



2016

BUDGET COMMENTARY



DAUDALLY, LALANI & CO.
CHARTERED ACCOUNTANTS

PREFACE

The Partners of the Firm are pleased to present you this commentary on our Country's Federal Budget 2016 furnished by the Federal Minister of the Finance to the Parliament on June 03, 2016. The Finance Bill proposes to amend Income Tax, Sales Tax, Federal Excise and Customs Duties. Our focus is on the proposals in the bill.

Upon Parliament's approval, the Finance Bill will be effective from July 01, 2016, except where stated otherwise.

This memorandum is a general lead-in to the Finance Bill. We advise readers to consult professionals counsel before exercising and applying any legal provision and acting thereupon. The Firm accepts no responsibility for any action taken (or not taken) as a result of the information contained in this document.

This memorandum can also be accessed on our website <http://www.daudallylalani.com>

DAUDALLY, LALANI & CO.

Chartered Accountants

June 03, 2016

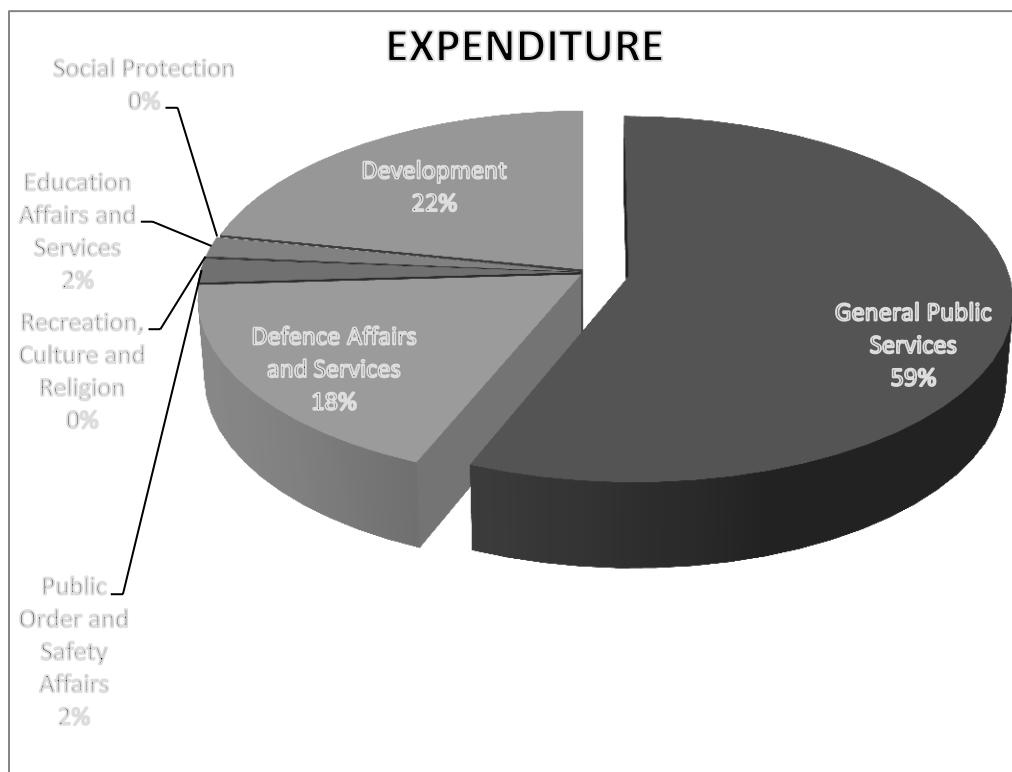
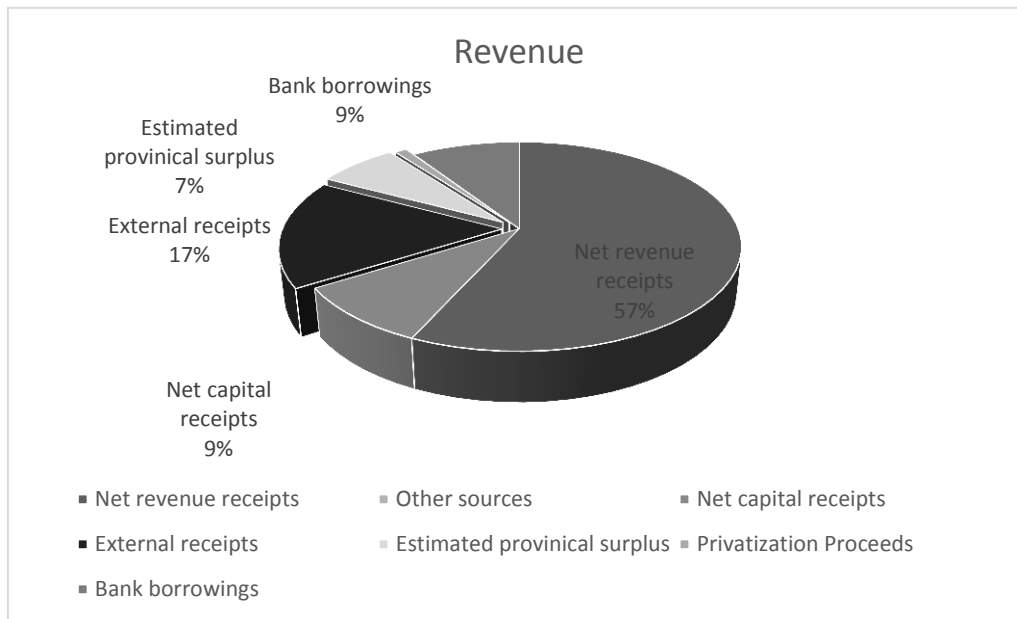
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BUDGET AT A GLANCE

	Budget 2016-2017 PKR Billion	%	Revised 2015-2016 PKR Billion	%
Receipts				
Revenue				
Tax	3,956	81%	3,420	76%
Non tax	959	20%	913	20%
Gross revenue receipts	4,916	100%	4,333	97%
Less: Provincial share	(2,136)	-44%	(1,852)	-41%
Net revenue receipts	2,780	57%	2,481	55%
Other sources				
Net capital receipts	454	9%	589	13%
External receipts	820	17%	860	19%
Estimated provincial surplus	339	7%	337	8%
Privatization Proceeds	50	1%	13	0%
Bank borrowings	453	9%	199	4%
	2,115	43%	1,997	44%
Total Receipts	4,895	100%	4,478	100%
Expenditure				
Current				
General Public Services	2,707	55%	2,559	57%
Defense Affairs and Services	860	18%	776	17%
Public Order and Safety Affairs	103	2%	95	2%
Recreation, Culture and Religion	8	0%	9	0%
Education Affairs and Services	84	2%	76	2%
Social Protection	2	0%	2	0%
Others	79	2%	83	2%
Total current expenditure	3,844	78%	3,600	80%
Development	1,051	21%	879	20%
Total Expenditure	4,895	100%	4,478	100%

BUDGET AT A GLANCE



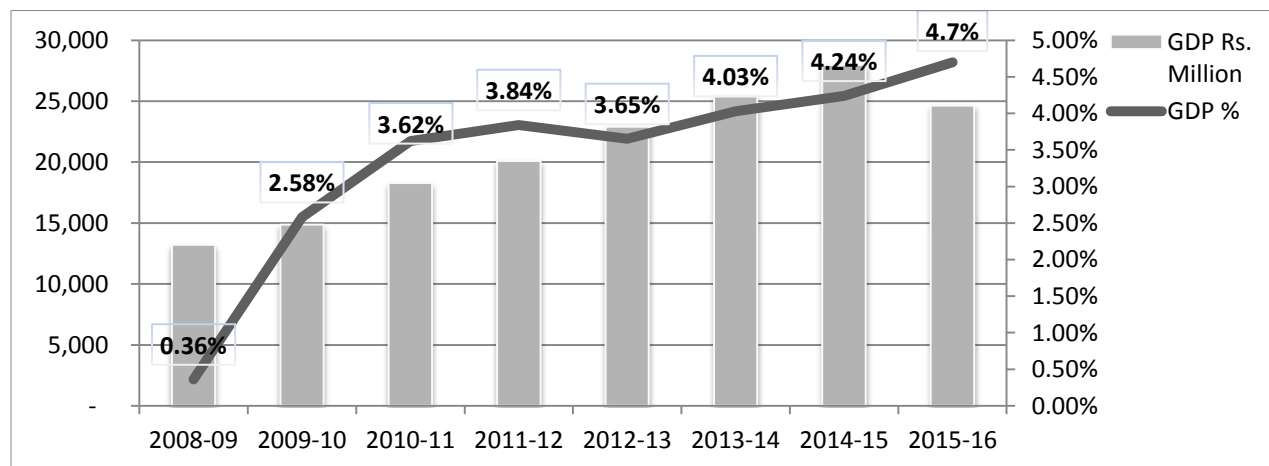
OVERVIEW OF ECONOMY 2015-2016

Pakistan's economy continues to maintain its growth momentum for the third year in a row with real GDP growing at 4.71 % in fiscal year 2016 which is the highest in eight years. This is despite a major setback in agriculture growth on account of massive decline in cotton production. The country's foreign exchange reserves have reached above US\$ 21 billion in May 2016. Consumer Price Index inflation fell from 8.62 % in fiscal year 2014 to 4.53 in fiscal year 2015 and further declined to 2.79 % during July-April fiscal year 2016. Government's infrastructure spending led to buoyancy in construction activity, and increased production of cement and allied items etc. Unemployment rate has seen a decline from 6.2 % in fiscal year 2013 to 5.9 % in fiscal year 2015.

Pakistan stock exchange is set to join MSCI Emerging Market Index in June 2016. Credit to private sector remained remarkably strong, which helped the industrial, food, beverage, textiles, electricity & construction sector. A decline in our export, was in part due to textile slowdown in Chinese economy resulting in huge unsold stock of yarns and fabric. Government offered Rs. 341 billion relief package for farmers with a direct cash assistance to rice and cotton growers. World output has grown by 3.1 % in 2015 and growth is expected to only marginally increase to 3.2 % in 2016 which would affect our economy.

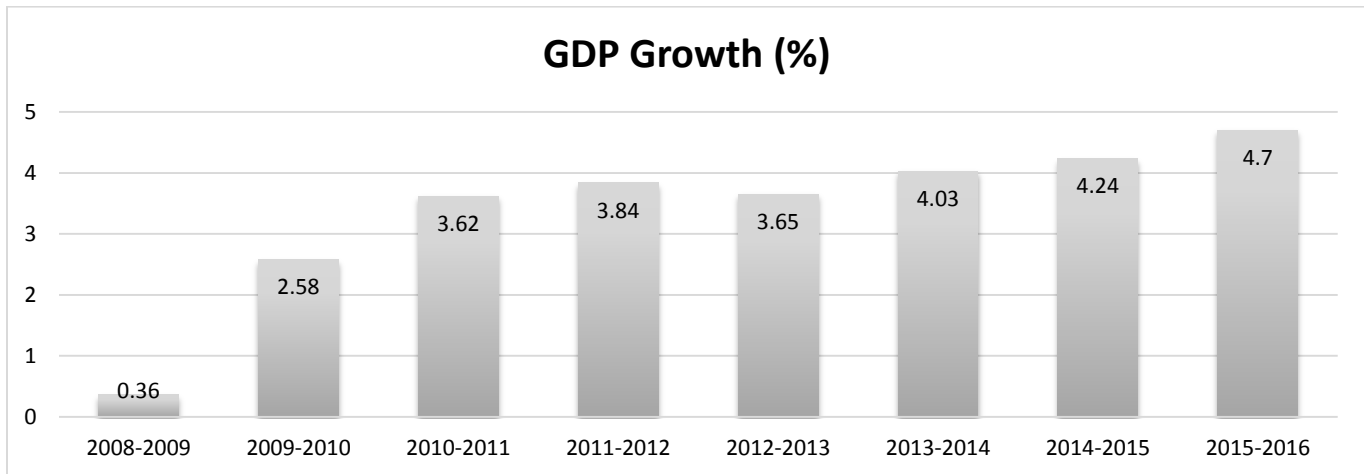
Growth and Investment

Pakistan's economy during fiscal year 2016 grew at 4.71 % which is the highest since 2008 -2009. Economy could not achieve the 5.5% target due to lower growth of agriculture sector (-0.19) % mainly due to decrease in production of cotton, rice and maize. However, industrial sector grew by 6.80 % and services sector accelerated 5.71 %. Industrial sector which contributes 21.02 % to GDP had a 6.80 % growth compared to 4.81 % last year. Manufacturing registered a growth of 5.00 % in fiscal year compared to 3.90 % last year.



OVERVIEW OF ECONOMY 2015-2016

Construction recorded a growth of 13.10 % against 6.24 % last year & target of 8.5 %. Mining and quarrying grew 6.80 % against prior year's growth of 3.97 %. Electricity generation & distribution and Gas Distribution registered a growth of 12.18 % against 11.98 % last year. Share of the services sector has increased from 56.6 % of GDP fiscal year 2009 to 59.16 % in fiscal year 2016 and had growth of 5.71 % in this fiscal year compared to 4.31 % last year.



Year	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16
GDP GROWTH	0.36%	2.58%	3.62%	3.84%	3.65%	4.03%	4.24%	4.70%

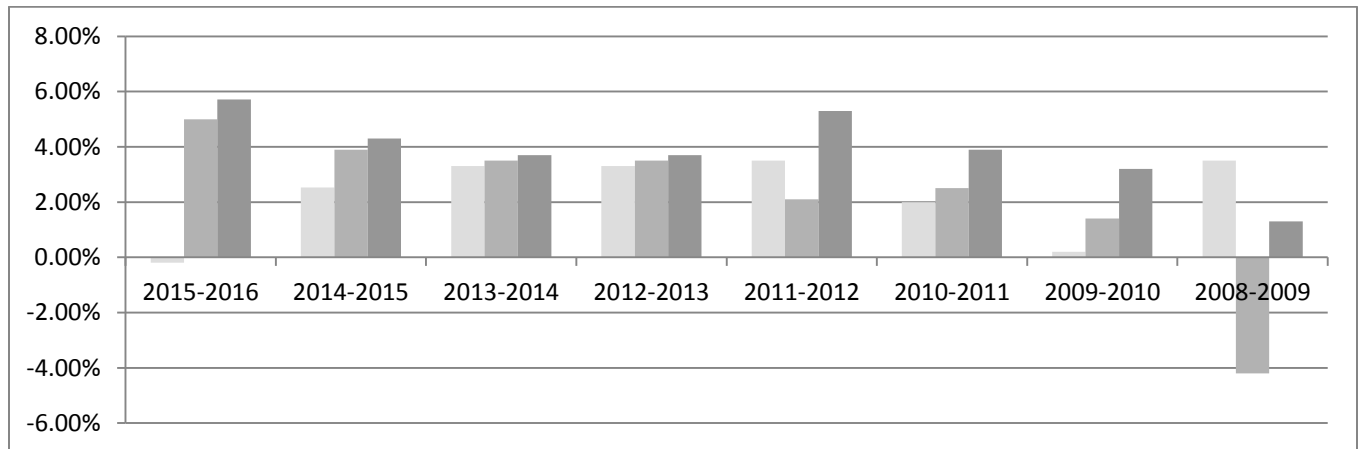
Agriculture Sector

Agriculture contributed 19.8 % to GDP and it remains the largest employer absorbing 42.3 % of the country's total labor force. In fiscal year 2016 growth was negative -0.19 % against last year's 2.53 %. This was on account of large decline in producing cotton by 27.83 %, rice by 2.74 % and maize by 0.35 %. Cotton ginning posted a negative growth of -21.26 % compared to 7.24 % growth last year.

Manufacturing Sector

Large Scale Manufacturing registered 5.8 % growth compared to 2.8 % last year. Mining & quarrying grew by 6.8% in fiscal year 2016 against 4.0 % last year. Industrial sector during fiscal year 2016 had a remarkable growth of 6.8 % against 6.4 % target. Large Scale Manufacturing sector which contributes 80 % in manufacturing and 51.8 % in industrial sector also registered an impressive growth of 4.70 % during July – March fiscal year 2016 compared to 2.81 % last year.

OVERVIEW OF ECONOMY 2015-2016



Year	15-16	14-15	13-14	12-13	11-12	10-11	09-10	08-09
Agriculture	-0.19%	2.53%	3.30%	3.30%	3.50%	2%	0.20%	3.50%
Manufacturing	5.0%	3.9%	3.5%	3.5%	2.1%	2.5%	1.4%	-4.2%
Service	5.7%	4.3%	3.7%	3.7%	5.3%	3.9%	3.2%	1.3%

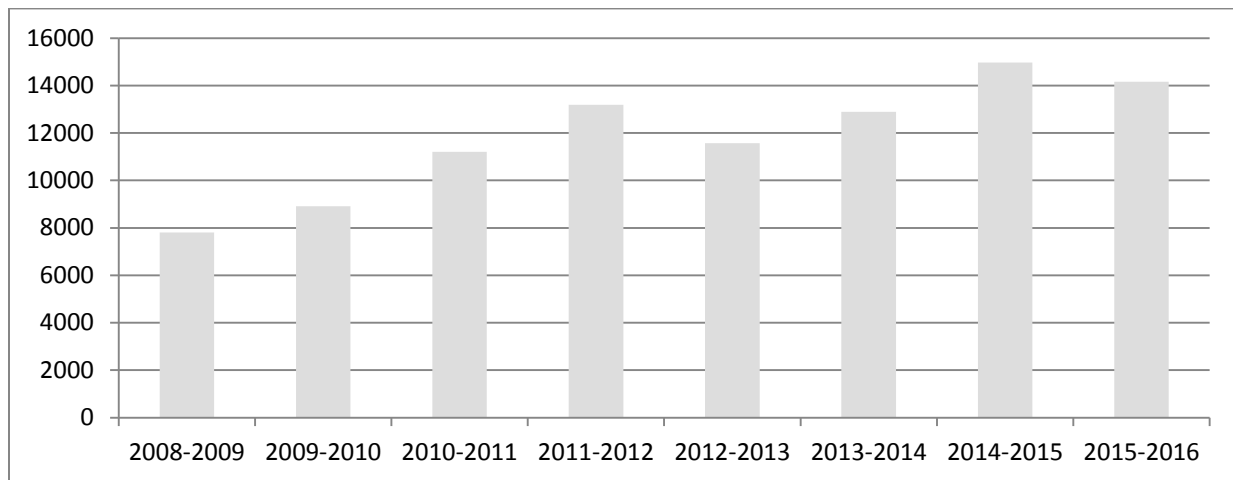
Money and Credit

Expansion in credit to private sector occurred due to expansionary monetary policy stance by State Bank of Pakistan. SBP cut its policy rate significantly to 5.75 % in May, 2016 which is the lowest in 44 years. Credit expansion was 82 % compared to 41.5% contraction last year. Government sector borrowing (net) reached to Rs. 567.5 billion during Jul-06th May, fiscal year 2016 compared to Rs. 539.4 billion increase in the same period of FY 2015.

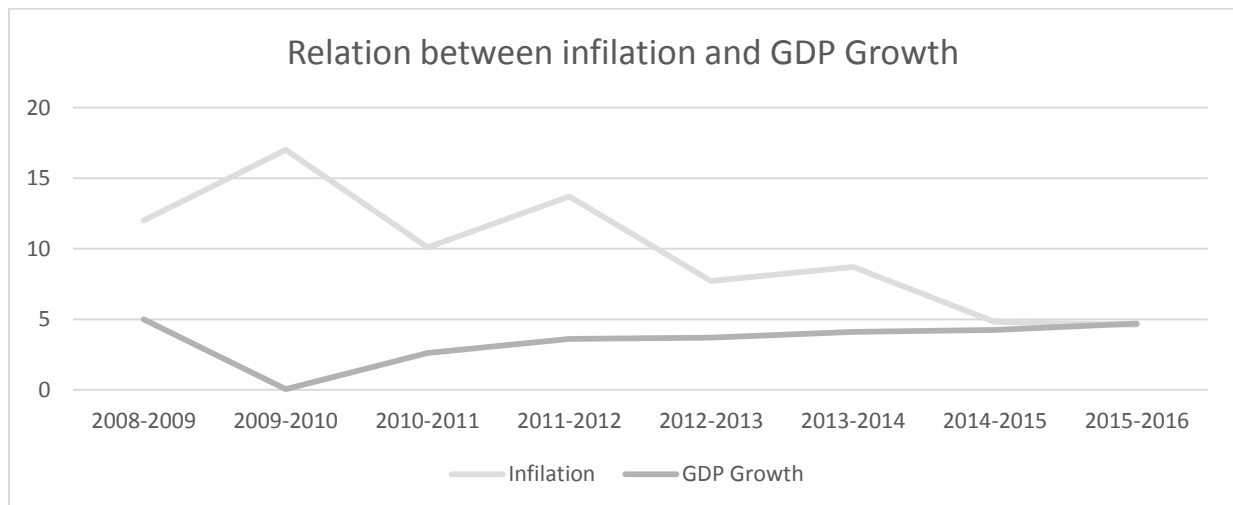
Capital Market

Capital Market entered new era of equity trading after merger of all the three stock exchanges. PSX 100-index reached 36,266.23 levels on 11th May, 2016, the highest level in Pakistan stock market history.

OVERVIEW OF ECONOMY 2015-2016



Worker's Remittances USD Million	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16
	7,811	8,906	11,201	13,187	11,570	12,895	14,970	14,157



Year	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16
Inflation	12	17	10.1	13.7	7.7	8.7	4.8	4.6
GDP Growth	5	0.04	2.6	3.6	3.7	4.1	4.24	4.7

Trade and Payments

Overall account balance recorded US\$ 0.9 billion during July-April FY 2016 compared to US\$ 2.1 billion last year, on the back of higher financial inflows and lower international

OVERVIEW OF ECONOMY 2015-2016

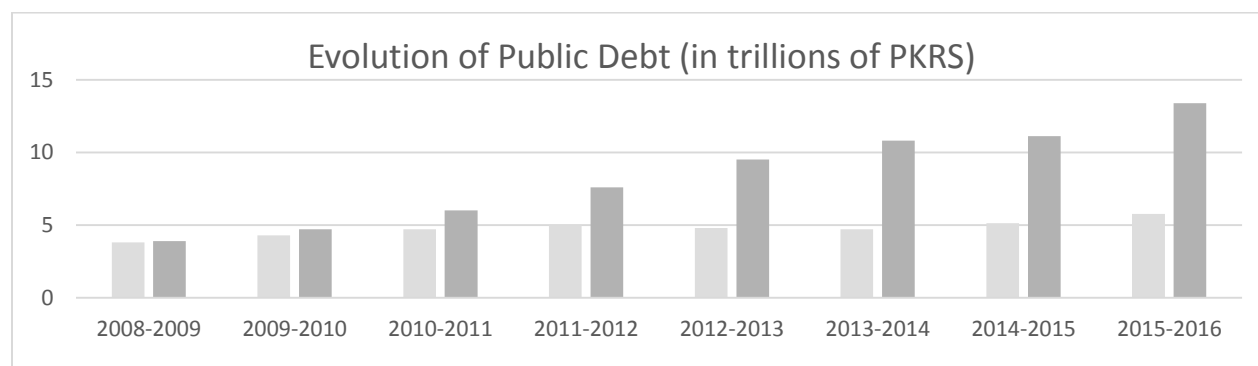
oil prices. Current account balance shirked by 17.7 % during July-April fiscal year 2016 (US\$ 1.519 billion in FY 2016 against US\$ 1.846 billion last year).

Overall trade deficit increased by 2.1% during July-April fiscal year 2016, mainly reflecting decline in exports. Exports declined by 9.5 % and stood at US\$ 18.2 billion compared to US\$ 20.1 billion in July-April fiscal year 2015. Imports declined by 4.7 % in July-April fiscal year 2016.

Total foreign exchange reserves reached highest level to US\$ 21.4 billion by May 18, 2016 compared to US\$ 18.6 billion in end June 2015. Exchange rate remained at Rs. 104.75 per US\$ in May FY 2016, compared to Rs. 101.78 per US\$ at end June 2015. Currency depreciation was around 2.9 %.

Public Debt

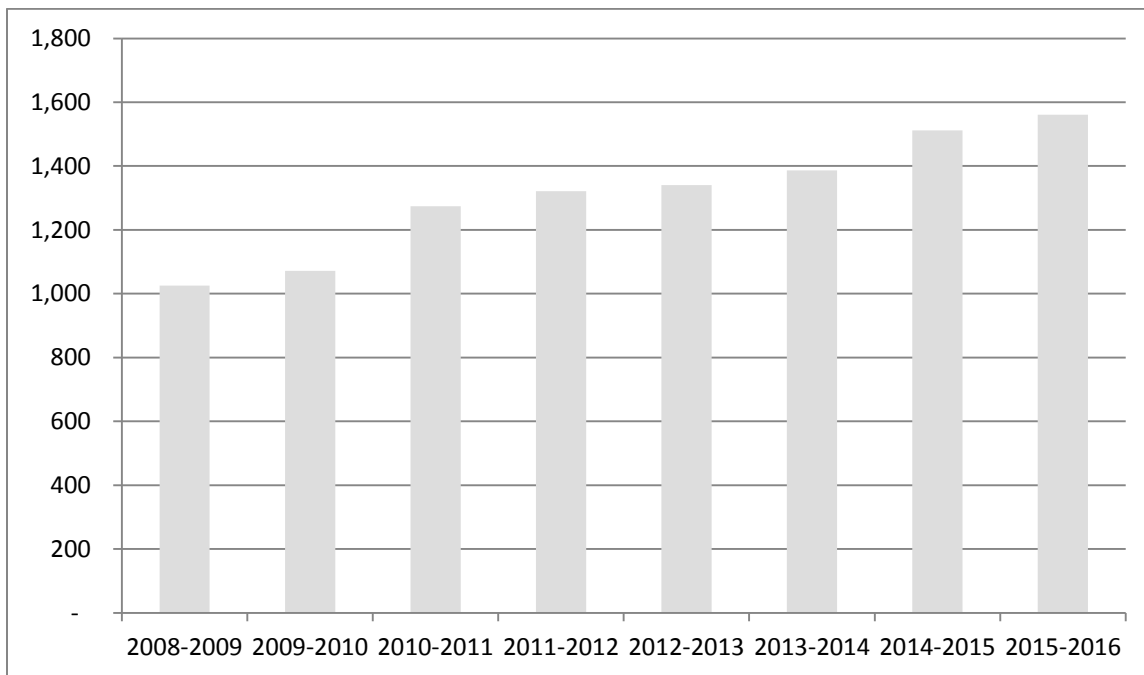
Public sector debt was Rs. 19,168 billion at end March 2016 an increase of Rs. 1,787 billion during first nine month of current fiscal year. Increase in domestic debt was Rs. 1,200 billion while government borrowing from domestic sources for financing of fiscal deficit was Rs. 786 billion. Increase in external debt contributed Rs. 588 billion to public debt. Government's vision is to further reduce the statutory debt limit from existing 60 % to 50 % of GDP in 15 years, starting from 2018-2019 and to limit statutorily the federal fiscal deficit to 4 %. External Debt and Liabilities stock was recorded at US\$ 69.6 billion as at end March 2016 out of which external public debt was US\$ 55.1 billion.



Year	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16
External	3.8	4.3	4.7	5	4.8	4.7	5.13	5.76
Domestic	3.9	4.7	6	7.6	9.5	10.8	11.11	13.39

OVERVIEW OF ECONOMY 2015-2016

PER CAPITA INCOME



Per Capita	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16
Income \$	1,026	1,072	1,274	1,321	1,340	1,386	1,512	1,561

FINANCE BILL- 2016 - HIGHLIGHTS

Income Tax Ordinance, 2001

- A reduction of 1% in corporate income tax is proposed and reduced to 31% for Tax year 2017
- For operation and development of Gwadar Port and Gwadar Free Zone exemption and concessions in accordance with the decisions of ECC and concession agreement are proposed to be granted to concession holder (China Overseas Ports Holding Company Limited) and its operating companies, businesses to be established in the Free Zone and contractors and sub-contractors of the concession holder in accordance with concession agreement.
- Exemption period to investment in Green Field Industrial undertakings is being extended upto June 30, 2019.
- Currently, 1% tax credit for a period of 10 years is available for every 50 employees employed by an industrial undertaking to be set up by June 2018. Through bill, the credit is being enhanced to 2% and date of setting up of industrial undertaking is being extended to June 2019.
- The tax credit is being increased from 2.5% to 3% to a manufacturer registered under Sales Tax who is making over 90% sales to Registered Sales Tax Persons.
- Period for installation of plant and machinery is being extended from June 2016 to June 2019 under Balancing, Modernization and Replacement (BMR).
- Tax credit @ 20% on tax payable is available for enlistment in stock exchange for 1 year. This tax credit is being extended to 2 years.
- At present, 100% tax credit on tax payable is allowed if 100% fresh equity is raised through issuance of new shares. It is proposed to reduce the condition of 100% fresh equity to 70%.
- Exemption of tax on IT service export is proposed to be extended upto June 2019. Further, taxpayer shall be allowed to retain 20% of the proceeds outside of country for meeting expenses.
- A relief measure is proposed for an individual whereby, allowed deductible allowance for interest on construction of a new house or acquisition of house is increased from Rs. 1 Million to Rs. 2 Million.

FINANCE BILL- 2016 - HIGHLIGHTS

Income Tax Ordinance, 2001

- The limit of allowed contribution to Employee Provident Fund is proposed to be increased from Rs. 100,000 to Rs. 150,000.
- A tax credit @ 5% is proposed to be allowed on payment of premium of health insurance.
- A relief measure is taken for an individual whereby, individual having taxable income less than Rs. 1 Million shall be allowed tax relief equal to 5% of school fee upto Rs. 60,000 per child per annum.
- Alternate Corporate Tax (ACT) is proposed to be payable on quarterly basis along with advance tax.
- Holding period for capital gain exemption is proposed to increase from 2 years to 5 years for sale of immovable property.
- Property income is proposed to be taxed as a separate block of income and may not be clubbed with income under other heads.
- Exemption from 1% minimum tax to those companies who declare gross loss is proposed to be withdrawn.
- It is proposed that minimum tax @ 1% of turnover may be made payable by individual and AOPs having turnover exceeding Rs. 10 Million.
- Final tax is being imposed on builders/land developers on the basis of per unit area.
- Super tax was levied for the Tax Year 2015. It is being extended for Tax Year 2016.
- Advance tax on commercial electricity bills exceeding Rs. 20,000 per month is proposed @ 12%.

FINANCE BILL- 2016 – HIGHLIGHTS

Sales Tax & Federal Excise Duty (FED)

- Zero-rating of five export-oriented sectors which are hitherto subject to 3% & 5% under SRO 1125(1)/2011. This will facilitate exporters with no-tax, no-refund regime on items specified in said SRO and on purchase of energy, i.e., electricity, gas furnace oil and coal. Retails sales of locally manufactured finished goods of these sectors are to be sales taxed at 5%.
- Pesticides and their ingredients for agriculture sector are to be exempted from sales tax.
- Exemption of sales tax on Premixes: Import of vitamins, premixes, minerals and micronutrients (food grade) to combat growth stunting are to be exempted from sales tax.
- Sales tax exempted on import of laptops and PCs to promote genuine imports and render informal & illegal imports as uncompetitive.
- Turnover threshold for cottage industry doubled: This industry is exempted from sales tax with turnover threshold of Rs. 5 million. It is being increased to Rs. 10 million to avert undue hardships and registration requirements
- Second-hand & worn clothing excluded from 2% further tax. 5% Sales tax on its import plus 3% as value addition tax & 2% further tax add up to 10%. 2% further tax is to be exempted to give relief to low income segment, using second hand worn clothing.
- FED at 16% is being withdrawn for certain services on which provinces are collecting sales tax. Examples of such services are advertisement on CCTV / Cable TV, Shipping Agents, Modarabas, Musharikas, Franchises. Stevedores, Stock Brokers, Forex Dealers, etc. Banking Companies, Insurance Companies, Co-operative Financing Societies,
- Sales tax exempted on dump trucks for Thar Coal Field. This is in addition to exemption to coal mining machinery , equipment, spares, etc. for Thar Coal Field under Sixth Schedule to Sales Tax Act, 1990

FINANCE BILL- 2016 – HIGHLIGHTS

Sales Tax & Federal Excise Duty (FED)

- Exemption from sales tax and FED granted to Concession Holder of Gwadar Port Authority and its operating companies, their contractors and sub-contractors for development of Gwadar Port and Gwadar Free Zone. Sales tax and FED exempted for 40 years on import and supply of materials, equipment, ship bunkeroild bought and sold to ships calling on visiting Gwadar Port for development of Gwadar Port and its Free Zone.
- Exemption from sales tax and FED for 23 years to businesses to be established in Gwadar Free Zone. This exemption shall be for sales/supplies within this Zone. Sales/supplies outside the zone and into the territory of Pakistan attract applicable sales and FED.
- Sales tax exemption extended to silos. This is besides exemption presently available to machinery and equipment for development of grain handling and storage facilities. Zero rating of stationery items abolished.
- Zero-rating of stationery items and their inputs extinguished.
- Zero rating of milk and fat filled milk abolished. However zero-rating on preparation for infant use is proposed to be retained.
- FED on cement enhanced. Currently it is 5% of retail price of cement. It is proposed replace current regime with fixed rate basis by charging at Rs. 1 per kg.
- (a) Sale tax on sugar: it is proposed to levy sales tax at reduced rate of 8% on sugar. This levy shall replace current 8% FED.
- (b) Sales tax to be levied on urea at reduced rate of 5% so as to promote agriculture and alleviate the conditions of farmers.
- Rate of sales tax on import of mobile phones enhanced. Presently mobile phones are charged to sales tax under three categories, i.e., Rs. 300. Rs. 500 and Rs. 1,000 based on their features. New slabs are proposed as Rs. 300, Rs. 1,000 and Rs. 1,500.

FINANCE BILL- 2016 – HIGHLIGHTS

Sales Tax & Federal Excise Duty (FED)

- FED on cigarettes to be increased bi-annually; that's is first increased rate per 1,000 cigarettes effective up to November 30, 2016 and next raise being valid from December 01, 2016.
- FED on aerated waters to be upped to 11.5% of retail price from current 10.5%.
- Optional regime for Tier – 1 Retailers introduced. These retailers now pay sales tax at standard rate after input tax adjustment. It is proposed to afford these retailers an option to pay sales tax at fixed rate of 2% of their turnover without any input tax adjustments.
- Sales on certain ingredients enhanced. Currently poultry feed and its certain ingredients are exempt from sales tax while certain other ingredients are subject to sales tax at 5% ad valorem. It is proposed to increase sales tax rate on latter to 10% from 5%.
- Mineral/bottled water included in Third Schedule to Sales Tax Act, 1990. Mineral water is charged to sales tax at 17% of value of supply. It is proposed to include it in Third Schedule so that tax is charged on basis of retail price.
- Marble Cutting and Polishing Industry: This industry is mostly unregistered and is not paying sales tax. Its major input is electricity whose supply is charged sales tax at standard rate of 17% plus 5% extra tax. In addition, it is proposed to charge sale tax at Rs. 1.25 per KWH of electricity consumed.
- Enhancement of fixed rate basis on steel sector, ship-breakers and steel melters: Sales tax on steel sector, including ship-breaking sector, is collected on fixed rate basis. Sales tax from steel melters and re-rollers is collected on the basis of electricity consumption whereas ship-breakers are paying slaes tax on the basis of LDT of ships imported for breaking. These rates are proposed to be revised upwards.
- Rationalization of exemption available to plant, machinery, equipment and specific items used in production of bio-diesel is available under the Sales Tax Act, 1990. To preclude the possibility of misuse, it is proposed to exclude “specific items” from this exemption.

Above sales tax / FED proposals are to be enforced as follows:

Proposals at serial no.	Enforcement to be through
1, 6	SRO effective July 1, 2016
2 to 5, 7 to 21 and 24	Finance Bill, 2016, effective July 01, 2016
22, 23	Amendment in Sales Tax Special Procedure Rules, 2007 effective July 01, 2016

FINANCE BILL- 2016 - HIGHLIGHTS

Customs Duty (CD)

- Tariff slabs restructured: existing slabs of 5% & 2% merged as 3%; upper slabs of 10% & 15% enhanced to 11% & 16%.
- Concessions for Dairy, livestock & poultry sectors and for fish farming, fish feed pellet (floating type) machines by cut in rate to 2% from 5% while existing CD on fish & shrimp feed 10% & 20% lowered to 0%.
- CD exempted on import of Premixes to prevent growth stunting (from 5 % - 20% to 0%).
- Exemption scope expanded in Renewable Energy Technologies and for charitable non-profit making institutions operating hospitals.
- Relief given on Cool chain Machinery and relief on import of Solar Panels extended to June 2017
- CD & taxes exempted on disposal of old & used ambulances imported by Edhi Foundation.
- Implementation of automotive development policy (AOP) 2016-2021.
- CD rates reduced on local manufacturing of LED lights (to 5% from 20%), on quality control testing kits (to 0% from 20%) and certain other items while it is raised on certain items like almonds, betel nuts & leaves, frozen fish, live chicken stock & eggs of chicken, etc.

AMENDMENTS IN Income Tax Ordinance, 2001

Section 4B Super Tax

The bill seeks to extend the applicability of Super tax to Tax Year 2016. Earlier it was for only Tax Year 2015. The bill further proposed to exclude the brought forward business and depreciation losses from the definition of income for the purpose of this section.

Section 7C Tax on builders

A new section is proposed whereby a tax shall be imposed on the profits and gains of the person deriving income from the business of construction and sale of residential, commercial or other building at the rates specified in Division VIIIA of Part I of the First Schedule. This section shall apply to business or projects undertaken for construction and sale of residential, commercial or other buildings initiated and approved after the 1st July, 2016.

Section 7D Tax on developers

A new section is proposed whereby a tax shall be imposed on the profits and gains of the person deriving income from the business of development and sale of residential, commercial or other plots at the rates specified in Division VIIB of Part I of the First Schedule. This section shall apply to business or projects undertaken for construction and sale of residential, commercial or other buildings initiated and approved after the 1st July, 2016.

Section 15 Income from property

The bill seeks that income from property shall be calculated as separate block of income and shall be taxed at the rates specified in Division VIA of Part I of the First Schedule. It is also proposed that income upto Rs. 200,000 shall not be taxable in respect of an individual or association of persons in a tax year and does not derive taxable income under any other head.

AMENDMENTS IN Income Tax Ordinance, 2001

Section 15A Deduction allowed – income from property

The bill seeks to substitute the word “Person” with the word “Company” to allow the deduction in computing the Income from Property only in case of companies.

Section 21 Deductions not allowed

The amendment is proposed that all expenditures, instead of certain expenditure disallowed, and in the event of payment of the tax on such disallowance as raised by the order, the same expense shall be allowed in subsequent tax year. It is also proposed that disallowance of expense shall not be more than 20% of raw material and finished goods.

Section 22 Depreciation

The bill seeks to add an explanation to clarify the depreciation allowance in exempt period. It states that it is clarified that where any building, furniture, plant or machinery is used for the purpose of business during any tax year for which the income from such business is exempt, depreciation admissible shall be treated to have been allowed in respect of the said tax year and after expiration of the exempt period, written down value of such assets shall be determined after reducing total depreciation deductions including initial allowances.

Section 37 Capital gains

The bill seeks to add an explanation to clarify the derivative products. It states that it is clarified that derivative products include future commodity contracts entered into by the members of Pakistan Mercantile Exchange whether or not settled by physical delivery.

AMENDMENTS IN Income Tax Ordinance, 2001

Section 53 Exemption and tax concession in the Second Schedule

The bill seeks to make a technical correction and to extend the scope of conditions in which the Federal Government can grant exemptions, pursuant to approval of the ECC.

Section 59B Group relief

At present, losses incurred by any of the group companied may be set-off against income of other group companies. The bill seeks to allow setting off of losses in proportion to ratio of shares holding of the parent company in the loss surrendering company.

Section 62A Tax credit for investment in health insurance

The bill proposed to insert new section introducing tax credit for investment in health insurance. It is proposed that a resident person other than a company shall be entitled to a tax credit for a tax year in respect of any health insurance premium or contribution paid to any insurance company registered by the Securities and Exchange Commission of Pakistan under the Insurance Ordinance, 2000 (XXXIX of 2000), provided the resident person is deriving income chargeable to tax under the head “salary” or “income from business”.

The amount of a person’s tax credit allowed for a tax year shall be computed according to the following formula, namely: —

$$(A/B) \times C$$

Where:

A is the amount of tax assessed to the person for the tax year before allowance of tax credit under this section;

B is the person’s taxable income for the tax year; and

C is the lesser of —

- the total contribution or premium paid by the person
- five per cent of the person’s taxable income for the year; and
- one hundred thousand rupees.”;

AMENDMENTS IN Income Tax Ordinance, 2001

Section 63 Contribution to an Approved Pension Fund

The proposed amendment seeks to insert a provision to amend the calculation tax credit for contribution to an approved Pension fund. It states that the additional contribution of 2% per annum for each year of age exceeding 40 years shall be allowed upto the 30th June, 2019 subject to the condition that the total contribution allowed to such person shall not exceed 30% of the total taxable income of the preceding year.

Section 64A Deduction allowance for profit on debt

Currently, there is a threshold of deductible allowance of Rs. 1 Million in case of interest paid on construction or purchase of new house. Through this Finance bill, it is proposed to increase such threshold from Rs. 1 Million to Rs. 2 Million.

Section 64AB Deductible allowance for education expenses

A new section is proposed to be inserted to relief against education expenses. Every individual shall be entitled to a deductible allowance in respect of tuition fee paid by the individual in a tax year provided that the taxable income of the individual is less than one million rupees.

The bill further states that the amount of an individual's deductible allowance allowed shall not exceed the lesser of —

- (a) five per cent of the total tuition fee paid by the individual
- (b) 25% of the person's taxable income for the year; and
- (c) an amount computed by multiplying 60,000 with number of children of the individual.

The allowance or part of an allowance under this section for a tax year that is not able to be deducted for the year shall not be carried forward to a subsequent tax year. It is further proposed that allowance under this section shall be allowed against the tax liability of either of the parents making payment of the fee on furnishing national tax number (NTN) or name of the educational institution.

AMENDMENTS IN Income Tax Ordinance, 2001

- Section 64B** **Tax credit for employment generation by manufacturers**
The proposed amendment seeks to amend the section to extend the tax credit for employment generation by manufacturers to Tax Year 2019 and to increase the limit of tax credit from 1% to 2% of the tax payable.
- Section 65A** **Tax credit to a person registered under the Sales Tax Act, 1990**
Currently, every manufacturer, registered under the Sales Tax Act, 1990 shall be entitled to a tax credit of 2.5% of tax payable for the year if 90% of his sales are to the registered person. The bill proposed to increase the limit of tax credit to 3%.
- Section 65B** **Tax credit on investment**
In Finance Act, 2010, a tax credit for company was introduced who invest in purchase of plant and machinery for the purpose of extension, expansion, balancing, modernization and replacement. This credit is available for the period from 1st July, 2011 to 30th June, 2016. The bill seeks to enhance the credit period upto June 30, 2019.
- Section 65C** **Tax credit on enlistment**
In Finance Act, 2010, a tax credit was introduced that if a company opts for enlistment in any registered stock exchange in Pakistan, a tax credit of 25% shall be allowed for that year in which the said company is enlisted. The bill proposed to extend tax credit to the next following Tax year.
- Section 65D** **Tax credit for newly established industrial undertakings**
The bill seeks to add a new sub section (1A) to substitute the calculation of tax credit for newly established industrial undertakings. According to this, the amount of a person's tax credit allowed for a tax year shall be computed according to the following formula, namely:
- $$(A/100) \times B$$
- Where: A is the amount of tax assessed to the person for the tax year before allowance of any tax credit for the tax year; and

AMENDMENTS IN Income Tax Ordinance, 2001

B is the equity raised through issuance of new shares for cash consideration.

It is further proposed that allowable period for this tax credit is being extend upto 30th June, 2019.

Section 65E

Tax credit for Industrial undertakings

The existing law required 100% equity investment on expansion of machine of a new project. The bill seeks to relax such requirement 270%. The tax credit shall be available on the basis of proportionate of equity investment in new project the bill also extends the time of investment till June30, 2019.

Section 67

Apportionment of deductions

The proposed amendment seeks to extend the scope of allowable deduction. Now it is proposed that “expenditures, deductions and allowances” shall be apportioned to any reasonable basis taking account of the relative nature and size of the activities to which the amount relates.

Section 68

Fair market value

The bills seeks to propose that fair market value of any property shall be determined without taking into consideration the value fixed or notified by the provincial authority.

Section 80

Person

The bill seeks to insert explanation that a Trust under this section includes a Foreign Trust.

Section 107

Agreements for the avoidance of double taxation

The bill seeks to substitute sub-section (1) to provide for more instruments and arrangements of international taxation and avoidance of double taxation agreements and to make technical corrections.

The sub section states the Federal Government may enter into a tax treaty, a tax information exchange agreement, a multilateral convention, an inter-governmental agreement or similar agreement

AMENDMENTS IN Income Tax Ordinance, 2001

or mechanism for the avoidance of double taxation or for the exchange of information for the prevention of fiscal evasion or avoidance of taxes including automatic exchange of information with respect to taxes on income imposed under this Ordinance or any other law for the time being in force and under the corresponding laws in force in that country and may, by notification in the official Gazette, make such provisions as may be necessary for implementing the said instruments.

Section 108

Transactions between associates

The bill proposed to provide documentation requirement in case of transactions with associates. It is proposed that every taxpayer who has entered into a transaction with its associate shall:

- (a) Maintain a master file and a local file containing documents and information as may be prescribed;
- (b) Keep and maintain prescribed country-by-country report, where applicable;
- (c) Keep and maintain any other information and document in respect of transaction with its associate as may be prescribed; and
- (d) Keep the files, documents, information and reports specified in clauses (a) to (c) for the period as may be prescribed.

A taxpayer who has entered into a transaction with its associate shall furnish, within 30 days the documents and information to the Commissioner.

Section 113

Minimum tax on the income of certain persons

Following amendments are proposed through Finance bill:

- Minimum Tax shall be applicable to an individual whose annual turnover shall be Rs. 10 Million for Tax Year 2017 and for subsequent year. Currently, the threshold of annual turnover is Rs. 50 Million.

AMENDMENTS IN Income Tax Ordinance, 2001

- Minimum Tax shall be applicable to an Association of Person whose annual turnover shall be Rs. 10 Million for Tax Year 2017 and for subsequent year. Currently, the threshold of annual turnover is Rs. 50 Million.
- The application of tax credits and rebates shall not be considered for calculating minimum tax.
- An explanation is also proposed that tax payable or paid as Super Tax will not be considered for calculation of Minimum tax.

Section 113A Minimum tax on builders

This section is proposed to be omitted as the new section 7C is inserted.

Section 113B Minimum tax on land developers

This section is proposed to be omitted as the new section 7D is inserted.

Section 114 Return of income

The relief measures have proposed for the taxpayers who intend to revise their returns. According to proposed amendment, the approval of Commissioner shall be deemed to have been granted to revise a return if:

- The Commissioner has not made an order of approval in writing, for revision of return, before the expiration of 60 days from the date when the revision of return was sought
- Taxable income declared is more than or the loss declared is less than the income or loss, as the case may be.

Section 122C Provisional assessment

Currently, provincial assessment has no effect if tax payer files return within 45 days of the assessment. It is proposed that such filing of return shall be subject to compulsory audit.

AMENDMENTS IN Income Tax Ordinance, 2001

Section 147 Advance tax paid by the taxpayer

The proposed amendment seeks to make a technical correction and to add an explanation to clarify that tax assessed for calculation of Advance tax includes Alternative Corporate Tax

Section 152A Payment for foreign produced commercials

A new section is proposed to introduce withholding tax on foreign produced commercials. The section states that every person responsible for making payment directly or through an agent or intermediary to a non-resident person for foreign produced commercial for advertisement on any television channel or any other media shall deduct tax at the rate of 20 percent from the gross amount paid. The deducted tax shall be final tax on the income of non-resident person arising out of such payment.

Section 153 Payments for goods, services and contracts

The bill seeks to include taxpayers of electronic and print media under final tax regime. A new clause (e) in sub-section 3 is introduced that tax deducted under clause (b) of sub-section (1) by person making payments to electronic and print media for advertising services shall be final tax with effect from the 1st July, 2016.

Section 169 Tax collected or deducted as a final tax

The bill seeks to add a new sub section to clarify that where separate rates for filer and non-filer are given in case of final taxation, the excess tax for non-filer will be adjustable.

AMENDMENTS IN Income Tax Ordinance, 2001

Section 170 Refunds

The proposed amendment seeks to extend the time period for applying for Income tax refunds under this section to 3 years instead of 2 years.

Section 231A Cash withdrawal from a bank

The bill seeks to add an explanation to sub section (1) to clarify that the withholding on cash withdrawals are applicable on aggregate amount, if exceeding Rs. 50,000 from all the bank accounts in one day.

Section 231B Advance tax on private motor vehicles

The bill seeks to make a technical correction and to add a provision to sub section (1) to exempt the vehicles from Advance tax on registration after 5 years of the date of first registration.

The bill also proposed that every leasing company or a scheduled bank or an investment bank or a development finance institution or a modaraba shall, at the time of leasing of a motor vehicle to a non-filer, collect advance tax at the rate of 3% of the value of motors.

Section 236A Advance tax at the time of sale by auction

The bill seeks to propose that “advance tax collected on lease of right to collect toll” shall be treated as final tax.

Section 236C Advance tax on sale or transfer of immovable property

Currently, advance tax is payable to the seller of immovable property. Now it is proposed that advance tax shall not be collected if the immovable property is held for a period exceeding 5 years.

AMENDMENTS IN Income Tax Ordinance, 2001

Section 236P Advance tax on banking transaction otherwise than through cash

The bill seeks to add an explanation to sub section (1) to clarify that the withholding on cash withdrawals are applicable on aggregate amount, if exceeding Rs. 50,000 from all the bank accounts in one day.

Section 236T Collection of tax by PMEX

The bill seeks to delete this section.

Section 236U Advance tax on insurance premium

A new section is proposed that every insurance company shall collect advance tax at the time of collection of insurance premium from non-filers in respect of general insurance premium and life insurance premium, at the rates specified in Division XXV of Part IV of the First Schedule.

It is also added that Insurance premium collected through agents of the insurance company shall be treated to have been collected by the insurance company. Advance tax collected under this section shall be adjustable.

The rate of advance tax shall be:

- | | |
|--|----|
| ➤ General insurance premium | 4% |
| ➤ Life insurance premium if exceeds Rs.200,000 per annum | 1% |
| ➤ Others | 0% |

AMENDMENTS IN Income Tax Ordinance, 2001

Section 236V Advance tax on extraction of minerals

A new section is proposed that there shall be collected advance tax at the rate 5% on the value of minerals extracted, produced, dispatched and carried away from the licensed or leased areas of the mines. This advance tax shall be collected by the provincial authority collecting royalty per metric ton from the lease-holder of mines or any person extracting minerals. Advance tax collected under this section shall be adjustable. The value of the minerals for the purpose of this section shall be as specified by the Board.

Section 236W Advance tax from provincial sales tax registered person

The bill seeks to introduce a new section that every provincial revenue authority shall collect advance adjustable tax at the rate of 3% of the turnover from a non-filer who is a provincial sales tax registered person. The advance tax shall be collected along with the sales tax return filed with the provincial revenue authority. The bill further state that the provincial revenue authority shall not accept return for sales tax unless the tax required to be collected under this section has been collected or deposited.

INCOME FROM PROPERTY

The rate of tax to be paid under section 15, in case of individual and association of persons, shall be as follows:-

AMENDMENTS IN Income Tax Ordinance, 2001

First
Schedule,
Para I, Div
VIA

S.no.	Gross Amount of Rent	Rate of Tax
(1)	(2)	(3)
1.	Where the gross amount of rent is does not exceed Rs.200,000.	NIL
2.	Where the gross amount of rent exceeds Rs.200,000 but does not exceed Rs.600,000	5 per cent of the gross amount exceeding Rs.200,000
3.	Where the gross amount of rent exceeds Rs.600,000 but does not exceed Rs.1,000,000	Rs. 20,000 plus 10 percent of the gross amount exceeding Rs. 600,000
4.	Where the gross amount of rent exceeds Rs.1, 000,000 but does not exceed Rs.2,000,000.	Rs. 60,000 plus 15 percent of the gross amount exceeding Rs. 1,000,000.
5.	Where the gross amount of rent exceeds Rs.2,000,000.	Rs. 210,000 plus 20 percent of the gross amount exceeding Rs. 2,000,000”;

CAPITAL GAINS ON DISPOSAL OF SECURITIES

The rate of tax to be paid under section 37A shall be as follows

First
Schedule
Para I, Div
VII

S.No.	Period	Tax Year 2015	Tax Year 2016	Tax Year 2017	
				Filer	Non-Filer
(1)	(2)	(3)	(4)	(5)	(6)
1.	Where holding Period of security is less than twelve months	12.5 %	15%	15%	18%

AMENDMENTS IN Income Tax Ordinance, 2001

2.	Where holding period of a security is twelve months or more but less than twenty-four months	10%	12.5%	12.5%	16%
3.	Where holding period of a security is twenty-four months or more but the security was acquired on or after 1 st July, 2012	0%	7.5%	7.5%	11%
4.	Where the security was acquired before 1 st July, 2012	0%	0%	0%	0%
5.	Future commodity contracts entered into by the member of Pakistan Mercantile Exchange	0%	0%	5%	5%;

CAPITAL GAIN ON DISPOSAL OF IMMOVABLE PROPERTY

The rate of tax under section 37 shall be as follows:-

First
Schedule,
Para I, Div
VIII A

S. No	Period	Rate of Tax
1.	Where holding period of Immovable property is up to five years.	10%
2.	Where holding period of immovable property is more than five years.	0%"; and

AMENDMENTS IN Income Tax Ordinance, 2001

First
Schedule
Part I, Div
VIII A

Tax on builders

(A) Karachi Lahore and Islamabad		(B)Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal ,Peshawar Mardan, Abbottabad,Quetta.		(C)Urban Areas not specified in A and B	
For Commercial Plots					
Rs .210/Square Feet		Rs. 210/Square Feet		Rs. 210/Square Feet	
For Residential Plots					
Area in Square Feet	Rate/ Square Feet	Area in Square Feet	Rate/ Square Feet	Area in Square Feet	Rate/ Square Feet
Up to 750	Rs.20	Up to 750	Rs.15	Up to 750	Rs.10
751 to 1500	Rs.40	751to 1500	Rs.35	751 to 1500	Rs.25
1501 & more	Rs.70	1501 & more	Rs.55	1501 & more	Rs.35

First
Schedule
Part I, Div
VIII B

Tax on developers

(A) Karachi and Islamabad	Lahore	(B)Hyderabad, Multan, Rawalpindi, Sahiwal ,Peshawar Mardan, Abbottabad,Quetta.	Sukkur, Faisalabad, Gujranwala,	(C)Urban Areas not specified in A and B	
For Commercial Plots					
Rs .210/Square Yard		Rs. 210/Square Yard		Rs. 210/Square Yard	
For Residential Plots					
Area in Square Yard	Rate/ Square Yard	Area in Square Yard	Rate/ Square Yard	Area in Square Yard	Rate/ Square Yard
Up to 120	Rs.20	Up to 120	Rs.15	Up to 120	Rs.10
121 to 200	Rs.40	121 to 200	Rs.35	121 to 200	Rs.25
201 & more	Rs.70	201 & more	Rs.55	201 & more	Rs.35

AMMENDMENTS IN Income Tax Ordinance, 2001

First Schedule Tax on dividend

Part III The bill proposed to increase the rate of tax on dividend for non-filers from the current 17.5% to 20%.

Division I The bill also seeks to levy tax on dividend required to be deducted by a collective investment scheme or a mutual fund (being derived by non-filer taxpayers) according to the following rates:

Person	Stock Fund	Money market fund, income fund or REIT scheme or any other fund	
		Filer	Non-filer
Individual	10%	10%	15%
Company	10%	25%	25%
AOP	10%	10%	15%

First Schedule Prizes and winnings

Part III The bill proposed that in case of non-filer, the rate of income tax on prize on prize bond or cross-word puzzle shall be 20% of the gross amount paid.

Division VI

Brokerage and commission

The bill seeks to propose the commission received by life insurance agents to the taxed, among other types of commission, at the following rates:

Category	Filer	Non-filer
Advertising agents	10%	15%
Life Insurance agents where commission received is less than Rs. 0.5 million per annum	8%	16%
All other cases	12%	15%

First Schedule

Part IV

Division IIA

Collection of tax by a stock exchange

The bill seeks to increase the collection of tax by the stock exchange at the following rates:

Category	Rate
In case of purchase of shares as per clause (a) of sub-section (1) of section 233A	.02% of purchase value
In case of sale of shares as per clause (b) of sub-section (1) of section 233A	.02% of sale value

AMMENDMENTS IN Income Tax Ordinance, 2001

First Schedule **Sale or transfer of immoveable property**
Part IV The bill seeks to enhance the advance tax on sale or transfer of
Division X immoveable property from 0.5% to 1% of the gross amount of the
 consideration in the case of filers and from 1% to 2% of the gross
 amount of the consideration in the case of non-filers.

236K& **Purchase of immoveable property**
Part IV The bill seeks to increase the advance tax on purchase of immoveable
Division XVIII property (if value of property is more than Rs. 3 million) from 1% to 2%
 of the gross amount of the consideration in the case of filers and from
 2% to 4% of the gross amount of the consideration in the case of non-
 filers.

First Schedule **Domestic electricity consumption**
Part IV The bill seeks to reduce the threshold amount from Rs. 100,000 to
Division XIX Rs. 75,000.

First Schedule **Tax on dividend**
Part III The bill proposed to increase the rate of tax on dividend for non-
Division I filers from the current 17.5% to 20%.
 The bill also seeks to levy tax on dividend required to be
 deducted by a collective investment scheme or a mutual
 fund (being derived by non-filer taxpayers) according to the
 following rates:

Person	Stock Fund	Money market fund, income fund or REIT scheme or any other fund	
		Filer	Non-filer
Individual	10%	10%	15%
Company	10%	25%	25%
AOP	10%	10%	15%

First Schedule **Brokerage and commission**
Part IV The bill seeks to propose the commission received by life insurance
Division II agents to the taxed, among other types of commission , at the following
 rates:

AMMENDMENTS IN Income Tax Ordinance, 2001

Category	Filer	Non-filer
Advertising agents	10%	15%
Life Insurance agents where commission received is less than Rs. 0.5 million per annum	8%	16%
All other cases	12%	15%

First Schedule Collection of tax by a stock exchange

Part IV The bill seeks to increase the collection of tax by the stock exchange at
Division IIA the following rates:

Category	Rate
In case of purchase of shares as per clause (a) of sub-section (1) of section 233A	0.02% of purchase value
In case of sale of shares as per clause (b) of sub-section (1) of section 233A	0.02% of sale value

First Schedule Purchase of immoveable property

Schedule 236K& Part IV The bill seeks to increase the advance tax on purchase of immoveable property (if value of property is more than Rs. 3 million) from 1% to 2% of the gross amount of the consideration in the case of filers and from 2% to 4% of the gross amount of the consideration in the case of non-filers.
Division XVIII

First Schedule Domestic electricity consumption

Part IV The bill seeks to reduce the threshold amount from Rs. 100,000 to Rs. 75,000.
Division XIX

First Schedule Advance tax on banking transactions otherwise than through cash

Part IV The bill seeks to extend the facility advance tax of the reduced rate at the rate of 0.3% for the period as deemed appropriate by the Board from time to time.
Division XXI

AMMENDMENTS IN Income Tax Ordinance, 2001

First Schedule Advance tax on insurance premium

Part IV The bill proposes to collect tax on insurance premiums from non-
Division XXV filers according to the following rates:

Type of premium	Rate
General insurance premium	4%
Life insurance premium if exceeding Rs. 0.2 million per annum	1%
Others	0%

Part IV Advance tax on extraction of minerals

Division XXVI The bill proposes to collect tax on extraction of minerals from non-filers at the rate of 5% of the value of the minerals and at the rate of 0% of the value of the minerals for filers.

Second Schedule – Part I

Clause 126 (A) The bill seeks to substitute the clause that Income are exempted derived by China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gawadar International Terminal Limited, Gawadar Marine Services Limited and Gawadar Free Zone Company Limited from Gawadar Port operations for a period of 23 years, with effect from the sixth day of February, 2007.

Clause 126 (AA) The bill seeks to introduce a new clause that profit and gains are exempted derived by a taxpayer from businesses set up in the Gawadar Free Zone Area for a period of 23 years with effect from the first day of July, 2016.

Clause 126 (AB) The bill proposed new clause that profit on debt are exempted from tax that derived by-

(a) any foreign lender; or

(b) any local bank having more than 75 per cent shareholding of the Government or the State Bank of Pakistan, under a Financing Agreement with the China Overseas Ports Holding Company Limited;

Clause 126 (AC) The bill seeks to introduce new clause that Income are exempted that derived by contractors and subcontractors of

AMMENDMENTS IN Income Tax Ordinance, 2001 Second Schedule – Part I

China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gawadar International Terminal Limited, Gawadar Marine Services Limited and Gawadar Free Zone Company Limited from Gawadar Port operations for a period of 23 years, with effect from the first day of July, 2016.

Clause 126 (AD)

The new clause is proposed through the Finance bill that any income shall be exempted that derived by China Overseas Ports Holding Company Limited being dividend received from China Overseas Ports Holding Company Pakistan (Private) Limited, Gwadar International Terminal Limited Gwadar Marine Services Limited and Gwadar Free Zone Company Limited.

The bill further proposed that any income shall be exempted that derived by China Overseas Ports Holding Company Pakistan (Private) Limited being dividend received from, Gwadar International Terminal Limited Gwadar Marine Services Limited and Gwadar Free Zone Company Limited.

Clause 133

The bill seeks to extend the exemption of income from export of software or IT services or IT enable services for next 3 years. Now such exemption is available for 30th June, 2019. It is also provided that 80% of the export proceeds is brought into Pakistan in foreign exchange remitted from outside Pakistan through normal banking channel.

Second Schedule – Part II

Clause 3

The proposed amendment seeks to increase the rate of tax from income from services rendered and construction contract outside Pakistan. Currently, it is taxed on 1% of the gross receipt. Now it is proposed that the income from services rendered outside Pakistan and execution of contracts shall be tax at 50% of the rate specified for same receipt earned in Pakistan.

AMMENDMENTS IN Income Tax Ordinance, 2001 Second Schedule – Part II

Clause 3(B) The bill proposed that the income of Pakistan Cricket Board derived from sources outside Pakistan including media rights, gate money, sponsorship fee, in-stadium rights, out-stadium rights, payments made by International Cricket Council, Asian Cricket Council or any other Cricket Board shall be taxed at a rate of 4% of the gross receipts from such sources. Pakistan Cricket Board may opt to pay tax at the rate of 4% of the gross receipts from tax year 2010 and onward.

Provided, further that the outstanding tax liability payable under this clause up to tax year 2015 is paid by 30th June, 2016.

Second Schedule – Part IV

Clause 11(A) The bill seeks to exempt the following from the provision of section 113, regarding Minimum Tax

(xxvi) China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gwadar International Terminal Limited, Gwadar Marine Services Limited and Gwadar Free Zone Company 51 Limited for a period of twenty three years, with effect from the 6th February, 2007.

(xxvii) Companies, qualifying for exemption under clause (126M) of Part-I of Second Schedule, in respect of profits and gains derived from a transmission line project.”

Clause 38(AA) The bill seeks to insert exemption that the provisions of section 150 shall not apply to China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gwadar International Terminal Limited, Gwadar Marine Services Limited and Gwadar Free Zone Company Limited for a period of twenty-three years.

Clause (57) The bill seeks to make technical correction in Clause (57) and to substitute the second proviso to amend the rate of Minimum Tax for Companies operating Large Trading Houses.

AMMENDMENTS IN Income Tax Ordinance, 2001 Second Schedule – Part IV

It is proposed that minimum tax under section 113 shall be 0.5% upto the tax year 2019 and 1% thereafter.

Clause (59) The bill seeks to omit sub clause to exclude the interest paid on a Capital Finance Certificate held by company from exemption of withholding tax under section 151.

Clause (72A) The bill seeks to extend concession to Hajj Operators fo

Clause (72B) The proposed amendment seeks to provide for audit of companies availing exemption certificate. The proviso states that the quantity of raw material to be imported which is sought to be exempted from tax under section 148 shall not exceed 110% of the quantity of raw material imported and consumed during the previous tax year.

Provided also that the Commissioner shall conduct audit of taxpayer's accounts during the financial year in which the certificate is issued in respect of consumption, production and sales of the latest tax year for which return has been filed

Clause (86) The bill seeks to extend the exemption period of Green filed industrial undertaking upto 30th June, 2019.

Clause (94) The bill seeks to include IT services and IT enable services in exemption under this clause.

Fourth Schedule

Rules for the computation of the profit and gains of insurance business

Rule 6(B) The bill seeks to substitute that in computing income under this Schedule, there shall be included capital gains on disposal of shares and dividend of listed companies, vouchers of Pakistan Telecommunication corporation, modaraba certificate or instruments of redeemable capital and derivative products and shall

AMENDMENTS IN The Sales Tax Act, 1990

Section 2 Clause 5(AB)

Cottage Industry

The bill seeks to increase the threshold of turnover of a cottage industry from Rs. 5 Million per annum to Rs. 10 Million per annum.

Section 6

Time and manner of payment

The proposed amendment seeks to give more clarity regarding the timing of payment of tax. The amendment states that tax in respect of taxable supplies made during a tax period shall be paid by the registered person by the date as prescribed in this respect.

Section 7

Determination of tax liability

A new provision is proposed that input tax shall not be allowed, if supplier has not declared his supply in his return or he has not paid amount of tax due as indicated in his return.

Section 11

Assessment of Tax and recovery of tax not levied

The bill seeks to insert new clause (4A) that whereby any person, required to withhold sales tax but, fails to withhold the tax, an officer of Inland Revenue shall after a notice such person to show cause, determine the amount in default.

Section 26

Returns

The bill seeks to withdraw the requirement of two separate returns in a month in case rate of sales tax are changed during a month.

Section 30 DDD

Directorate General of Input Output Co-efficient Organization

A new section is proposed by this Finance Bill. According to this the Directorate General of Input Output Coefficient

AMENDMENTS IN The Sales Tax Act, 1990

Organization (IOCO)-Inland Revenue shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.

Section 49

Sale of taxable activity or transfer of ownership

At present, in case of sale or transfer of ownership of a taxable activity to another registered person as an ongoing concern, sales tax chargeable on taxable goods shall be accounted for and paid by the registered person to whom such sale is made. Now it is proposed that In the case of sale or transfer of ownership of a taxable activity to another registered person as an ongoing concern, the taxable goods shall be transferred to the new owner through a zero-rated invoice and the sales tax chargeable thereon shall be accounted for and paid by the registered transferred. person to whom such taxable activity.

Section 56(B)

Disclosure of information by a public servant

A new section is proposed whereby any information acquired under any provision of Sales Tax Act shall be confidential and no public servant shall disclose any such information, except as provided under section 216 of the Income Tax Ordinance, 2001 (XLIX of 2001).

Third Schedule

A new clause **37 “Mineral / bottled water”** proposed to be inserted in third schedule item. i.e. Sales Tax on Retail Price Basis.

Fifth Schedule

Zero rated items

The following items are proposed to be deleted from the list of Zero rated.

AMENDMENTS IN The Sales Tax Act, 1990 Fifth Schedule

S.No.	Description
12	(i) Colors in sets (PCT heading 3213.1000) (ii) Writing, drawing and marking inks (PCT heading 3215.9010 and 3215.9090) (iii) Pencil sharpeners (PCT heading 8214.1000) (iv) Geometry boxes (PCT heading 9017.2000) (v) Erasers (PTC heading 4016.9210 and 4016.9290) (vi) Exercise books (PCT heading 4820.2000) (vii) Pens, ball pens, markers and porous tipped pens (PCT heading 96.08) (viii) Pencils including color pencils (PCT heading 96.09) (ix) Milk including flavored milk (PCT heading 04.01 and 0402.9900) (Xviii) Fat filled milk (PCT heading 1901.9090) Bicycles (PCt heading 87.12).

Sixth Schedule- Exemptions

The following items are proposed to be exempted.

S.No.	Description	Heading number
100A	<p>Materials and equipment's for construction and operation of Gawadar Port and development of Free Zone for Gawadar port as imported by or supplied to China overseas ports Holding Company Limited (COPHCL) and its operating companies namely (i) China Overseas Ports Holding Company Pakistan (Private) Limited (ii) Gawadar International Terminal Limited, (iii) Gawadar Marine Services Limited and (iv) Gawadar Free Zone Company Limited, their contractor and sub-contractors: and ship Bunker Oils bought and sold to the ship calling on/visiting Gawadar Post, having concession Agreement with the Gawadar Port Authority, for a period of forty year, subject to the following conditions and procedure, namely,-</p> <p>(A) Conditions and procedure for imports,-</p> <p>This exemption shall be admissible only to China Overseas Port Holding Company Limited (COPHCL) and its operating companies, their contractors and sub-contractors which hold the concession Agreement;</p> <p>Ministry of Ports and Shipping shall certify in the prescribe manner and format as per Annex-</p>	Respective Headings

AMENDMENTS IN The Sales Tax Act, 1990

	<p>I that the imported materials and equipment's are bonafide requirement for construction and operation of Gawadar Port and development of Free Zone for Gawadar Port. The authorized officer of that Ministry shall furnish all relevant information online to Pakistan Customs against a specific user ID and password obtained under section 155D of the Act, 1969 (IV of 1969_. In already computerized collectorate or customs station, where the computerized system is not operational, the Project Director or any other person authorized by the collector in this behalf shall enter the requisite information in the Customs Computerized System on daily basis, whereas entry of the data obtained from the customs stations which have not yet been computerized shall be made on weekly basis, provided that this condition shall not apply to ship bunker oils: and</p> <p>(i) The goods so imported shall not be sold or disposed of without approval of the fbr and payment of sales tax leviable at the time of importation, provided that this condition shall not apply to ship bunker oils</p> <p>(B) Conditions and procedure for local supply:-</p>	
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AMENDMENTS IN The Sales Tax Act, 1990

	<p>This exemption shall be admissible only to China Overseas Ports Holding Company Limited (COPHCL) and its operating companies, their contractor which hold concession Agreement;</p> <p>(i) For claiming exemption on goods which are otherwise taxable in Pakistan, the operating companies which will purchase the materials and equipments for the construction of Gawadar Port and development of Free Zone for Gawadar Port from the sales tax registered persons only;</p> <p>(ii) Invoice of the exempt supply, containing the particulars required under section 23 of the aforesaid Act, shall for each supply be issued by the registered person to the operating company mentioning thereon that the said invoice is being under this notification;</p> <p>(iii) A monthly statement summarizing all the particulars of the supplies made in the month against invoices issued to the operating companies shall be prepared in triplicate by the registered persons making the exempt supplies and shall be signed by the authorized person of the registered person. All three copies</p>	
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AMENDMENTS IN The Sales Tax Act, 1990

	<p>of the said signed monthly statement shall be got verified by the registered person from the person authorized to receive the supplies in the office of operating company, confirming that supplies mentioned in the monthly statement have been duly received;</p> <p>(iv) After verification from the operating company, original copy of the monthly statement will be retained by registered person, duplicate by the operating company and the triplicate provided by the registered person to the collector of sales Tax having jurisdiction, by twentieth day of the month following the month in which exempt supplies to the operating companies were made; and</p> <p>(v) The registered person making the exempt supplies shall keep the aforesaid record for presentation to the sales tax department as and when required to do so.</p>	
100B	Supplies made by the businesses to be established in the Gwadar free Zone for a period of twenty-three years within the Gwadar Free Zone, subject to the condition that the sales and supplies outside the Gwadar Free Zone and into the territory of Pakistan shall be subjected to sales tax.	Respective Headings

AMENDMENTS IN The Sales Tax Act, 1990

130	Premixes for growth stunting	Respective Headings, and subject to conditions imposed for importation under the Customs Act, 1969;
131	Laptop computers, notebooks whether or not incorporating multimedia kit	8471.3010
132	Personal computers	8471.3020
133	Pesticides and their active ingredients registered by the Department of Plant protection under the Agricultural Pesticides Ordinance, 1971 (II of 1971), stabilizers, emulsifiers and solvents, namely:-	
	Xylol (xylenes)	2707.3000
	- Beta Pinene / Agrotin 527 / Terpenic derivative	2902.1990
	Toluene	2902.3000
	Mixed xylene isomers	2902.4400
	Naphthalene	2902.9010
	Solvesso-100, 150, 200	2092.9090
	Ingredients for pesticides	2903.3040
	Cadusafos Technical Material	2903.6900
	Methanol (methyl alcohol)	2905.1100
	Propylene glycol (propane-1, 2-diol)	2905.3200
	- Adhesives Polyvinyl Acetate - Polyvinyl Alcohol	2905.4900
	Ingredients for pesticides	2906.2910
	Other ingredients for pesticides	2906.2990
	- Solvenon MP / 1-Methoxy 2-Propanol - Methyglycol Acetate	2909.4910
	Methanol (formaldehyde)	2912.1100
	Cyclo-hexanone and methyl- cyclo-hexanones	2914.2200
	- Cyclohexanon - Cyclohexanone Mixed petroleum Xylene (1,2 & 1,3 & 1,4 dimethyl benzene and ethyle benzene)	2914.2990

AMENDMENTS IN The Sales Tax Act, 1990

	Acetic anhydride	2915.2400
	Ingredients for pesticides	2916.3920
	Dioctyl orthophthalates	2917.3200
	Ingredients for pesticides	2918.9010
	Ingredients for pesticides	2919.0010
	Other Ingredients for pesticides	2919.0090
	Endosulfan Technical Material	2920.9020
	Other Ingredients for pesticides	2920.9090
	Diethylamine and its salts	2921.1200
	Ingredients for pesticides	2921.4310
	Other Ingredients for pesticides	2921.4390
	Ingredients for pesticides	2921.5110
	Triethanolamine and its salts	2922.1300
	Dimethyl Formamide (DMF)	2924.1990
	Ingredients for pesticides	2924.2930
	Other Ingredients for pesticides	2924.2990
	Alpha cyano, 3-phenoxybenzyl (-) cis, trans 3-(2,2-dicloro vinyl) 2,2 dimethyl cyclopropane carboxylate	2926.9010
	(S) Alpha cyano, 3phenoxybenzyl (S)-2- (4, chloro phenyl)-3 methyl butyrate	2926.9020
	Cyano, 3-phenonyl benzyl 2,2,3,3 tetra methyl cyclopropane carboxalate	2926.9030
	Cypermethrin, Alpha Cypermethrin, Beta-Cypermethrin, Zeta-Cypermethrin, Lambda Cylalothrin, Deltamethrin, Fenprothrin, # Sfenvalerate, Bifenthrin Technical Material-Acetamiprid, Imidacloprid Technical Material-Monomehypo, Chlorothalonil technical Material-Bromoxynil Technical Material	2926.9050
	Other nitrite compounds- Cyfluthrin, Beta Cyfluthrin Technical Material	2926.9090
	2-N, N-Dimethyl amino-I sodium thiosulphate, 3-thiulfourpropane	2930.2010
	Ingredients for pesticides	2930.2020
	2-N,N-dimethylamino 1,3 disodium thiosulphate propane	2930.9010
	O,S-dimethyl phosphoramidothioate	2930.9020

AMENDMENTS IN The Sales Tax Act, 1990

S-S (2 dimethyl amino (trimethylene) bis (thio carbamate)	2930.9030
Diafethiuran technical (tertbutyl) 3-2-6 disopropyl (4-phenoxyphenyl) thiourene	2930.9040
O-O diethyl O-(3,5,6 trichloro pyridinyl) phosphorothioate	2930.9050
O-(4-Bromo, 2 chloro Phenyl) O-ethyl s-propyl (phosphorothioate)	2930.9060
O,O diethyl O-(3,5,6-trichloro 2-pyridyl) phosphorothioate	
Ingredients for pesticides	2930.9080
Other organosulphur compounds - Ethion, Methamidophos Technical Material - Dimethyldifluorid	2930.9090
Ingredients for pesticides	2931.0010
Other Ingredients for pesticides	2931.0090
Ingredients for pesticides	2932.2920
2,3 Dihydro 2,2 dimethyl-7 benzo furanyl methyl-carbamate	2932.9910
Other Ingredients for pesticides -Carbosulfan Technical Material	2932.9990
Fipronil	2933.1900
Ingredients for pesticides	2933.3930
Other Ingredients for pesticides	2933.3990
- Chlorpyrifos Triazophos, Diazinon Technical MATERIAL	2933.5950
Other Ingredients for pesticides	2933.5990
Pyrimethanine	2933.6910
Ingredients for pesticides	2933.6940
-Atrazine Technical Material	2933.6990
Isatin (lactam of isatic acid)	2933.7910
1-Vinyl-2-pyrrolidone	2933.7920
-Triazophos Technical Material	2933.9910
Ingredients for pesticides	2934.1010
Ingredients for pesticides	2934.9920
-Methyl benzimidazol-2-ylcarbamate. -Dicopper chloride trihydroxide	2938.9010
Ingredients for pesticides	2939.9910

AMENDMENTS IN The Sales Tax Act, 1990

	-Abamectin, Emamectin Technical Material	2941.9050
	Other Ingredients for pesticides	2941.9090
	Sulphonic acid (soft)	3402.1110
	Other surface active agents	3402.1190
	Cationic	3402.1290
	Non-ionic surface active agents	3402.1300
	Other organic surface active agents	3402.1990 3402.9000
	Chemical preparations	3824.9099
	Solvent C-9	2707-5000

Eighth Schedule

Following new insertion has proposed in this schedule;-

S. No	Description	Heading	Rate
32	White crystalline sugar	1701.9910 and 1701.9920	8%
33	Urea, whether or not in aqueous solution	3102.1000	5%

Ninth Schedule

The rates of sales tax proposed to be increased in the following items;-

S. No	Description	Sales Tax on import / local supply	Sales tax o at the time of registration of IMEI
2	Low priced Cellular Mobile Phones or Satellite Phones	Rs. 1,000	Rs. 1,000
2	Medium Prices Cellular Mobile Phones or Satellite Phones	Rs. 1,500	Rs. 1,500

The Federal Excise Act, 2005

Section 4

Filing of return and payment of duty etc.

The proposed amendment seeks to delete the requirement of separate return if during any month there is a change in the rate of duty.

AMENDMENTS IN

The Federal Excise Act, 2005

Section 6 Adjustment of duties of excise

The bill seeks to provide that from the date to be notified by the Board, adjustment of duty of excise shall be admissible only if the supplier of input goods and services has declared such supply in his return and he has paid amount of tax due as indicated in his return.

Section 19 Offences, penalties, fines and allied matters

A new sub section (12) is proposed to be inserted that any person who contravenes any provision of this Act or rules made there under for which no penalty has specifically been provided in this section shall be liable to pay a penalty of Rs. 5,000 or 3% of the amount of duty involved, whichever is higher.

Section 47B Disclosure of information by a public servant

A new section is proposed whereby any information acquired under any provision of the Act shall be confidential and no public servant shall disclose any such information, except as provided under section 216 of the Income Tax Ordinance, 2001 (XLIX of 2001).

First Schedule- Table I – Excisable goods

S. No.	Description of goods	Heading/sub heading Numbers	Rate of duty
9a	For the period from 01-07-2016 to 30-11-2016, locally produced cigarettes if their on-pack printed retail price exceeds Rs. 4,000 per thousand cigarettes	24.02	Rs. 3,436 per thousand cigarettes
9b	For the period from 01-12-2016 onward, locally produced cigarettes if their on-pack printed retail price exceeds Rs.4,400 per thousand cigarettes	24.02	Rs. 3,705 per thousand cigarettes
10a	For the period from 01-07-2016 to 30-11-2016, locally produced cigarettes if their on-pack printed retail price does not exceed Rs. 4,000 per thousand cigarettes	24.02	Rs. 1,534 per thousand cigarettes
10b	For the period from 01-12-2016 onward, locally produced cigarettes if their on-pack printed retail price does not exceed Rs. 4,400 per thousand cigarettes	24.02	Rs. 1,649 per thousand cigarettes
13	Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinkers.	25.23	Re. 1 per kilogram

AMENDMENTS IN The Federal Excise Act, 2005

First Schedule - Table II – Excisable services

The following duty on services shall not be levied on services provided in a Province where the provincial sales tax has been levied thereon:

S. No.	Description of services	Heading/sub-heading Numbers	Rate of duty
1	Advertisement on closed circuit T.V.	9802.3000	16% of the charges.
2	Advertisement on cable T.V. network.	9802.5000	16% of the charges.
2A	Advertisements in newspapers and periodicals (excluding classified advertisements), and on hoarding boards, poles signs, signs boards and shop boards.	9802.4000 and 9802.9000	16% of the charges.
5	Shipping agents.	9805.1000	i) Rs. 200 per house bill of lading issued in case of Non- Vessel Operating Common Carriers (NVOCC), International Freight Forwarders and Slot Carriers ii) 16% of the charges in case of other categories of shipping agents.
8	Services provided or rendered by banking companies, insurance companies, cooperative financing societies, modarabas, musharikas, leasing companies, foreign exchange dealers, non-banking financial institutions, Assets Management Companies and other persons dealing in any such services.	98.13	16% of the charges.
11	Franchise Services	9823.0000	10% of the charges.
13	Services provided or rendered by stock brokers.	9819.1000	16% of the charges.

Third Schedule – Table I - Exemptions

The bill proposes two new exemptions

AMENDMENTS IN The Federal Excise Act, 2005

S. No.	Description of goods	Heading/ sub heading Numbers
19	Materials and equipment for construction and operation of Gawadar Port and development of Free Zone for Gawadar Port as imported by or supplied to China Overseas Ports Holding Company Limited (COPHCL) and its operating companies namely (i) China Overseas Ports Holding Company (Private) Limited, (ii) Gawadar International Terminals Limited, (iii) Gawadar marine Services Limited and, (iv) Gawadar Free Zone Company Limited, their contractors and sub-contractors; and Ship Bunker Oils bought and sold to the ships calling on/visiting Gawadar Port, having Concession Agreement with the Gawadar Port Authority, for a period of forty years, subject to the conditions and procedure as specified under S. No 100A of Table-1 of Sixth Schedule to the Sales Tax Acts, 1990.	Respective Headings
20	Supplies made by the business to be established in Gawadar Free Zone for a period of twenty-three years within the Gawadar Free Zone, subject to the condition that the sales and supplies outside the Gawadar Free Zone and into the territory of Pakistan shall be subjected to Federal Excise Duty.	Respective Headings.

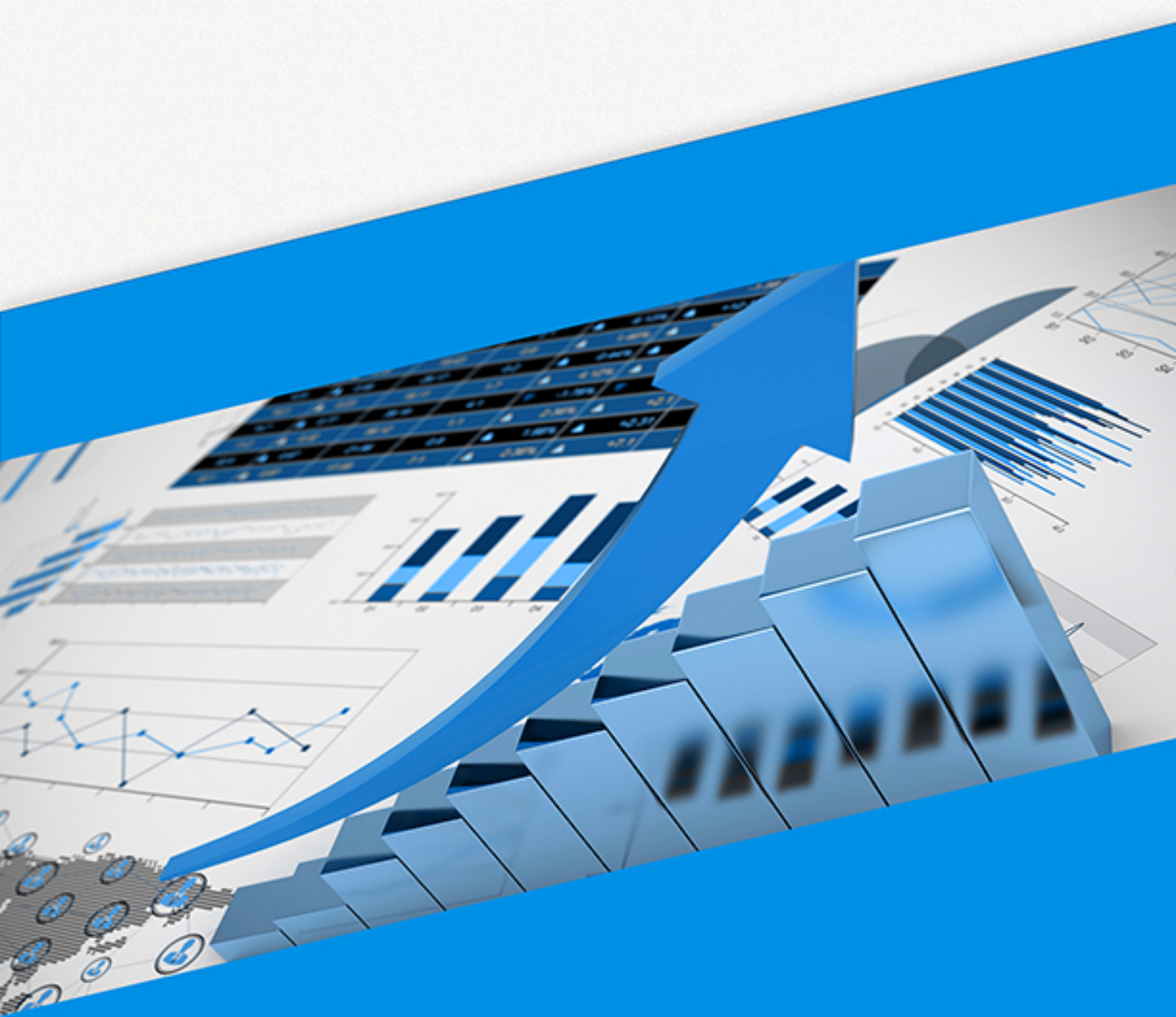
AMENDMENTS IN Customs Act IV, 1969

Section 19 - General power to exempt from customs-duties

The proposed amendment seeks to enable government is giving effect to its international obligation and commitments.

Section 155H - Confidentiality of information

The bill seeks to insert new sub clauses (d) & (e) in order to share the trade data trading partners under mutual agreement and to allow public disclosure of valuation data for the sake of transparency.



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