



BUDGET COMMENTARY

▶ 2017



FINANCIAL SERVICES
BUDGET 2017
enforcement
consumer
commercial
credit
finance
mortgages
inventory
investment
bankruptcy
litigation
regulatory
loans
asset
efficiency
transaction

PREFACE

The Partners of the Firm are pleased to present you this commentary on our Country's Federal Budget 2017 furnished by the Federal Minister of the Finance to the Parliament on May 26, 2017. 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 1, 2017, 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

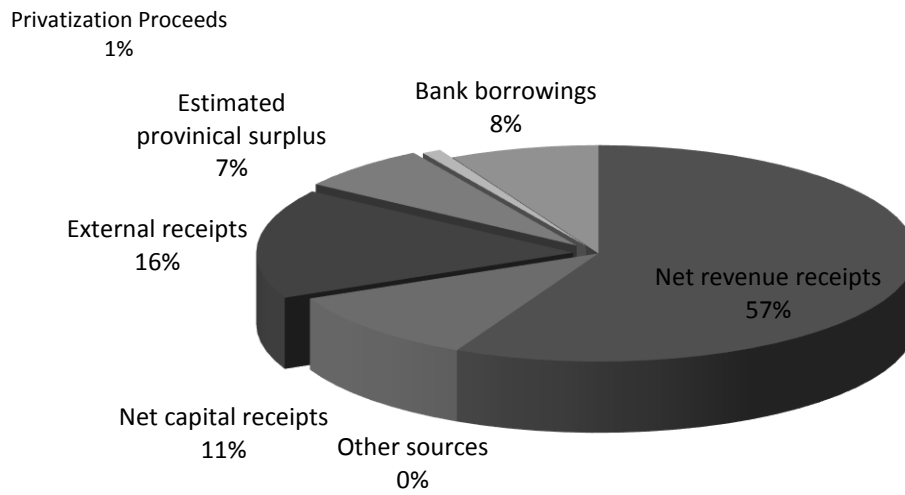
May 26, 2017

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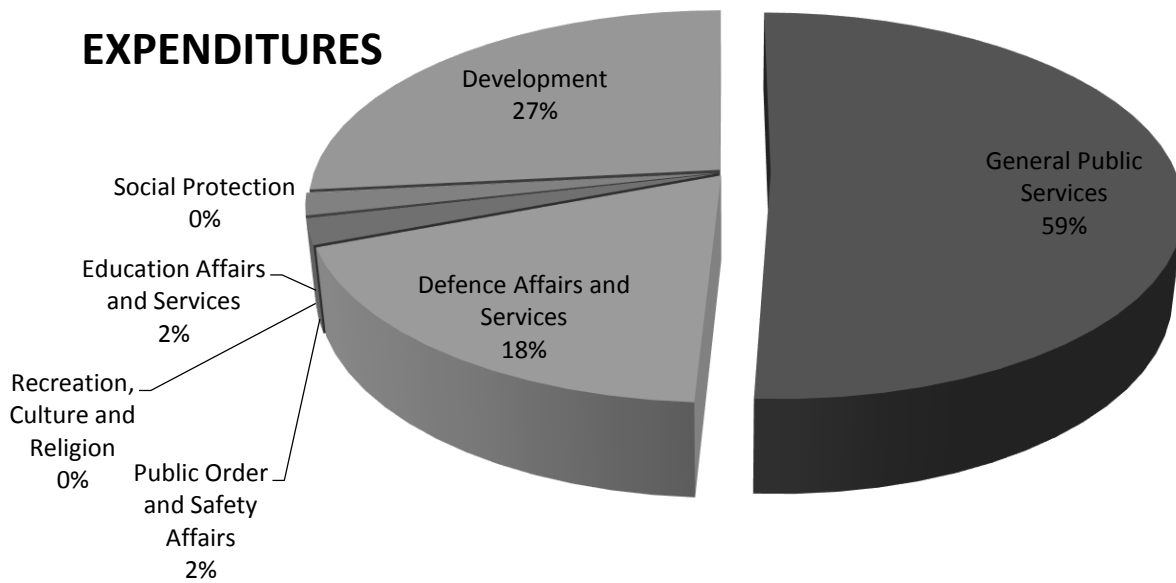
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	Budget 2017-2018		Revised 2016-2017	
	PKR Billion	%	PKR Billion	%
Receipts				
Revenue				
Tax	4,331	85%	3,825	79%
Non tax	980	19%	912	19%
Gross revenue receipts	5,311	104%	4,737	98%
Less: Provincial share	(2,384)	-47%	(2,121)	-44%
Net revenue receipts	2,927	57%	2,616	54%
Other sources				
Net capital receipts	552	11%	180	4%
External receipts	837	16%	996	21%
Estimated provincial surplus	347	7%	290	6%
Privatization Proceeds	50	1%	18	0%
Bank borrowings	390	8%	741	15%
	2,176	43%	2,225	46%
Total Receipts	5,103	100%	4,841	100%
Expenditure				
Current				
General Public Services	2,554	50%	2,741	57%
Defence Affairs and Services	920	18%	841	17%
Public Order and Safety Affairs	109	2%	120	2%
Recreation, Culture and Religion	8	0%	11	0%
Education Affairs and Services	91	2%	85	2%
Social Protection	2	0%	4	0%
Others	80	2%	102	2%
Total current expenditure	3,764	73%	3,904	80%
Development	1,339	26%	937	20%
Total Expenditure	5,103	100%	4,841	100%

Revenue



EXPENDITURES



OVERVIEW OF THE ECONOMY

Pakistan's economic growth continues to maintain its growth and in 2016-17 it reached to 5.28% (4.71% in 2015-16), which is the highest in 10 years. The impressive growth in agricultural output and in services sector is witnessed. The large-scale manufacturing output showed an increase by 5.06% from July 2016 to March 2017. The services sector recorded a growth of 5.98% and surpassed its target which was set at 5.70%. The Automotive Policy has attracted new entrants such as Hyundai, Renault and Nissan.

The policy interest rate, which is the lowest in decades and stood at 5.75% was particularly helpful for private sector credit expansion. The Credit to Private Sector (CPS) witnessed growth of 65% during the year 2017.

The Capital market reaching historically high levels at 52,000 is another sign of investor's interest in Pakistan economy. Revival of investor's confidence and the inclusion in the Emerging Markets Index by Morgan Stanley Capital International has empowered the Pakistan Stock Exchange to outperform its regional peers over the last 4 years.

Foreign direct investment (FDI) amounted to \$1.733 billion during July-April 2017 as compared to \$1.537 billion during the same period last year, posting a growth of 12.75%. The major FDI inflows during the period under review are from China (\$744.4 Million), Netherlands (\$478.66 Million), France (\$171.0 Million), Turkey (\$ 137.7 Million), US (\$103.2 Million), UAE (\$48.4 Million) UK (\$47.6 Million), Italy (\$47.4 Million), Japan (\$42.1 Million), and Germany (\$40.5 Million). The major sectors of investment are Food, Power, Construction, Electronics, Oil & Gas exploration, Financial Business, and Communication. Foreign Portfolio Investment (FPI) increased to \$589.7 Million during July-April 2017 compared to \$404.3 Million last year.

Remittances remained lower by 2.79% during July-April 2017. The current account deficit during July-April 2017 reached to \$7.247 Billion i.e. 2.38% of GDP as compared to \$2.378 Billion (0.85% of GDP), thus widening by 204.8%.

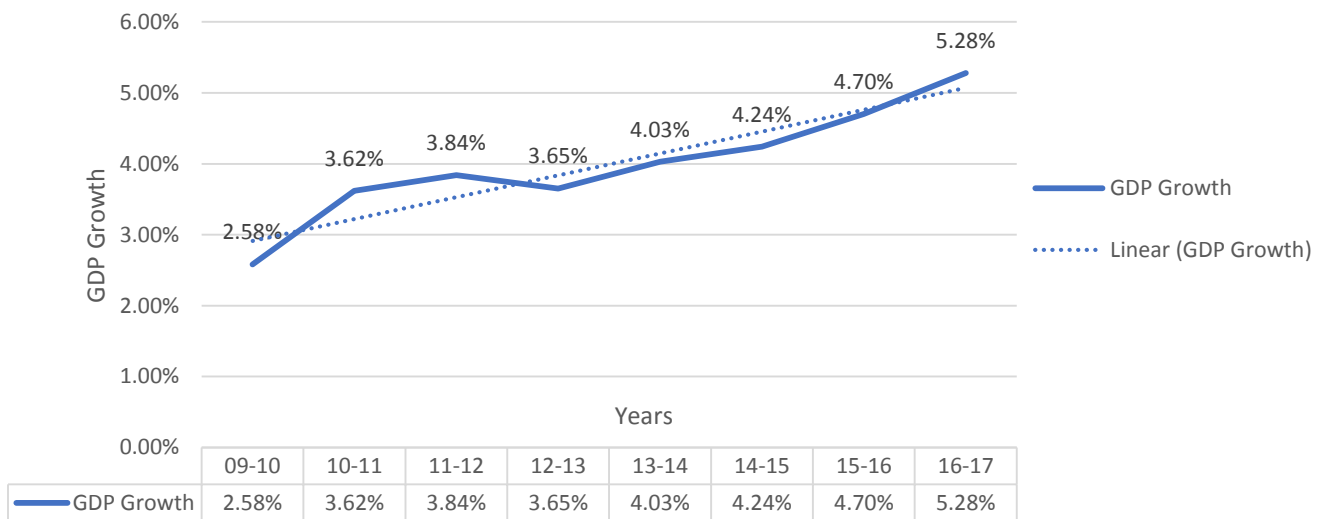
The country's outlook is brightened and looks promising on the back of agricultural recovery, rebound in industrial activities and inflow of investment under CPEC. The CPEC will not only further develop Pakistan but also strengthen human ties across both sides of the border. Along the CPEC route, new industrial zones should open opportunities for investment, particularly for small and medium sized businesses.

Joint ventures between Pakistan and Chinese corporation should promote strategic development and mutual assistance. China is advancing technologically rapidly and therefore business collaboration should bring this knowhow on our doorsteps.

Growth and Investment

Economy of Pakistan has continued the growth momentum as the GDP growth reached to 5.28 percent in 2016-17 which is the highest in 10 years, on the back of rebound growth in agricultural which registered a growth of 3.46% (2015-16: 0.27%). Industrial sector witnesses growth of 5.02% (2015-16: 5.80%), large scale manufacturing posted growth of 4.61% (2015-16: 3.29%), while Service sector surpassed its target and recorded 5.98% growth as compared to 5.55% growth in 2015-16.

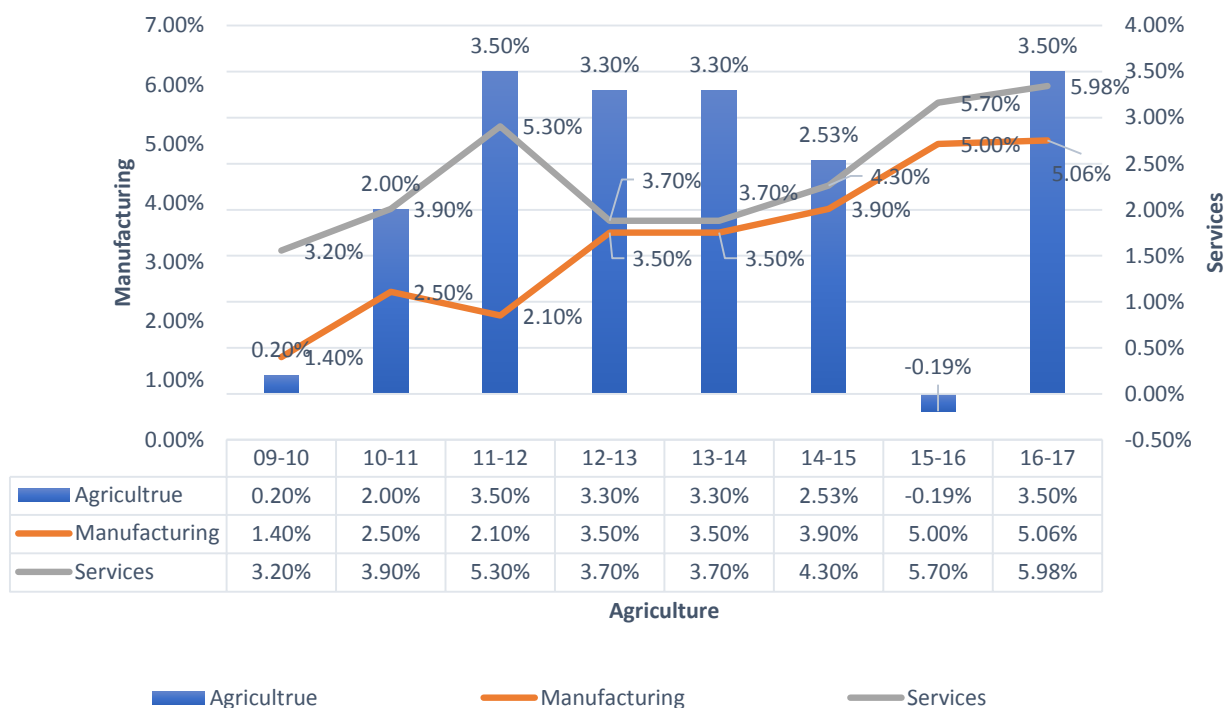
GDP Growth



Agricultural Sector

During 2016-17, performance of the agriculture sector remained up to the mark and achieved growth of 3.46% against the target of 3.5% compared to last year's meager growth of 0.27%. This was possible by better harvesting of major crops through greater availability of agriculture inputs like water, agriculture credit and intensive fertilizers off take. The growth in crops was registered at 3.02 percent against the negative growth of 4.97 percent during the same period last year.

Sectoral Growth Performance of GDP (%age)



AGRICULTURE GROWTH PERCENTAGES (Base= 2005-2006)

Sector	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 (P)
Agriculture	1.96	3.62	2.68	2.5	2.13	0.27	3.46
Crops	0.99	3.22	1.53	2.64	0.16	-4.97	3.02
(i) Important Crops	1.5	7.87	0.17	7.22	-1.62	-5.47	4.12
(ii) Other Crops	2.27	-7.52	5.58	-5.71	2.51	0.59	0.21
(iii) Cotton Ginning	-8.48	13.83	-2.9	-1.33	7.24	-22.12	5.59
Livestock	3.39	3.99	3.45	2.48	3.99	3.36	3.43
Forestry	4.76	1.79	6.58	1.88	-12.45	14.31	14.49
Fishing	-15.2	3.77	0.65	0.98	5.75	3.25	1.23

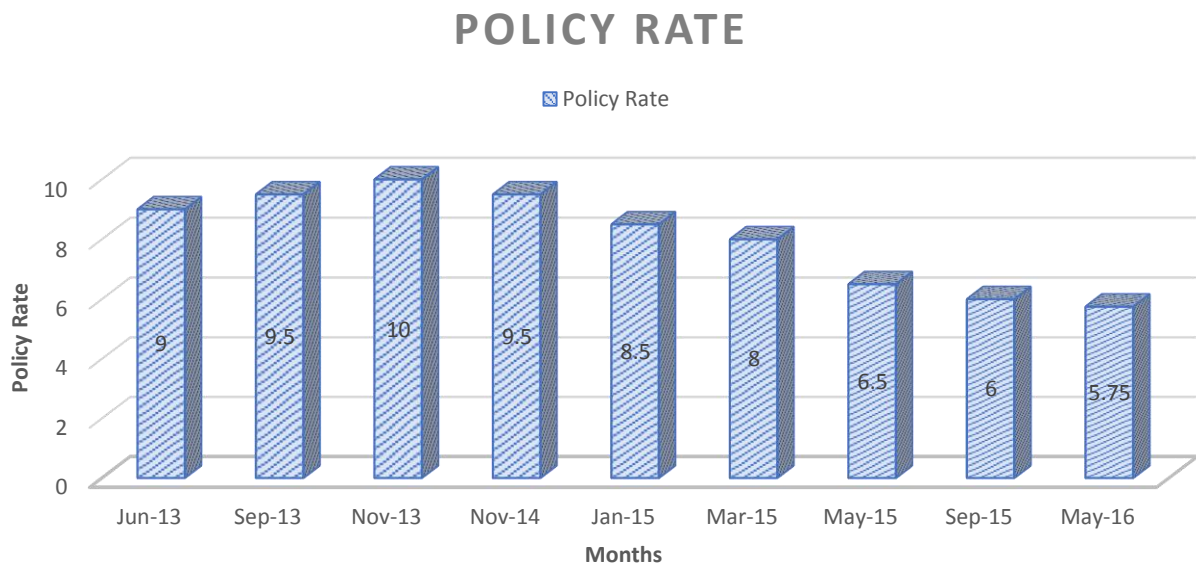
Source: Pakistan Bureau of Statistics

P: Provisional

Money and credit

The State Bank of Pakistan kept the policy rate at 5.75% in May 2016 and maintained the same in the subsequent monetary policy decisions, which is the lowest rate since early 1970s.

Healthy credit expansion, along with higher production of Kharif crops, recovery in LSM/industrial growth, uptick in CPEC related activities in energy sector and favorable environment supported SBP's decision to keep the policy rate unchanged during fiscal year 2017.

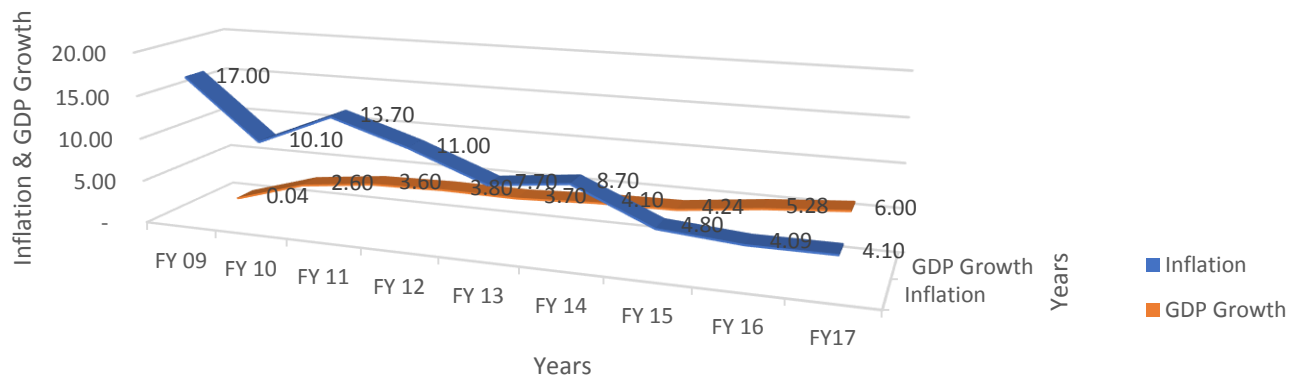


Source: State Bank of Pakistan

Inflation

The average inflation during July-April 2017 is recorded at 4.1%. During FY 2016, low oil and commodity prices, stable rupee, smooth supply of commodities and monitoring of prices at both federal and provincial levels were the major reasons behind a contained inflation. The CPI inflation recorded a decline of 2.86% and was broad based and visible across various subheads such as Food 2.08%, Non-Food 3.41%, Core 4.17% and other indices like Sensitive Price Indicator (SPI) 1.31% and Wholesale Price Index -1.05%.

Relation between Inflation and GDP Growth



	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17
Inflation	17.00	10.10	13.70	11.00	7.70	8.70	4.80	4.09	4.10
GDP Growth	0.04	2.60	3.60	3.80	3.70	4.10	4.24	5.28	6.00

Capital market

Pakistan Stock Exchange (PSX 100 Index) is ranked the best market in Asia and the 5th best performing stock market in the world in the year 2016 by Bloomberg and is calculated to have provided total return of 46% for the year. The PSX return of 46% also stood out as the best in MSCI Frontier Markets and compared favorably with the PSX average gains of 20 percent over the past 10 years and average return of 24% over the last 20 years. The PSX gained a lot of momentum in the calendar year 2016.

During the FY 2017, the PSX index touched its highest point at 50,936 on May 08, 2017, whereas its lowest point was at 37,967 on July 04, 2016. Moreover, the average daily volume of 379.1 Million shares during the period (July-Mar) witness 3-fold increase compared to preceding period.

The PSX 100 index which was at 37,783 level as on 30th June, 2016 gained 14,152 points and remained at the level of 50,936 as on 8th May, 2017 showing a growth of 34.8%. In term of market capitalization, it increased from Rs. 7,588.47 billion as on 30th June, 2016 to Rs. 10,044.07 billion on 8th May, 2017 depicting a growth of 32.4%.

PROFILE OF PAKISTAN STOCK EXCHANGE					
Description	2012-13	2013-14	2014-15	2015-16	2016-17 (end March, 2017)
Total Listed Companies	569	557	560	560	560
New Companies Listed	4	5	9	6	4
Funds Mobilized (Rs. in billion)	29.5	47.6	79.6	111	22
Total Listed Capital (Rs. in million)	1,116,005	1,100,341	1,189,519	1,289,081	1,297,159
Total Market Capitalization (Rs. in million)	5,154,738	6,655,295	7,421,032	7,588,472	9,594,805
Total Shares Volume (million)	54,319	56,581	646,917	55,430	70,518
Average Daily Shares Volume (million)	221	229	261	221	379
Source: Pakistan Stock Exchange					

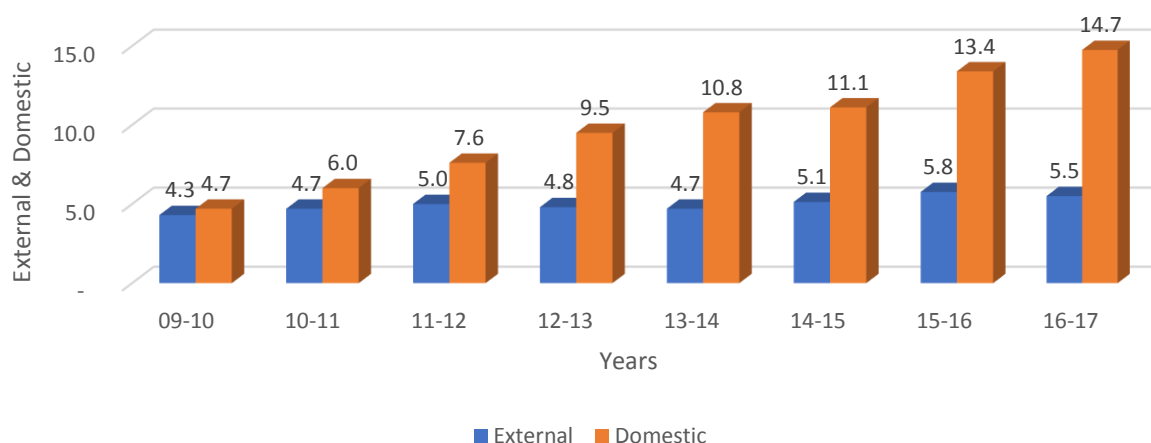
Exports

Exports during July-March, 2016-17 decreased to US\$ 15.119 billion from US\$15.597 billion during July-March, 2015-16, registering a decrease of 3.06% compared to 12.9% witnessed during same period in 2015-16 over 2014-15. However, government's continuous support to the export sectors and different initiatives discussed above have now started bearing fruit as on month on month trend is also positive now. Exports during March 2017 grew by 3.6 % as compared to March 2016 and grew by 9.95 % as compared to February 2017. An impressive performance in March 2017 hints a faster recovery.

Public Debt

Gross public debt was Rs. 20,873 billion as at March 2017 while net public debt was Rs. 18,893 billion. Gross public debt recorded an increase of Rs. 1,194 billion during first nine month of current fiscal year. Out of this total increase, increase in domestic debt was Rs. 1,121 billion while government borrowing from domestic sources for financing of fiscal deficit was Rs. 1,018 billion.

Evolution of Public Debt (in trillions PKR)



Finance bill – 2017 HIGHLIGHTS

Income Tax Ordinance, 2001

- Corporate tax rate further reduced to 30% for the Tax Year 2018.
- The rate of withholding income tax for mobile phone subscriber is being reduced from 14% to 12.5%
- Tax on dividend from companies for filer is proposed to increase from 12.5% to 15%. The rate of tax on dividend from mutual fund is also enhanced from 10% to 12.5%.
- The rate of income tax on interest income is being rationalized by introducing the following slab:

Where mark-up does not exceed Rs. 5M	10%
Where mark-up exceeds Rs. 5M but does not exceed Rs. 25M	12.5%
Where mark-up exceeds Rs. 25M	15%

- At present, there is a 3 tier rate structure for capital gains tax on securities based upon the holding period of securities. For simplification, a flat single rate of tax of 15% for filer and 20% for non-filer is being introduced.
- Super tax is being extended for Tax Year 2017. At present super tax is 4% on the income of Banking Companies and 3% for other persons.
- Minimum tax on turnover is being enhanced from 1% to 1.25% for individuals, AOPs and Companies.
- Fixed tax scheme for the builders and developers was introduced last year. It is proposed to reintroduce the normal tax regime for land developers and builders.
- To introduce and encourage the concept of start-up, the tax exemption for a period of 3 years will be given to a business set-up by an individual, AOP or a company having turnover up to Rs. 100 million, registered and certified by the Pakistan Software Export Board (PSEB) as an information technology entity engaged in offering technology driven products or services to any sector of the economy.
- Exemption from withholding tax on cash withdrawal is being accorded to branchless banking agents operating under the Asaan Mobile Account Scheme for the purpose of making payments to their respective customers.
- 3% advance tax from non-filer on vehicle leased under the Prime Minister's Youth Loan Scheme is proposed to be exempted.
- Benefits of Clause (94) of Part IV of the Second Schedule is proposed to extend to tax year 2018.

- To facilitate small taxpayers, the threshold for payment of advance tax on the basis of latest assessed taxable income is being enhanced from Rs. 500,000/- to Rs. 1,000,000.
- At present, individual having taxable income of less than Rs. 1,000,000 are entitled to a deductible allowance in respect of education expense. The finance bill proposed to increase the limit of taxable income from Rs. 1,000,000 to Rs. 1,500,000.
- Presently, advance tax is collected by the insurance companies from non-filer if insurance premium is paid by non-filer exceed Rs. 200,000 per annum. Such threshold is being enhanced from Rs. 200,000 to Rs. 300,000 per annum.
- Tax credit limit on payment of health insurance premium is being increased from Rs. 100,000 to Rs. 150,000.
- Reduction of withholding tax in registration and transfer of motor vehicle is proposed for filers.
- At present interest, free loan exceeding Rs. 500,000 provided by an employer to an employee is treated as a perquisite and is subject to tax in the hands of the employee. Such limit is proposed to enhance to Rs. 1,000,000.
- The limit of admissibility of sales promotion, advertisement and publicity expense in case of pharmaceutical companies is being enhanced from 5% to 10% of turnover.
- At present Hajj group operators are paying Rs. 5,000/- per Haji in respect of income from Hajj operations. This tax is being extended for the Tax Year 2017.
- At present, there is no specific exemption in the law in respect of income of political parties. As a relief measure, exemption is now being proposed on income of all political parties registered with the Election Commission of Pakistan under Political parties Order, 2002.
- Concept of provisional assessment to be abolished.
- To facilitate taxpayer, it is proposed that taxpayer can revise withholding statements within 60 days of filing of withholding statements.
- The Chief Commissioners are being empowered to grant the extension in filing of tax returns and statements if it is refused by the Commissioner.
- Reduction of withholding rates on fast moving consumer's goods for companies and non-companies from 3% and 3.5% to 2% and 2.5% respectively.
- The advance withholding tax collected from stock exchange broker is 0.02% and is adjustable. Now it is proposed to being made such tax as final tax.

Sales Tax & Federal Excise Duty (FED)

- Sales tax is being reduced on fertilizers to replace subsidy.
- Sales tax on import of 7 types of poultry machinery is proposed to be reduced to 7%.
- Exemption from sales tax on combines harvesters.
- Sales tax on agricultural diesel engines (from 3 to 36 HP) is proposed to be exempted.
- The bill proposed to impose a 2% further tax on Zero rated supplies, except where such supplies are made to registered persons.
- Presently, imported oil seeds are subject to sales tax @ 5% under Eighth Schedule. The proposal is to exempt sales tax on import of sunflower and canola hybrid seeds meant for sowing.
- The bill proposed to allow stay on recovery, if 25% of tax has been paid and appeal has been filed with the Commissioner (Appeals).
- Exemption from sales tax is being provided on import of multimedia projectors by educational institutions.
- Reduction in sales tax @ 50% is available on import of Hybrid Electric Vehicles upto 1800cc and at the rate of 25% on Hybrid Electric Vehicle exceeding 1800cc. It is proposed to maintain reduction in sales tax @ 50% on Hybrid Electric Vehicles having engine capacity up to 1800cc and restrict reduction @ 25% on engine capacity from 1801cc to 2500cc.
- It is proposed to provide exemption from sales tax to vehicles for construction and development of Gwadar Port and Gwadar Free Zone on the line of exemption available to vehicles under the Customs Act, 1969.
- Exemption from sales tax is proposed to be provided to items for conservation of energy on the pattern of exemption available under the Custom Act, 1969.
- Exemption is proposed to be provided to parts and components for manufacturing LED lights on the pattern of exemption available under the Customs Act, 1969.
- Sales tax withholding is proposed to be withdrawn on supplies from registered person to other registered persons with the exception of advertisement services.
- Federal Excise Duty on telecommunication services is proposed to be reduced from 18.5 to 17%.
- Services which are subject to sales tax on the basis of turnover without input tax adjustment under Provincial Sales Tax Law are proposed to be taxed in the similar manner. Exemption from sales tax is also proposed to be provided on export of IT services under the Islamabad Capital Territory (Tax on Services) Ordinance, 2001.

- Sales tax on mobile phone sets is proposed to be reduced.
- Increase in Federal Excise Duty on cement is proposed to be enhanced from Re.1 kg to Rs. 1.25 per kg.
- Retail sales of 5 export oriented sectors are chargeable to sale tax @ 5%. It is proposed to increase the said rate to 6%.
- It is proposed to levy sales tax @ 6% on commercial import of fabrics.
- Fixation of minimum sales tax on supply of locally produced coal. Minimum sales tax @ Rs. 425 per metric ton is proposed to be provided for locally produced coal.

AMENDMENTS IN

Income Tax Ordinance, 2001

Section 2 (62A)

Startup

The bill seeks to introduce concept of startup. "Startup" means a business of resident individual, AOP or a company incorporated or registered in Pakistan on or after first day of July, 2012, the person is engaged in or intends to offer technology driven products or services to any sector of the economy provided that the person is registered with the Pakistan Software Export Board (PESB) and have turnover of less than Rs. 100 million in each of the last 5 tax years.

Section 4B

Super tax

The super tax was introduced for first time in Tax Year 2016. The bill seeks to extend the applicability of Super Tax for Tax Year 2017.

Section 5A

Tax on undistributed profits

The bill seeks to made amendment in tax scheme on undistributed profits. It is proposed that tax year 2017 and onwards, tax shall be imposed at the rate of 10%, on every public company other than a scheduled bank or a modaraba, that derives profit for a tax year but does not distribute at least 40% of its after tax profits within 6 months of the end of the tax year through cash or bonus shares.

Section 7C

Tax on builders

In Finance Bill 2016, the fix tax scheme was introduced for Builders. In Finance Bill 2017, it is proposed to restrict this scheme up to Tax Year 2017 from onward it will be taxed under normal tax regime. The bill proposed that the fix tax scheme shall apply to projects undertaken for development and sale of residential, commercial or other plots initiated and approved during Tax Year 2017.

Section 7D**Tax on developers**

In Finance Bill 2016, the fix tax scheme was introduced for Developers. In Finance Bill 2017, it is proposed to restrict this scheme up to Tax Year 2017 and onward it will be taxed under normal tax regime. The bill proposed that the fix tax scheme shall apply to projects undertaken for development and sale of residential, commercial or other plots initiated and approved during Tax Year 2017.

Section 13**Value of perquisites**

The bill seeks to increase the exemption limit of loan to employee. Currently, the loan upto Rs. 500,000 from employer to employee is exempted for calculating the value of perquisites. It is proposed to enhance the limit of loan to Rs. 1,000,000.

Section 21**Deduction not allowed**

The bill proposed to increase the disallowance threshold of sales promotion, advertisement and publicity expenditure from 5% to 10% of the turnover in case of pharmaceutical manufacturer.

Section 62A**Tax credit for investment in health insurance**

The amendment is proposed to increase the threshold of tax credit for investment in health insurance from Rs. 100,000 to Rs. 150,000.

Section 65A**Tax credit to a person registered under the Sales Tax Act, 1990**

Upto Tax 2017, every manufacturer, registered under the Sales Tax Act, 1990, shall be entitled to a tax credit of 3% of tax payable for a tax year if 90% sales of his sales are to the registered person. This section is proposed to be omitted.

Section 65C**Tax credit for enlistment**

This section provides two years tax credit @ 20% of the tax payable to a company which opts for enlistment in stock exchange. It is proposed to increase the limit upto 3 years provided that tax credit for the last two years shall be 10% of the tax payable.

Section 94 Principles of taxation of companies

The amendment proposed to omit sub section 3 which was redundant as the dividend of resident and non-resident are dealt in section 5 of the Ordinance.

Section 100 Special provision related to Oil and natural gas

The bill seeks to amend the section to bring the profit and gains derived from sui gas field within the purview of Fifth Schedule.

Section 100C Tax credit for certain persons

This section deals with the tax credit equal to 100% subject to the following conditions namely:

- a) Return has been filed;
- b) Tax required to be deducted or collected has been deducted or collected and paid; and
- c) Withholding tax statement for the immediately preceding tax year have been filed.

Through Finance Bill 2017, it is proposed to add a new condition that the administrative and management expenditure do not exceed 15% of the total receipts.

The bill seeks to introduce following new condition:

- (a) Surplus funds of non-profit organization shall be taxed @ 10%.
- (b) Surplus funds mean funds or monies:
 - (i) not spent on charitable and welfare activities during the tax year;
 - (ii) received during the tax year as donations, voluntary contributions, subscriptions and other incomes;
 - (iii) or more than 25% of the total receipts of the non-profit organization received during the tax year;
 - (iv) are not part of restricted funds:

Section 113 Minimum tax on the income of certain persons

The threshold of minimum tax is proposed to be increased from 1% to 1.25%.

Section 119 Extension of time for furnishing returns and other documents

The bill seeks to provide relief to the taxpayer whereby if the Commissioner has not granted extension for furnishing returns and other documents, the Chief Commissioner may on an application made by the taxpayer for extension or further extension for a period of 15 days unless there are exceptional circumstances justifying a longer extension of time.

Section 122C Provisional assessment

The bill proposed to omit the provision of provisional assessment. The Taxation Officer assessed tax under section 122C when a person fails to furnish return of income of any year and the Commissioner may base on any available information or material and to the best of his judgment, make a provisional assessment of the taxable income of the person.

Section 147 Advance tax paid by the taxpayer

The bill seeks to enhance the threshold of an individual for payment of advance tax. It is proposed that where the individual's latest assessed taxable income excluding the income under final tax regime is less than Rs. 1,000,000 he shall not be liable to pay advance tax. Currently the income limit is Rs. 500,000 which is now proposed to increase at Rs. 1,000,000.

Section 153 Payments for goods, services and contracts

A new provision is proposed that where the recipient of the payment who is rendering or providing of services, receives the payment through an agent or any other third person and the agent or the third person retains service charges or fee from the remitted payment, then such agent or third person shall be treated to have been paid the service charges or fee by the recipient and the recipient shall collect tax along with the payment received.

Section 165**Statements**

The proposed amendment seeks to insert new sub section whereby any person who has furnished statement discovers any omission or wrong statements may file a revised statement within 60 days of filing the first statement.

Section 176**Notice to obtain information or evidence**

The bill seeks to insert the firm of cost and management accountants as defined under the Cost and Management Accountants Act, 1966 (XIV of 1966) for the purpose of conducting audit under section 177.

Section 182**Offences and penalties**

Following new entries are proposed to be added in the table after entry no. 16:

S.No	Offences	Penalties	Section of the Ordinance
(1)	(2)	(3)	(4)
17	Any reporting financial institution or reporting entity who fails to furnish information or country-by – country report to the Board as required under section 107, 108 or 165B within the due date.	Such reporting financial institution or reporting entity shall pay a penalty of Rs. 2,000 for each day of default subject to a minimum penalty of Rs. 25,000.	107,108 and 165B
18	Any person who fails to keep and maintain document and information required under section 108 or Income Tax Rules, 2002.	1% of the value of transactions, the record of which is required to be maintained under section 108 and Income Tax Rules, 2002.	108

Section 205**Default surcharge**

The bill seeks to insert a provision regarding the calculation of default surcharge for the taxpayer has special tax year. It is proposed that if a person has a special tax year, the default surcharge shall be calculated on and from the first day of the fourth quarter of the special tax year till the date on which assessment is made or the last day of special tax year whichever is earlier.

Section 230D**Directorate- General of Broadening of Tax Base**

A new section is proposed to be introduced as the Directorate- General of Broadening of Tax Base. According to amendment, The Directorate-General of Broadening of Tax Base 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 230E**Directorate-General of Transfer Pricing**

A new section is proposed to be introduced as the Directorate – General of Transfer Pricing. According to the amendment, the Directorate-General of Transfer Pricing 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.

The function of the Directorate General of Transfer Pricing shall be to conduct transfer pricing audit. It is clarified that transfer pricing audit refers to the audit for determination of transfer price at arm's length in transactions between associates and is independent of audit under section 177, 214C or 214D which is audit of the income tax affairs of the taxpayer.

Section 231B**Advance tax on private motor vehicles**

The bill seeks to enhance the scope of advance tax collection from a non-filer. Now it is proposed that every leasing company or a scheduled bank or a non-banking financial institution or an investment bank or a modaraba or a development financial institution, whether shariah compliant or under conventional mode, at the time of leasing of a motor vehicle to a non-filer, either through ijara or otherwise, shall collect advance tax @ 3% of the value of motor vehicle.

- Section 233A** **Collection of tax by a stock exchange registered in Pakistan**
 The tax collected by the stock exchange from stock broker @ 0.02% on purchase and sale value is adjustable. The Finance Bill 2017 proposed that this tax shall be final tax.
- Section 234A** **CNG Stations**
 The bill seeks to insert explanation that for the purpose of this section, 'tax on income arising from consumption of gas' means tax collected on amount inclusive of sales tax and all incidental charges. The bill also proposed that taxpayer can claim any adjustment of withholding tax collected under any other head during the tax year.
- Section 235** **Electricity consumption**
 The advance tax is collected on electricity consumption. The bill seeks to insert explanation that for the purpose of this section, electricity consumption means electricity bills inclusive of sale tax and all incidental charges.
- Section 236C** **Advance tax on sale or transfer of immovable property**
 Advance tax is collected from seller at the time of transferring of property. An explanation is proposed to be inserted that person responsible for registering, recording or attesting transfer includes person responsible for registering, recording or attesting transfer for local authority, housing authority, housing society, co-operative society and registrar of properties.
- Section 236G
&
Section 236H** **Advance tax on sales to distributors, dealers and wholesalers**
Advance tax on sales to retailers
 At present, every manufacturer, commercial importer, distributor, dealer or wholesaler of electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam section shall at the time of sale collect advance tax. The Finance Bill seeks to insert "Batteries" beside the above-mentioned item.

Section 236K**Advance tax on purchase or transfer of immovable property**

Advance tax is collected from purchaser at the time of transferring of property. An explanation is proposed to be inserted that person responsible for registering, recording or attesting transfer includes person responsible for registering, recording or attesting transfer for local authority, housing authority, housing society, co-operative society and registrar of properties.

Section 236W**Tax on purchase or transfer of immovable property**

Un-adjusted advance tax is collected by person responsible for registering of property @ 3% of the amount computed under clause (c) of sub-section (4) of section 111. The bill seeks to propose an explanation that person responsible for registering, recording or attesting transfer includes person responsible for registering, recording or attesting transfer for local authority, housing authority, housing society, co-operative society and registrar of properties.

Section 236X**Advance tax on tobacco**

A new section is proposed to be inserted that Pakistan Tobacco Board, at the time of collecting cess on tobacco, directly or indirectly, shall collect advance tax @ 5% of the purchase value of tobacco from every person purchasing tobacco including manufacturer of cigarettes. The advance tax collected under this section shall be adjustable.

Section 241**Validation.**

A new section is proposed to be inserted that all notification and orders issued and notified before the first day of July, 2017 shall be deemed to have been validly issued irrespective of the judgment of High Court or the Supreme Court.

First Schedule

Rates for Profit on Debt

Section 7B

First Schedule,

Part I,

Div. III A

S. No.	Profit on Debt	Rate of Tax
(1)	(2)	(3)
1.	Where profit on debt does not exceed Rs. 5,000,000	10%
2.	Where profit on debt exceeds Rs. 5,000,000 but does not exceed Rs. 25,000,000	12.5%
3.	Where profit on debt exceeds Rs. 25,000,000	15%

Capital Gains on Disposal of Securities

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

Section 37A

First Schedule,

Part I,

Div. VII

S. No.	Period	Tax Year 2015	Tax Year 2016	Tax Year 2017		Tax Year 2018 and onwards	
				Filer	Non-Filer	Filer	Non-Filer
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	Where holding period of a security is less than twelve months	12.5%	15%	15%	18%	15%	20%
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 less than twenty-four months or more but the security was acquired on or after 1st July, 2013	0%	7.5%	7.5%	11%		
4.	Where the security was acquired before 1st July 2013	0%	0%	0%	0%	0%	0%
5.	Future commodity contracts entered into by the members of Pakistan Mercantile Exchange.	0%	0%	5%	5%	5%	5%

Minimum Tax

Section 113
First Schedule,
Part I,
Div. IX

S.No	Person(s)	Minimum Tax as percentage of the person's turnover for the year
(1)	(2)	(3)
1.	(a) Oil marketing companies, Oil refineries, Sui Southern Gas Company Limited and Sui Northern Gas Pipelines Limited (for the cases where annual turnover exceeds rupees one billion.); (b) Pakistan International Airlines Corporation; (c) Poultry industry including poultry breeding broiler production, egg production and poultry feed production; and (d) Dealers or distributors of fertilizers.	0.50%
2.	(a) Distributors of Pharmaceutical products, fast moving consumer goods and cigarettes; (b) Petroleum agents and distributors who are registered under the Sales Tax Act, 1990; (c) Rice mills and dealers; and (d) Flour mills.	0.20%
3.	Motorcycle dealers registered under the Sales Tax Act, 1990	0.25%
4.	In all other cases	1.25%

The rate of dividend for company and mutual funds

First Schedule,
Part III,
Div. I

Persons	Listed Companies		Stock Fund	Money market fund, income fund or REIT scheme or any other fund	
	Filer	Non-Filer		Filer	Non-Filer
(1)	(2)	(3)	(4)	(5)	(6)
Individual	15%	15%	12.5%	12.5%	15%
Company	15%	15%	12.5%	25%	25%
AOP	15%	15%	12.5%	12.5%	15%

First Schedule,
Part III, Div. II

Payment to Non-Residents

1. The rate of tax to be deducted from a payment referred in sub-section (1A) of section 152 is proposed to increase from 12% to 13% of the gross amount payable in case the person is a non-filer.
2. The rate of tax to be deducted from a payment referred in clause (a) of sub-section (2A) of section 152;
 - (i) in case of a company, is proposed to increase from 6% to 7% of the gross amount payable, if the company is a non-filer; and
 - (ii) in any other case, is proposed to increase from 6.5% to 7.75% of the gross amount payable, if the person is a non-filer.
3. The rate of tax to be deducted from a payment referred in clause (b) of sub-section (2A) of section 152
 - (i) in case of a company, is proposed to increase from 12% to 14% of the gross amount payable, if the company is a non-filer; and
 - (ii) in any other case, is proposed to increase from 15% to 17.5% of the gross amount payable, if the person is a non-filer.

4. The rate of tax to be deducted form a payment referred in clause (c) of sub-section (2A) of section 152 is proposed to increase from 12% to 13% of the gross amount payable if the person is a non-filer.

**First Schedule,
Part III, Div. III**

Payments for Goods and Services

1. The rate of tax to be deducted from a payment referred in clause (a) of sub-section (1) of section 153;
 - (i) In the case of supplies made by the distributor of fast moving consumer goods is proposed to decrease
 - a) from 3% to 2% of the gross amount payable in case if the supplier is a company; and
 - b) from 3.5% to 2.5% of the gross amount payable in case if the supplier is other than a company.
 - (ii) In the case of sale of goods;
 - a) in case of a company, is proposed to increase from 6% to 7% of the gross amount payable, if the company is a non-filer;
 - b) in any other case, is proposed to increase from 6.5% to 7.75% of the gross amount payable, if the person is a non-filer.
2. The rate of tax to be deducted from a payment referred in clause (b) of sub-section (1) of section 153;
 - (i) In the case of rendering of or providing of services;
 - a) in case of a company, is proposed to increase from 12% to 14.5% of the gross amount payable, if the company is a non-filer;
 - b) In any other case, is proposed to increase from 15% to 17.5% of the gross amount payable, if the person is a non-filer.
3. The rate of tax to be deducted from a payment referred in clause (b) of sub-section (1) of section 153;
 - a) In case of a company, is proposed to increase from 10% to 12% of the gross amount payable, if the company is a non-filer.
 - b) In any other case, is proposed to increase from 10% to 12.5% of the gross amount payable, if the person is a non-filer.

First Schedule, Part III, Div. V	Income from Property <p>The rate of tax to be deducted under section 155 shall be 15% of the gross amount of rent. The bill proposed 17.5% rate of tax to be deducted in case of non-filer company.</p>
First Schedule, Part III, Div. VI	Prizes and Winnings <p>The rate of tax to be deducted under section 156 on a prize bond or cross-word puzzle is proposed to increase 20% to 25% of the gross amount paid for non-filers.</p>
First Schedule, Part III, Div. VIA	Petroleum Products <p>The rate of collection of tax under section 156A is proposed to increase from 15% to 17.5% for non-filers.</p>
First Schedule, Part III, Div. VIB	CNG Stations <p>The rate of tax to be collected under section 234A in the case of a Compressed Natural Gas station shall be 4% for filers. The bill proposed 6% rate of tax to be collected in case of non-filers.</p>
First Schedule, Part IV, Div. VIII	Advance Tax at the time of sale by auction <p>The rate of collection of tax under section 236A of the gross sale price of any property or goods sold by auction shall be 10% for filers. The bill proposed 15% of the gross sale price of any property or good sold by auction for non-filers.</p>

Telephone Users

Rates of collection of tax under section 236

First
Schedule,
Part IV
Div. V

(1)	(2)	(3)
a.	in the case of a telephone subscriber (other than mobile phone subscriber) where the amount of monthly bill exceeds Rs. 1,000	10% of the exceeding amount of bill.
b.	in the case of subscriber of internet, mobile telephone and pre-paid internet or telephone card	12.5% of the amount of bill or sales price of internet pre-paid card or prepaid telephone card or sale of units through any electronic medium or whatever form

Advance Tax on Purchase, Registration and Transfer of Motor Vehicles

The rate of tax under sub-section (1) and (3) of section 231B shall be as follows:

First
Schedule,
Part IV
Div. VII

S.NO	Engine Capacity	For filers	Tax for non-filer
(1)	(2)	(3)	(4)
1.	upto 850cc	Rs. 7,500	Rs. 10,000
2.	851cc to 1000cc	Rs.15,000	Rs. 25,000
3.	1001cc to 1300cc	Rs. 25,000	Rs. 40,000
4.	1301cc to 1600cc	Rs.50,000	Rs. 100,000
5.	1601cc to 1800cc	Rs. 75,000	Rs. 150,000
6.	1801cc to 2000cc	Rs. 100,000	Rs. 200,000
7.	2001cc to 2500cc	Rs. 150,000	Rs. 300,000
8.	2501cc to 3000cc	Rs. 200,000	Rs. 400,000
9.	Above 3000cc	Rs. 250,000	Rs. 450,000

Advance Tax on sale of retailers

The rate of collection of tax under section 236H on the gross amount of sales shall be as follows:

First
Schedule,
Part IV
Div. XV

Category of sale	Rate of tax	
	Filer	Non-Filer
(1)	(2)	(3)
Electronics	1%	1%
Others	0.5%	

Advance Tax on Insurance Premium

The rate of tax to be collected from non-filers under section 236U shall be as under:

First Schedule, Part IV Div. XXV	S.NO	Type of Premium	Rate
	(1)	(2)	(3)
	1.	General insurance premium	4%
	2.	Life insurance premium if exceeding Rs. 0.3 million in aggregate	1%
	3.	Others	0%

Second schedule - Part I

Clause (66) The following institution are proposed to be added in clause (66) whose total income is exempted from tax:

(xxxvi) Asian Infrastructure Investment Bank and persons as provided in Article 51 of Chapter IX of the Articles of Agreement signed and ratified by Pakistan and entered into force on December 25, 2015.

(xxxvii) Gulab Devi Chest Hospital

(xxxviii) Pakistan Poverty Alleviation Fund

(xxxix) National Academy of Performing Arts.

Clause (140A) It is proposed that profit on debt shall be exempted from tax that is received by Japan International Cooperation Agency (JICA), from Islamabad-Burhan Transmission Reinforcement Project (Phase-I).

Clause (143) It is proposed that any income derived by a political party registered under the Political Parties Order, 2002 with the Election Commission of Pakistan is exempt from tax.

Clause (144) The bill seeks to insert new exemption clause for start-ups whereby profits and gains derived by a start-up as defined in clause (62A) of section 2 for the tax year in which the start-up is certified by the Pakistan Software Export Board and the following 2 tax years.

Second schedule -Part IV

- Clause (11A)** The bill seeks to exempt start-ups as defined in clause (62A) of section 2 from the minimum tax under section 113.
- Clause (41)** Clause 41 provides that the provision of section (1B) of section 152 regarding the income of the non-resident shall not apply unless non-resident person declares irrevocable option for presumption tax regime. The said clause also provides that the option exercised will remain enforce for three years. As a consequential amendment, the bill proposed to omit this clause.
- Clause (43F)** The bill seeks to provide exemption from the provision of section 153 in the case of a start-up being receipt of payment.
- Clause (56)** The bill proposed to provide exemption from the provisions of section 148 to the following companies:
- Z&M Oils (Pvt.) Ltd.
 - Exceed Petroleum (Pvt.) Ltd.
 - Petrowell (Pvt.) Ltd.
 - Quality-1 Petroleum (Pvt.) Ltd.
 - Horizon Oil Company (Pvt.) Ltd.
 - Outreach (Pvt.) Ltd.
 - Kepler Petroleum (Pvt.) Ltd.
- Clause (72A)** The bill proposed to continue Rs. 5,000 per Hajji for tax year 2017 in respect of income from Hajj operation.
- Clause (94)** The bill proposed to continue exemption from the provision of withholding under clause (b) of sub section (3) of section 153 for tax year 2018 to the following companies:
- Freight forwarding services
 - Air cargo services
 - Courier services
 - Manpower outsourcing services

- Hotel services
- Security guard services
- Software development services
- IT and IT enabled services
- Tracking services
- Advertising services
- Share registrar services
- Engineering services
- Car rental services
- Pakistan stock Exchange Limited

Clause (100) The bill seeks to insert new clause that the advance tax on cash withdrawal from a bank under section 231A shall not apply from a "Branchless Banking (BB) Agent Account" utilized to render branchless banking services to customers.

Clause (102) The bill seeks to insert new clause that deduction of advance tax on private motor vehicle under section 231B shall not apply to light commercial vehicles leased under the Prime Minister's Youth Business Loan Scheme.

Eight Schedule

Rule 1 Manner and basis of computation of capital gain and tax thereon

The rule required that NCCPL shall furnish to the Board within 30 days of the end of each quarter, a statement of capital gain and tax computed thereon. The bill proposed to increase the time limit from 30 days to 45 days.

Rule 4 Payment of tax collected by NCCPL to the Board

The said rule required to pay tax on yearly basis by July 31st of the next following financial year. It is proposed that such payment shall be made by August 15th of the next following financial year.

AMENDMENTS IN

The Sales Tax Act, 1990

Section 2 (43A)

Tier – 1 Retailer

The bill seeks to insert a new definition of Tier-1 retailer. It means

- (a) a retailer operating as a unit of a national or international chain of stores;
- (b) a retailer operating in an air-conditioned shopping mall, plaza or center, excluding kiosks;
- (c) a retailer whose cumulative electricity bill during the immediately preceding 12 consecutive months exceeds Rs. 600,000; and
- (d) a wholesaler-cum-retailer, engaged in bulk import and supply of consumer goods on wholesale basis to the retailers as well as on retail basis to the general body of the consumers;

Section 3

Scope of tax

- (1)(b) The bill seeks to insert clarification that the sales tax is chargeable on goods imported into Pakistan irrespective of their final destination in various territories in Pakistan.
- (1A) The proposed amendment seeks to insert the further tax of 2% on zero rated supply to un-registered persons.
- (9A) The bill also proposed to insert the tax liability of Tier – I Retailers. It is proposed that Tier – I retailers have option to pay sales tax @ 2% on their turnover including exempt sales. In this respect, the option needs to be filed before the chief commissioner by July 15, 2017. The Tier – I retailers making supply of finished goods to 5 sectors covered under SRO 1125(1) / 2011.

Section 30**Appointment of authorities**

The proposed amendment seeks to introduce new authorities as District Taxation Officer and Assistant Director Audit in the hierarchy. It is further proposed that Chief Commissioner Inland Revenue shall perform their functions in respect of such persons or classes of persons of such areas as per Board direction.

Section 33**Offences and penalties**

The bill seeks to insert following offences and penalties:

S.No.	Offences	Penalties	Section
23	Any person who manufactures, possesses, transports, distributes, stores or sells cigarette packs without, or with counterfeited, tax stamps, banderoles, stickers, labels or bar codes.	(i) Such cigarette stock shall be liable to outright confiscation and destruction. Any person committing the offence shall pay a penalty of Rs. 25,000 or 100% of the amount of tax involved, whichever is higher. He shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to 5 years, or with additional fine which may extend to an amount equal to the loss of tax involved, or with both. (ii) In case of transport of cigarettes without, or with counterfeited, tax stamps, banderoles, stickers, labels or barcodes, permanent seizure of the vehicle used for transportation of nonconforming or counterfeit cigarette packs; and (iii) In case of repeat sale of cigarettes without or with counterfeited, tax stamps, banderoles, stickers, labels or barcodes, the premises used for such sale be sealed for a period not exceeding 15 days."	40C(2)

Section 48**Recovery of arrears of tax**

The bill seeks to insert a proviso whereby the Commissioner shall not issue notice for recovery of any tax due from a taxpayer if taxpayer has filed an appeal under section 45B and appeal has not been decided by the Commissioner (Appeals), subject to the condition that 25% of the amount of tax due has been paid by the taxpayer.

Section 56**Service of orders, decisions, etc.**

The proposed amendment seeks to add that any notice, order or requisition required to be serviced to a Public and Private Limited Company shall be treated to be properly served, if it shall be sent electronically through email or to the e-folder maintained for the purpose of e-filing of Sales Tax-cum-Federal Excise return.

Section 74A**Validation.**

A new section is proposed to be inserted whereby all notification and orders issued and notified before the first day of July, 2017 shall be deemed to be validly issued irrespective of the judgment of High Court or the Supreme Court.

Third schedule

The following item and relating entries are proposed to be omitted.

S. No.	Description	Heading
(1)	(2)	(3)
32	Fertilizers	Respective headings

Sixth Schedule (Exemption) – Table -1 (Imports or supplies)

The following new exemption in 6th Schedule is proposed:

S. No.	Description	Heading
(1)	(2)	(3)
100C	Vehicles imported by China Overseas Ports Holding Company Limited (COPHCL) and its operating companies namely (i) China Overseas Ports Holding Company Pakistan (Private) Limited (ii) Gwadar International Terminal Limited, (iii) Gwadar Marine Services Limited and (iv) Gwadar Free Zone Company Limited, for a period of 23 years for construction, development and operations of Gwadar Port and Free Zone Area subject to 21 limitations, conditions prescribed under PCT	9917

134	Goods received as gift or donation from a foreign government or organization by the Federal or Provincial Governments or any public, sector organization subject to recommendations of the Cabinet	9908
135	Sunflower and canola hybrid seeds meant for sowing	Respective heading
136	Combined harvesters upto 5 years old	8433.5100
137	Single cylinder agriculture diesel engines (compression-ignition internal combustion piston engines) of 3 to 36 HP, and CKD kits thereof	8408.9000

The following exemptions are proposed to be withdrawn from serial number 133:

S.No.	Description	Heading
(1)	(2)	(3)
	Ingredients for pesticides	2903.3040
	Cadusafos Technical Material	2903.6900
	Ingredients for pesticides	2918.9010
	Ingredients for pesticides	2919.0010
	Other ingredients for pesticides	2919.0090
	Triethano lamine and its salts	2922.1300
	Ingredients for pesticides	2924.2930

The Eighth Schedule

The Sales tax rate of 5% on set top boxes for gaining access to internet is proposed to be extended upto June 30, 2018.

Following new serial numbers and entries are proposed to be added in Eighth Schedule:

S. No.	Description	Heading	Rate of ST	Condition
(1)	(2)	(3)	(4)	(5)
35	DAP	Respective heading	Rs. 100 per 50kg bag	Nil
36	NP (22-20)	Respective heading	Rs. 168 per 50 kg bag	If manufactured from gas other than imported LNG
37	NP (18-18)	Respective heading	Rs. 165 per 50 kg bag	If manufactured from gas other than imported LNG
38	NPK-I	Respective	Rs. 251	If manufactured

		heading	per 50 kg bag	from gas other than imported LNG
39	NPK-II	Respective heading	Rs. 222 per 50 kg bag	If manufactured from gas other than imported LNG
40	NPK-III	Respective heading	Rs. 341 per 50 kg bag	If manufactured from gas other than imported LNG
41	SSP	Respective heading	Rs. 31 per 50 kg bag	If manufactured from gas other than imported LNG
42	CAN	Respective heading	Rs. 98 per 50 kg bag	If manufactured from gas other than imported 37 LNG
43	Natural gas	Respective heading	10%	If supplied to fertilizer plants for manufacturing of urea
44	Phosphoric acid	2809.2010	5%	If imported by fertilizer company for manufacturing of DAP
45	Following machinery for poultry sector:			Import and supply
	(i) Machinery for preparing feeding stuff	8436.1000	7%	
	ii) Poultry incubators and brooders	8436.2100 and 8436.2900	7%	

	(iii) Insulated sandwich panels	9406.0090	7%	
	(iv) Poultry Sheds	9406.0020	7%	
	(v) Evaporative air cooling system	8479.6000	7%	
	(vi) Evaporative cooling pad	8479.9010	7%	
46	Multimedia projectors	8528.6210	10%	If imported by educational institution
47	Locally produced Coal	27.01	Rs. 425 per metric tone or 17% ad valorem, whichever is higher	Nil"; and

Ninth Schedule - See sub section (3B) of section 3

The rate of sales tax of the following items is proposed to be reduced.

[illegible]

	(i) One or two cameras: between 2.1 to 10 mega-pixels (ii) Screen size: between 2.6 inches and 5.0 inches (iii) Micro-processor: Less than 2 GHZ			
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AMENDMENTS IN The Federal Excise Act, 2005

Section 19

Offences, penalties, fines and allied matters

The bill proposed to substitute sub section (10) whereby any person who is engaged in the manufacture or production of cigarettes in the manner contrary to this Act or the rules, evades duty of excise on cigarettes or is engaged in the manufacture or production of counterfeited cigarettes or tax stamps, banderoles, stickers, labels or barcodes, or is engaged in the manufacturing or production of cigarettes packs without affixing, or affixing counterfeited, tax stamps, banderoles, stickers, labels or barcodes, the machinery, equipments, instruments or devices used in such manufacture or production shall, after outright confiscation, be destroyed in such manner as may be approved by the Commissioner. It is further proposed that no person shall be entitled to any claim or entitled to any compensation in respect of such machinery or equipments, instruments or devices and such confiscation or destruction shall be without prejudice to any other penal action which may be taken under the law against the person or in respect of the cigarettes, tax stamps, stickers, labels, barcodes or vehicles.

Section 29

Appointment of Federal Excise officers and delegation of power

The bill proposed that the Chief Commissioner Inland Revenue shall perform their function in respect of such person or classes of persons of such areas as the Board may direct.

The bill further added that the Commissioner Inland Revenue shall perform their functions in respect of such person or classes of persons of such areas as the Chief Commissioner to whom they are sub-ordinates may direct.

Section 37**Deposit, pending appeal, of duty demanded or penalty levied**

The bill seeks to insert a new proviso that the Commissioner shall not issue notice under section 37 or recovery rules made under the Federal Excise Rules, 2005 for recovery of any tax due from a taxpayer if the said taxpayer has filed an appeal under section 33 in respect of the order and appeal has not been decided by the Commissioner (Appeals) subject to the condition that 45% of the said amount of tax due has been paid by the taxpayer.

Section 43A**Validation**

A new section is proposed to be inserted whereby all the notification and orders issued under the power of Federal Government before the commencement of Finance Act, 2017 shall be deemed to be validly issued irrespective of the judgement of High Court or the Supreme Court.

Section 47**Service of notices and other documents**

The bill seeks to add a new sub section that notice, order or requisition shall be treated as served if it shall be sent electronically through email or to the e-folder maintained for the purpose of e-filing of Sales Tax-cum Federal Excise returns by the limited companies, both public and private.

The following new headings are proposed in First Schedule Table I.

First Schedule Table I

S. No.	Description of goods	Heading	Rate of duty
(1)	(2)	(3)	(4)
9.	Locally produced cigarettes if their on-pack printed retail price exceeds four thousand five hundred rupees per thousand cigarettes.	24.02	Rs. 3,740 per thousand cigarettes
10.	Locally produced cigarettes if their on-pack printed retail price exceeds two thousand nine hundred and twenty-five rupees per thousand cigarettes but does not exceed four thousand five hundred rupees per thousand cigarettes.	24.02	Rs. 1,670 per thousand cigarettes
10a.	Locally produced cigarettes if their on-pack printed retail price does not exceed two thousand nine hundred and twenty-five rupees per thousand cigarettes.	24.02	Rs. 800 per thousand

The excise duty of the following item have proposed to increase in First Schedule Table I

S.No.	Description of goods	Heading	Rate of duty
(1)	(2)	(3)	(4)
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	Rs. 1.25 per kilogram

The following restriction are proposed:

Restriction -1 – Reduction – For the purpose of levy, collection and payment of duty at the rates specified in column (4) against serial number 9, no cigarette manufacturer shall reduce retail price from the level adopted on the day of the announcement of the latest budget.

Restriction -3 – Minimum Price. – No brand shall be priced and sold at a retail price (excluding sales tax) lower than forty-five percent of the retail price under column (2) serial number 9 of Table-I of the First Schedule to this Act.

The excise duty of the following item has proposed to increase in First Schedule Table II

S. No.	Description of Services	Heading	Rate of duty
(1)	(2)	(3)	(4)
6.	Telecommunication Services	98.12	17% of the charges

The following new heading is proposed in Third Schedule Table I.

S.No.	Description of goods	Heading
(1)	(2)	(3)
20A.	Vehicles imported by China Overseas Port Holding Company Limited (COPHCL) and its operating companies, namely: - (i) China Overseas Port Holding Company Pakistan (Private) Limited; (ii) Gwadar international Terminal Limited; (iii) Gwadar Marine Services Limited; and (iv) Gwadar Free Zone Company Limited; For a period of 23 years for construction, development and operations of Gwadar Port and Free Zone Area subject to limitations, conditions prescribed.	9917 (3).

AMENDMENTS IN

The Custom Act, 1969 (IV of 1969)

Section 2 Clause (z)

Controlled delivery

A new clause is proposed to be added on controlled delivery that it means supervised and coordinated operational activities that allow suspected consignments of prohibited and restricted goods, including items mentioned in clause (s) to pass out of through or into the territory of Pakistan, with a view to identifying person involved in the commission of an offence cognizable under this Act.

Section 3AAA

Directorate General of China Pakistan Economic Corridor

A new section is proposed to be inserted regarding Directorate General of China Pakistan Economic Corridor. It shall consist of a Director General and as many Directors, Additional Directors, Deputy and Assistant Directors and another officer.

Section 8A

Uniform

The bill seeks to add a new section that the board may by notification in the official Gazette prescribe rules for wearing of uniform by officers and staff of Customs Services of Pakistan.

Section 156

Punishment for offences

The following new clause is proposed in the TABLE:

S. No.	Offence	Penalties	Section reference
	(1)	(2)	(3)
7A	If any agency or person including port authorities managing or owning a customs ports, customs airport or a land customs station or a container freight station, fails to entertain a delay and detention certificate issued by the officer of Custom	Such agency or person or port authority shall be liable to a penalty not exceeding Rs. 500,000	14A

**Section 219
matters****A power to enter into mutual legal assistance agreements on custom**

A new section is proposed to be inserted that the Board may, on its own motion or upon request from an international organization enter into memorandum of understanding pertaining to mutual legal assistance in customs matters including coordinated border management, information and data sharing, bilateral and multilateral international special operation, capacity building and technical assistance initiatives.



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