
More than 12 months	1.00/	12 50/
but less than 24 months	10%	12.5%
More than 24 months	Nil	7 50/
but less than 4 years	INII	7.5%

Exemption from capital gains in respect of insurance companies is proposed to be withdrawn and is proposed to charge as per rates in above table

#### **Financial Impact:**

Government Revenues are expected to increase as both the holding periods and tax rates are enhanced.

40. Title: Corporate Tax Rate

Nature: Amendment

Reference: Division II, Part I, First Schedule

#### **Historic Prospective:**

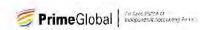
The tax rate of a company for the tax year 2007 and onwards was set at 35%. Subsequent to FB 2013, where Finance Minister announced in his budget speech the tax rate for tax year 2014 to be at 34% and 33% for 2015. The same was accordingly applied.

#### **Siginificant Amendment(s):**

Tax rate for companies is proposed to be 32% for companies other than banking company for tax year 2016.

#### **Financial Impact:**

Revenues are expected to decrease due to fall in corporate tax rate.



# PROPOSED AMENMENTS IN THE SCHEDULES OF ITO

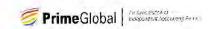
### **FIRST SCHEDULE:**

1. Title: Tax Rates for Salaried Individuals

Reference: Clause (1A) of Division I of Part I of the First Schedule

Through amendment FB15 also proposes to change the tax rates applicable on income under the head 'salary', effective tax year 2016; as follows:

S.No.	Taxable Income (per annum)	Existing Tax Liability	Proposed Tax Liability	Tax Impact	Tax Impact Percentage Terms
			Rupees		
1	400,000	-	-	-	-
2	500,000	5,000	2,000	(3,000)	-60%
3	750,000	17,500	14,500	(3,000)	-17%
4	1,400,000	82,500	79,500	(3,000)	-4%
5	1,500,000	95,000	92,000	(3,000)	-3%
6	1,800,000	140,000	137,000	(3,000)	-2%
7	2,500,000	262,500	259,500	(3,000)	-1%
8	3,000,000	362,500	359,500	(3,000)	-1%
9	3,500,000	475,000	472,000	(3,000)	-1%
10	4,000,000	600,000	597,000	(3,000)	-1%
11	7,000,000	1,425,000	1,422,000	(3,000)	0%
12	10,000,000	2,325,000	2,322,000	(3,000)	0%

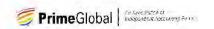


2. Title: Tax Rates for Non-Salaried

Reference: Clause (1A) of Division I of Part I of the First Schedule

A comparison of existing and proposed tariff is elucidated as follows:

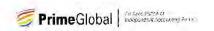
S.No.	Taxable Income (per annum)	Existing Tax Liability	Proposed Tax Liability	Tax Impact	Tax Impact Percentage Terms
		Rupe	es		
1	400,000	-	-	-	-
2	750,000	35,000	32,000	(3,000)	-9%
3	1,500,000	147,500	144,500	(3,000)	-2%
4	2,500,000	347,500	344,500	(3,000)	-1%
5	4,000,000	722,500	719,500	(3,000)	0%
6	6,000,000	1,322,500	1,319,500	(3,000)	0%
7	8,000,000	2,022,500	2,019,500	(3,000)	0%



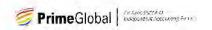
# TITLE: ADDITIONS AND AMENDMENTS SECTION: SECOND SCHEDULE - ITO-EXEMPTION

Following clauses are proposed to be added/amended:

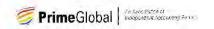
S. No.	Clauses	Part	Descriptions	Remarks
1	61	I	The name of Indus Hospital has been added in the institution approved for tax credit.	Addition
2	66	I	The name of Indus Hospital, Karachi has been added in the list of approved charitable Institutions	Addition
3	99A	I	Profits and gain on sale of immovable property to a Development REIT Scheme is exempt up to thirtieth June, 2020.	Amendment
4	103A	I	Exemption of Inter-corporate dividend within the group is now subject to filling of return of the group	Amendment
5	126A	I	Exemption of Income derived by China Overseas Ports Holding Company Limited from Gwadar Port operations has been extended for a period of twenty three years, with effect from the sixth day of February, 2007, from twenty years	Amendment
6	1261	I	Profits and gains derived by tax payer, from an industrial undertaking setup by 31 <sup>st</sup> day of December,2016 and engaged in manufacturing of plant, machinery, equipment and items with dedicated use (no multiple uses) for generation of renewable energy from sources like solar and wind, for a period of five years beginning from first day of July, 2015.	Addition
7	126J	I	Profits and gains derived by a taxpayer, from an industrial undertaking setup between 1 <sup>st</sup> day of July, 2015 and 30 <sup>th</sup> day of June, 2016 engaged in operating warehousing or cold chain facilities for storage of agriculture produce for a period of three years beginning from the month later of industrial undertaking is setup or commercial operation has commenced.	Addition
8	126K	I	Profits and gains derived by a taxpayer, from an industrial undertaking setup between first day of July, 2015 and 31 <sup>st</sup> day of December,2016 which is engaged in operation of halal meat production and has obtained halal certificate, for the period of four years beginning from the month in which the industrial undertaking is setup or commercial production has commenced whichever is later.	Addition
9	126 L	I	Profit and gains derived by a taxpayer from a manufacturing unit setup in Khyber Pukhtunkhwa province between 1 <sup>st</sup> day of July, 2015 and 30 <sup>th</sup> day of June,2018 for a period of 5 years beginning from the	Addition



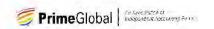
			month in which such industrial undertaking is setup or commercial production is commenced, whichever is later with certain stipulations attached.	
10	126 M	I	Profits and gains derived by a taxpayer from a transmission line project setup in Pakistan on or after 1 <sup>st</sup> day of July, 2015. The exemption under this clause shall apply with certain criteria to fulfill.	Addition
11	141	I	Profits and gains derived by LNG Terminal Operators and Terminal Owners for a period of five years beginning from the date when commercial operations are commenced.	Addition
12	142	I	Income from social security contributions derived by Balochistan Employees' Social Security Institution, Khyber Pakhtunkhwa, Punjab Employees' Social Security Institution and Sindh Employees' Social Security Institution.	Addition
13	28B 11A	IV	The withholding rate @ 0.15% u/s 231A on cash withdrawal by an exchange company duly licensed and authorized by State Bank of Pakistan subject to condition.  The provisions of section 113, regarding minimum tax, shall not apply to a REIT approved and authorized under the Real Estate Investment Trust Rules, 2015	Addition Amendment
	11A (XVIII)	IV	Companies, qualifying for exemption under clause (132B) of part-I of this schedule, in respect of receipts from a coal mining project in Sindh, supplying coal exclusively to power generation projects, exempt from minimum tax u/s 113.	Addition
	11A (xix)	IV	LNG Terminals Operators and LNG Terminal Owners, exempt from minimum tax u/s 113.	Addition
	11A (XX)	IV	Taxpayer located in the most and moderately affected areas of Khyber Pakhtunkhwa, FATA and PATA for tax years 2010, 2011, and 2012 excluding manufacturers and suppliers of cement, sugar, beverages and cigarettes, exempt from minimum tax u/s 113.	Addition
	11A	IV	Rice Mills for tax year 2015, exempt from minimum	Addition



	11A (xxii)	IV	Taxpayer qualifying for exemption under clause (1261) of Part-I of 2nd schedule in respect of income from manufacturing of equipment with dedicated use for generation of renewalable energy, exempt from minimum tax u/s 113.	Addition
	11A (xxiii	IV	Taxpayer qualifying for exemption under clause (126J) of Part of 2nd schedule in respect of income from operating warehousing or cold chain facilities for storage of agriculture produce, exempt from minimum tax u/s 113.	Addition
	11A (xxiv	IV	Taxpayer qualifying for exemption under clause (126k) of Part of 2nd schedule in respect of income from operating halal meat production, during the period mentioned in said clause from minimum tax u/s 113.	Addition
	11A (xxv)	IV	Taxpayer qualifying for exemption under clause (126L) of part of 2nd schedule in respect of income from a manufacturing unit set up in Khyber Pukhtunkhwa province between 1 <sup>st</sup> day of July, 2015 and 30 <sup>th</sup> day of June, 2018, from minimum tax u/s 113 of ITO	Addition
15	11D	IV	The section 113C of ITO (Alternate Corporate Tax) shall not apply to LNG terminal operators and LNG terminal Owners	Addition
16	46	IV	The provision of subsection (2A) of section 152 shall not apply to any payment received by an oil distribution company or an oil refinery for supply of its petroleum products	Addition
17	56	IV	The provisions of section 148, regarding withholding tax on imports shall not apply in respect of goods classified under Pakistan Customs Tariff falling under	Amendment
	56 (1a)	IV	Chapter 86 and 99 except PCT heading 9918" Exemption from withholding tax u/s 148 on import of Petroleum oil, Base Oils, Lubricating Oil, Furnace Oil, High Speed Diesel Oil, Oil Marketing companies and Oil refineries	Addition
18	57	IV	Exemption from section 113 and 153 is clarified with respect to in-house preparation and processing of food and allied items for sale to customers and the	Amendment
19	77	IV	company will be treated as a trading house as well The non-applicability of section 148 and 153 of ITO extended to tubular daylighting devices such as solatube,	Addition



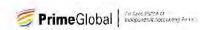
20	91	IV	The provision of section 148 shall not apply to tillage and seed bed preparation equipment under respective PCT headings	Addition
21	92	IV	The provision of section 148 shall not apply to various items of aircrafts and allied machinery/equipment under respective PCT heading	Addition
22	93	IV	The provision of sub-section(1) of section 154 (Export) shall not apply to taxpayer operating halal meat production and qualifying for exemption under clause (126k) of part-I of this schedule for the period specified in clause (126k)	Addition



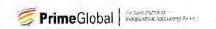
# TITLE: OMISSIONS SECTION: SECOND SCHEDULE TO THE ITO

Following clauses are proposed to be omitted:

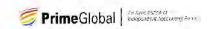
S. No.	Clauses	Part	Descriptions	Remarks
1	20	I	Any income received by a person from an annuity issued under the Pakistan Postal Annuity Certificate Scheme	Redundant
2	113	I	Any income chargeable under the head "capital gains", being income from the sale of shares of a public company set up in any Special Industrial Zone referred to in clause 126 of this Schedule, derived by a person for a period of five years from the date of commencement of its commercial production	Deleted
3	126F	I	Profits and gains derived by a taxpayer located in the most affected and moderately affected areas of Khyber Pakhtunkhwa, FATA and PATA for a period of three years starting from the tax year 2010:	Redundant
4	13C	II	In respect of manufacturers of cooking oil or vegetable ghee or both, the rate of income tax on purchase of locally produced edible oil shall be 2% of the purchase price.	Misplaced/Re classified
5	14	II	In case of owners of [goods transport vehicles], the rate of tax as specified in clause (i) of Division III of Part IV of First Schedule shall be reduced to Rs.2 per kilogram of the laden weight	Misplaced/Re classified
6	14A	II	In case of passenger transport vehicles, the rate of tax as specified in sub-¬clause (c) of clause (2) in Division III of Part IV of the First Schedule shall be reduced to 250 rupees per seat per annum.	Misplaced/Re classified
7	14B	II	In case of owners of goods transport vehicles, the rate of tax as specified in clause (i) of Division III of Part IV of First Schedule shall be reduced to two Rupees per kilogram of the laden weight for the period commencing on the 1st July, 2012 and ending on the 17th November, 2013 (both days inclusive)	Misplaced/Re classified



8	21	II	In the case of any resident person engaged in the business of shipping, a presumptive income tax shall be charged	Misplaced/Re classified
9	16	III	The minimum penalty for failure to furnish statement under section 115, 165 or 165 A.	Deleted
10	11(A)(IV)	IV	Kot Addu Power Company Limited (KAPCO) for the period it continues to be entitled to exemption under clause (138) of Part-I of this Schedule	Deleted
11	11A (V)	IV	Companies, qualifying for exemption under clause (132B)] of Part-I of this Schedule, in respect of receipts from sale of electricity;	
12	16A	IV	Payments in respect of Advertisement Expenses to Print/Electronic Media u/s 153 (1) b of ITO	Withholding Removed
13	56B	IV	Provisons of section 148 shall not apply in respect of import of potatoes between 5th of May, 2014 and 31st of July, 2014, provided that such imports shall not exceeds 200,000 metric tons in aggregate during the said period.	Redundant
14	56H	IV	Provisions of section 148 shall not apply in respect of import of potatoes between 5th of May. 2014 and 15 <sup>th</sup> of November, 2014. provided that such import shall not exceed 300,000 metric tons in aggregate during the said period.	Redundant
15	59 (iii)	IV	Pak rupee accounts or certificates referred to in clause (83) of Part-I of this Schedule - No WHT	Redundant
16	61A	IV	The provisions of section 231A shall not apply in respect of any cash withdrawal by exchange companies duly licensed and authorised by the State Bank of Pakistan on their bank account exclusively dedicated for their authorised business related transaction.	Misplaced/Re classified
17	72A	IV	The provisions of clause (I) of section 21, sections 113 and 152 shall not apply in case of a Hajj Group Operator in respect of Hajj operations provided that the tax has been paid at the rate of Rs.3,500 per Hajji for the tax year 2013 and Rs.5,000 per Hajji for the tax year 2014 in respect of income from Hajj operations	Deleted

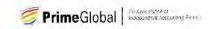


18	79	IV	The provisions of clause (b) of the proviso to sub-section (3) of section 153 shall not be applicable to the tax with held on payments receive by a company for providing or rendering of services.	Redundant
19	83	IV	The provisions of sub-section (4) of section116 shall not apply for the tax year 2013 to a person other than a company or a member of an association of persons falling under final tax regime (FTR) and has paid tax less than thirty five thousand rupees.	Redundant
20	89	IV	The provisions of section 2361 shall not apply to (a) the Federal Government or a Provincial Government; (b) an individual entitled to privileges under the United Nations (Privileges and Immunities) Act. 1948 (XX of 1948); (c) a foreign diplomat or a diplomatic mission in Pakistan or (d) a person who is a non-resident and (i) furnishes copy of passport as an evidence to the educational institution that during previous tax year, his stay in Pakistan via Is than one hundred eighty-three days; (ii) furnishes a certificate that he has no Pakistan-source income; and (iii) fee is remitted directly from abroad through normal banking channels to the bank account of the educational institution	Reclassified
21	90	IV	The provisions of section 236D shall not apply to- (a) the Federal Government or a Provincial Government; (b) an individual entitled to privileges under the United Nations (Privileges and Immunities) Act. 1948 (X of 1948); or (c) a foreign diplomat or a diplomatic mission in Pakistan.]	Deleted

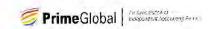


## **WITHHOLDING TAX REGIME PROPSED AMENDMENTS**

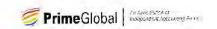
Section	Description	Existing Tax Base	Proposed Tax Base
148 Imports	Industrial undertaking importing remittable steel (PCT Heading 72.04) and directly reduced iron for its own use;  Persons importing potassic fertilizers in pursuance of Economic Coordination Committee of the cabinet's decision No. ECC-155/12/2004 dated the 9 <sup>th</sup> December, 2004;  Persons importing urea;  Manufacturers covered under Notification No. S.R.O. 1125(I)/2011 dated the 31 <sup>st</sup> December, 2011 dated the 31 <sup>st</sup> December, 2011.  Persons importing Gold; and	1% of import value as increased by customs-duty, sales tax and federal excise duty	Filer 1% of import value as increased by customs-duty, sales tax and federal excise duty  Non Filer 1.5% of import value as increased by customs-duty, sales tax and federal excise duty
	Person importing cotton		
	2. Import of pulses	2%	<b>Filer</b> 2% of import value as increased by customs-duty, sales tax and federal excise duty
			Non Filer 3% of import value as increased by customs-duty, sales tax and federal excise duty
	3. Commercial importers covered under Notification No. S.R.O. 1125(I)/2011 dated the 31st December, 2011 and importing items covered under SRO1125(I)/2011 dated the 31 <sup>st</sup> December, 2011	3% of import value as increased by customs-duty, sales tax and federal excise duty	Filer 3% of import value as increased by customs-duty, sales tax and federal excise duty  Non-Filer 4.5% of import value as increased by customs-duty, sales tax and federal excise duty
	4. Ship breakers on import of ships	4.5%	Filer 4.5% Non-Filer 6.5%
	5. Import by an industrial undertaking for its own use	5.5%	Filer 5.5% Non-Filer 8%
	6. Imports in the case of companies (not otherwise specified)	5.5%	Filer         5.5%           Non-Filer         8%
	7. Imports in the case of other taxpayers (not otherwise specified)	6%	Filer 6% Non-Filer 9%
148(A) Local purchase	Tax on local purchase of cooking oil or vegetable ghee The manufacturers of cooking oil or vegetable ghee, or both	New	2% on purchase of locally produced edible oil.
<b>150</b> Dividend	Dividend Income	Filer 10% of gross payment	Filer 10% of gross payment
Dividend		Non-Filer 15% of gross payment	Non-Filer 17.5% of gross payment
	In the case of stock fund if the dividend received of the fund less than capital gain	12.5% of gross payment	15% of gross payment
		<u> </u>	



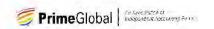
Section	Description	Existing Tax Base	Proposed Tax Base
151 Profit on debt	Yield or profit (profit on debt)	Filer 10% of the gross yield paid less amount of Zakat if paid under Zakat and Usher Ordinance, 1980 (XVII of 1980)	Filer 10% of the gross yield paid less amount of Zakat if paid under Zakat and Usher Ordinance, 1980 (XVII of 1980)
		Non-Filer 15% of the gross yield paid less amount of Zakat if paid under Zakat and Usher Ordinance, 1980 (XVII of 1980) (if the yield or profit paid is rupees five hundred thousand or less, the rate shall be ten percent)	Non-Filer 17.5% of the gross yield paid less amount of Zakat if paid under Zakat and Usher Ordinance, 1980 (XVII of 1980)     (if the yield or profit paid is rupees five hundred thousand or less, the rate shall be ten percent)  Note  Tax deductible under this section shall be a final tax on the profit on debt arising to a taxpayer, except where: (a) taxpayer is a company; or (b) profit on debt is taxable under section 5A.";
152(2A)	a) In the case of sales of goods		
Payment PE of non-resident	In the case of company  Any other case	3.5% of the gross amount payable	Filer 4% of the gross amount payable Non-Filer 6% of the gross amount payable Filer 4.5% of the gross amount payable
			Non-Filer 6.5% of the gross amount payable
	b) (i) Transport service	2% of the gross amount payable	2% of the gross amount payable
	(ii) Service other than transport		
	a) In the case of company	2% of the gross amount payable	Filer 8% of the gross amount payable Non-Filer 12% of the gross amount payable
	b) Any other case		Filer 10% of the gross amount payable Non-Filer 15% of the gross amount payable
	c) Executive of contract		
	a) In the case of company	6% of the gross amount payable	Filer 7% of the gross amount payable Non-Filer 10% of the gross amount payable
	b) Any other case		Filer 7.5% of the gross amount payable Non-Filer 10% of the gross amount payable
153(1)(a)	Sale of rice	1.5% of the gross payment	1.5% of the gross payment
Payment for Goods	For sales of any other goods		
	In case of Companies	4% of the gross payment	Filer 4% of the gross amount payable Non-Filer 6% of the gross amount payable
	In the case of other taxpayers	4.5% of the gross payment	Filer 4.5% of the gross amount payable Non-Filer 6.5% of the gross amount payable



Description	Existing Tax Base	Proposed Tax Base
Transport services	2% of the gross payment	2% of the gross payment
All other services		
In case of Companies	8% of the gross payment	Filer 8% of the gross amount payable Non-Filer 12% of the gross amount payable
In the case of other taxpayers	10% of the gross payment	Filer 10% of the gross amount payable Non-Filer 15% of the gross amount payable
On execution of the contract other than for supply of goods for the rendering of or providing services.		
In case of Companies	7% of the gross payment	Filer 7% of the gross amount payable Non-Filer 10% of the gross amount payable
In the case of other taxpayers	7.5% of the gross payment	Filer 7.5% of the gross amount payable Non-Filer 10% of the gross amount payable
Sportspersons	10% of the gross payment	10% of the gross payment
Payment to petrol pump operator on account of sale of petroleum products	12% of the gross payment	Filer 12% of the gross amount payable Non-Filer 15% of the gross amount payable
Payment of cash withdrawal exceeding Rs, 50,000/- in a day	Filer 0.3% of the amount exceeding Rs. 50,000	Filer 0.3% of the amount exceeding Rs. 50,000
	Non-Filer 0.5% of the amount exceeding Rs. 50,000	<b>Non-Filer</b> 0.6% of the amount exceeding Rs. 50,000
sale against cash of any instrument including demand draft, payment order, CDR, STDR, RTC, or any other instrument of bearer nature or o receipt of cash on cancellation of any of these instruments (except in case of inter-bank or intra-bank transfer and also where payment is made through a crossed cheque for purchase of these financial instruments).  Transfer of any sum against cash through online transfer, telegraphic transfer mail transfer or any other mode of electronic transfer except online transmission of day to day collection to centralized account of a distributor where the depositor and the beneficiary is the same maintained under cash management arrangements provided by a bank shall be treated as interbank transfer  The entire section does not apply to federal government , provincial government and diplomatic mission or in the case of person who produces certificates of exemption from the commissioner	0.3% of the amount exceeding Rs, 25,000/- in a day	Filer 0.3% of the amount exceeding Rs. 25,000/- in a day  Non-Filer 0.6% of the amount exceeding Rs. 25,000/- in a day
	In the case of other taxpayers  In the case of other taxpayers  On execution of the contract other than for supply of goods for the rendering of or providing services.  In case of Companies  In the case of other taxpayers  In the case of other taxpayers  Sportspersons  Payment to petrol pump operator on account of sale of petroleum products  Payment of cash withdrawal exceeding Rs, 50,000/- in a day  Sale against cash of any instrument including demand draft, payment order, CDR, STDR, RTC, or any other instrument of bearer nature or o receipt of cash on cancellation of any of these instruments (except in case of inter-bank or intra-bank transfer and also where payment is made through a crossed cheque for purchase of these financial instruments).  Transfer of any sum against cash through online transfer, telegraphic transfer mail transfer or any other mode of electronic transfer except online transmission of day to day collection to centralized account of a distributor where the depositor and the beneficiary is the same maintained under cash management arrangements provided by a bank shall be treated as interbank transfer  The entire section does not apply to federal government , provincial government arrangement provincial government in the case of person who produces certificates of exemption from the	All other services  In case of Companies  In the case of other taxpayers  On execution of the contract other than for supply of goods for the rendering of or providing services.  In case of Companies  To of the gross payment  10% of the gross payment  7% of the gross payment  10% of the gross payment  12% of the gross payment  1



Section	Description	Existing Tax Base	Proposed Tax Base
Purchase, registration and transfer of Motor vehicles		At the time of transfer of registration or ownership of private motor vehicle	At the time of transfer of registration or ownership of private motor vehicle
	Up to 850cc	Filer 10,000 Non-Filer 10,000	Filer Nil Non-Filer 5.000
	851cc to 1000cc	Filer 20,000 Non-Filer 25,000	Filer 5,000 Non-Filer 15,000
	1001cc to 1300cc	Filer 30,000 Non-Filer 40,000	Filer 7,500 Non-Filer. 25,000
	1301cc to 1600cc	Filer 50,000 Non-Filer 100,000	Filer 12,500 Non-Filer 65,000
	1601cc to 1800cc	Filer 75,000 Non-Filer 150,000	Filer 18,750 Non-Filer 100,000
	1801cc to 2000cc	Filer 100,000 Non-Filer 200,000	Filer 25,000 Non-Filer 135,000
	2001cc to 2500cc	Filer 150,000 Non-Filer 300,000	Filer 37,500 Non-Filer 200,000
	2501cc to 3000cc	Filer 200,000 Non-Filer 400,000	Filer 50,000 Non-Filer 270,000
	Above 2000cc	Filer 250,000 Non-Filer 450,000	Filer 62,500 Non-Filer 300,000
			Rate of tax to be collected shall be reduce by 10% each year from the date of first registration in Pakistan
233 Brokerage &	Brokerage & Commission		
Commission	Advertisement agents	7.5% of the gross payment	Filer 10% of the gross payment
	In all other cases	12% of the gross payment	Filer 12% of the gross payment Non-Filer 15% of the gross payment
234 (1) Tax on Motor vehicles	234(i) Goods Transport vehicles	Rupees 5 per kilogram	Filer Rupees 2.5 per kilogram Non-Filer Rupees 4 per kilogram
234(2) Passenger transport Vehicles	Seating capacity 4 or more person but less than 10 persons	25 per seat per annum	Filer 50 per seat per annum Non-Filer 100 per seat per annum
plying for hire	10 or more person but less than 20 persons	60 per seat per annum	Filer 100 per seat per annum Non-Filer 200 per seat per annum
	20 persons or more	500 per seat per annum	Filer 300 per seat per annum Non-Filer 500 per seat per annum
234(3) Other private tax on motor vehicle at the time off	Up to 1000cc	Filer 1,000 Non-Filer 1000	Filer 800 Non-Filer 1200
collecting motor vehicles tax	1001cc to 1199cc	Filer 1800 Non-Filer 3,600	Filer 1500 Non-Filer 4,000
	1200cc to 1299cc	Filer 2,000 Non-Filer. 4,000	Filer 1750 Non-Filer. 5,000
	1300cc to 1499cc	Filer 3,000 Non-Filer 6,000	Filer 2,500 Non-Filer 7,500
	1500cc to 1599cc	Filer 4,500 Non-Filer 9,000	Filer 3,750 Non-Filer 12,000
	1600cc to 1999cc	Filer 6,000 Non-Filer 12,000	Filer 4,500 Non-Filer 15,000
	2000cc and above	Filer 12,000 Non-Filer 24,000	Filer 10,000 Non-Filer 30,000



Section	Description	Existing Tax Base	Proposed Tax Base
235(A) Electricity	Advance tax on domestic electricity consumption		
	The amount of monthly bill is less than Rupees 75,000	0%	0%
	The amount of monthly bill is Rs. 75,000 or more.	7.5	7.5%
236 Tax on telephone and internet user	In the case of subscriber of internet, mobile telephone and prepaid internet of telephone or telephone card.	14% of amount of bills or sales Price of prepaid telephone card or sale of unit through any electronic medium or whatever form	14% of amount of bills or sales Price of internet prepaid card or prepaid telephone card or sale of unit through any electronic medium or whatever form
236G	Advance tax on sales of Fertilizers to distributors, dealers and wholesalers	Filer 0.2% of the gross amount of sales	Filer 0.7% of the gross amount of sales
		Non-Filer 0.4% of the gross amount of sales	Non-Filer 1.4% of the gross amount of sales
236L	Advance tax on International Ticket		
	First/Executive Class Others excluding economy Economy	4% of the gross amount of tickets 4% of the gross amount of tickets 0% of the gross amount of tickets	Rs. 16,000 per ticket Rs. 12,000 per ticket Nil
236P	Advance tax on banking transactions otherwise than through cash	New	Filer Nil Non-Filer 0.6%
Payment to resident person for right to use machinery and equipment	Tax on rent of machinery and equipment	New	Rate 10%
236R Collection of	Tax on education related expenses remitted abroad	New	Rate 5%
advance tax on education related expenses remitted abroad	Termited abroad	. Ken	Tale 370
236S Dividend	Dividend in specie	New	Filer 12.5% of gross payment
Dividend			Non-Filer 17.5% of gross payment
236T Rate of collection of Tax by	All Transaction in the case of sales or purchase of future commodities contracts.	New	Rate 0.1%
Pakistan Mercantile Exchange Limited	B) In the case of commission on sales or purchase of future commodities contracts.	New	Rate 0.1%