

# FINANCE ACT

HIGHLIGHTS

2015



## **Highlights on the Finance Act, 2015**

This document summarizes significant changes brought to statute vide the Finance Act, 2015 (the Act) relating to Income Tax, Sales Tax & Federal Excise Duty, Sales Tax on Services in ICT and Customs.

Effective date of applicability of these changes is July 1, 2015, unless otherwise mentioned.

Nothing contained in this document shall be construed as our advice in general or on a given case, accordingly, for ascertaining any effect of these changes in general or particular, the wordings in the Act should carefully be examined, taking into consideration the applicable laws and regulations, and precise advice should be sought before taking any decision based on, or acting up on any of the contents hereof.

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July 03, 2015

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## SECTION I INCOME TAX

### 1. INDIVIDUALS AND ASSOCIATION OF PERSONS

With no increase in threshold for income exempt from tax for consecutive two years, the Act brings some relief up to Rs. 3,000 for both salaried and non-salaried individuals and association of persons.

#### a. Tax rates for non-salaried individuals and Association of Persons (AOPs)

**[Div I Part I of First Schedule]**

<b>Taxable Income (Rs.)</b>		<b>Rate of Tax</b>						
From	To							
Up to 400,000			0.00%					
400,001	500,000		7% of the amount exceeding Rs.400,000					
500,001	750,000	Rs.7,000	10% of the amount exceeding Rs.500,000					
750,001	1,500,000	Rs.32,000	15% of the amount exceeding Rs.750,000					
1,500,001	2,500,000	Rs.144,500	20% of the amount exceeding Rs.1,500,000					
2,500,001	4,000,000	Rs.344,500	25% of the amount exceeding Rs.2,500,000					
4,000,001	6,000,000	Rs.719,500	30% of the amount exceeding Rs.4,000,000					
Above 6,000,000		Rs.1,319,500	<table border="1"> <tr> <td rowspan="2" style="text-align: center; vertical-align: middle;">PLUS</td> <td>In case of Professional Firms prohibited from incorporating a company</td> <td>32% of the amount exceeding Rs.6,000,000</td> </tr> <tr> <td>Other firms/ AOPs</td> <td>35% of the amount exceeding Rs.6,000,000</td> </tr> </table>	PLUS	In case of Professional Firms prohibited from incorporating a company	32% of the amount exceeding Rs.6,000,000	Other firms/ AOPs	35% of the amount exceeding Rs.6,000,000
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	Other firms/ AOPs	35% of the amount exceeding Rs.6,000,000						

#### b. Tax rates for salaried individuals

**[Div IA Part I of First Schedule]**

<b>Taxable Income (Rs.)</b>		<b>Rate of Tax</b>	
From	To		
Up to 400,000			0.00%
400,001	500,000		2 % of the amount exceeding Rs.400,000
500,001	750,000	Rs.2,000	5% of the amount exceeding Rs.500,000
750,001	1,400,000	Rs.14,500	10% of the amount exceeding Rs.750,000
1,400,001	1,500,000	Rs.79,500	12.5% of the amount exceeding Rs.1,400,000
1,500,001	1,800,000	Rs.92,000	15% of the amount exceeding Rs.1,500,000
1,800,001	2,500,000	Rs.137,000	17.5% of the amount exceeding Rs.1,800,000
2,500,001	3,000,000	Rs.259,500	20% of the amount exceeding Rs.2,500,000
3,000,001	3,500,000	Rs.359,500	22.5% of the amount exceeding Rs.3,000,000
3,500,001	4,000,000	Rs.472,000	25% of the amount exceeding Rs.3,500,000
4,000,001	7,000,000	Rs.597,000	27.5% of the amount exceeding Rs.4,000,000
Above 7,000,000		Rs.1,422,000	30% of the amount exceeding Rs.7,000,000

#### c. Senior citizens and disabled persons[Clause 1B of Division I of Part I of First Schedule]

The Act introduces drafting correction to already available 50% tax reduction for senior citizens and disabled persons.

### 2. DEFINITIONS

The Act introduces certain new definitions and to amend as follows:

#### Consumer goods

**[Section 2(13AA)]**

Consumer goods mean goods that are consumed by the end consumer rather than used in the production of another good.

**Fast moving consumer goods**

**[Section 2(22A)]**

Fast moving consumer goods means consumer goods which are supplied in retail marketing as per daily demand of a consumer.

**Imputable income**

**[Section 2(28A)]**

Imputable income in relation to an amount subject to final tax means the income which would have resulted in the same tax, had this amount not been subject to final tax.

**Income**

**[Section 2(29)]**

Bonus shares were included under the purview of income vide section 236N introduced vide the Finance Act, 2014. The Act now seeks to amend definition of 'income' apparently as a corrective measure.

**Small company**

**[Section 2(59A)]**

The Act increases the maximum threshold for capital and undistributed reserves for small companies from existing Rs. 25 Million to 50 Million.

**Whistleblower**

**[Section 2(75) & 227B]**

Whistleblower means a person who reports concealment or evasion of income tax leading to detection or collection of taxes, fraud, corruption or misconduct, to the competent authority having power to take action against the person or an income tax authority committing fraud, corruption, misconduct, or involved in concealment or evasion of taxes.

**3. SUPER TAX FOR REHABILITATION OF TEMPORARILY DISPLACED PERSONS**

**[Section 4B & Div IIA of Part I of First Schedule]**

The Act imposes one-time Super Tax (i.e. for the Tax Year 2015) for rehabilitation of temporarily displaced persons. The said tax is to be levied on income arising from:

- a. profit on debt, dividend, capital gains, brokerage and commission;
- b. taxable income under section (9) of the Ordinance;
- c. imputable income as defined in new clause (28A) of section 2; and
- d. income from/ of:
  - (i) insurance business;
  - (ii) income from exploration and production of petroleum and minerals;
  - (iii) banking companies; and
  - (iv) capital gains on listed securities.

Following shall be the rates for this new tax:

Person	Rate of Super Tax
Banking companies	4%
Persons, other than banking companies, having income of Rs.500 Million and above	3%

Where the super tax is not paid by a person liable to pay it, the Commissioner shall by an order in writing, determine the Super tax payable, and shall serve upon the person, a notice of demand specifying the super tax payable and within the time specified under section 137 of the Ordinance. The Commissioner shall also be empowered to recover the super tax payable and the provisions of Part IV, X, XI and XII of Chapter X and Part I of Chapter XI of the Ordinance shall apply to the collection of super tax as these apply to the collection of tax under the Ordinance. The Board may make rules for carrying out the purposes of this section by notification in the official Gazette.

#### 4. TAXATION OF COMPANIES

##### **Rate of tax on dividends** **[Section 5 & Division III of Part I of First Schedule]**

Rate of tax on dividends have been increased as follows:

Category	Existing Rate	Revised Rate
Dividends from privatized power projects or companies set up for power generation or companies supplying coal exclusively to power generation projects	7.5%	7.5%
Dividends received by a person from stock funds, if dividend receipts are less than capital gains	12.5%	15.0%
Dividends received by a company from a collective investment scheme, REIT scheme or a mutual fund, other than a stock fund	25.0%	25.0%
Dividend received by a person from a mutual fund	10.0%	10.0%
Dividends declared or distributed in other cases	10.0%	12.5%

The rate of tax on dividends reduced by 50% for 3 years from June 30, 2018 where such dividends are received from Developmental REIT Schemes set up by June 30, 2018 with the object of development and construction of residential buildings.

##### **Tax on undistributed reserves** **[Section 5A]**

Tax at the rate of 10% has been imposed on every public company, other than a scheduled bank or a modaraba, that derives profits for a tax year but does not distribute cash dividends within 6 months of the end of the said tax year. In such cases reserves as exceeding paid up capital shall be treated as income.

Provided that for tax year 2015, cash dividends may be distributed before the due date for filing of return for tax year 2015.

This tax shall not apply to:

- a. Companies distributing lower of 40% of its after tax profits and 50% of its paid-up capital within 6 months of the end of a tax year;
- b. Electric power generation projects exempt under clause (132) of Part I of Second Schedule of the Ordinance; and
- c. Companies in which 50% or more shares are held by the Government.

Reserve for the purpose of this section includes amounts set-aside out of revenue or other surpluses excluding capital reserves, share premium reserves and statutory reserves.

##### **Principles of taxation of companies (Dividend from Non-resident Companies)**

**[Section 94 & 5]**

An amendment to section 5 (tax on dividends) via Finance Act, 2003 required dividend from both resident and non-resident companies to be taxed at rates specified as per Division III of Part I of First Schedule to the Ordinance. The Act now amends section 94 to remove the inconsistency with section 5.

##### **Rates of tax for companies** **[Div II of Part I of First Schedule]**

The Act reduces the rate of tax for companies, other than banking companies, from 33% for the tax year 2015 as under for subsequent tax years:

Tax Year	Rate of Tax
2016	32%
2017	31%
2018	30%

## 5. INCOME FROM PROPERTY

### Admissible deductions

**[Section 15A]**

Expenses wholly and exclusively on administration shall be deductible along with the presently allowable collection charges to the collective extent of 6% of rent chargeable to tax in respect of the property.

## 6. CAPITAL GAIN ON SALES OF SECURITIES

**[Section 37A & Division VII of Part I of First Schedule]**

The following rates for tax shall be applicable on capital gains on securities for cases other than companies:

S.No.	Holding Period of Security	Tax Year	
		2015	2016
1.	Less than 12 months	12.5%	15.0%
2.	12 months or more but less than 24 months	10.0%	12.5%
3.	24 months or more but less than 4 years	Exempt	7.5%
4.	4 years and above	Exempt	Exempt

Mutual funds, collective investment schemes or REIT schemes shall deduct Capital Gains Tax at following rates at the time of redemption of securities:

Holding Period of Securities	Category of Recipient	Tax Rate
Up to 4 years	Individuals and association of persons	10.0%
	Companies	10.0% for stock funds 25.0% for others
Above 4 years	All categories	Exempt

In case of a stock fund if dividend receipts of the fund are less than capital gains, the rate of tax deduction shall be 12.5%.

## 7. EXEMPTIONS AND TAX CONCESSIONS IN THE SECOND SCHEDULE **[Section 53]**

The Finance (Amendment) Ordinance, 2015 [Ordinance IX of 2015] recently brought an amendment to section 53 of the Ordinance, which have now been enacted. These amendments abstain the Federal Government to amend the Second Schedule to the Ordinance without sanction of the Economic Coordination Committee (ECC) of Cabinet. The said amendments are to be so approved by the ECC whenever circumstances exist to take immediate action for the purposes of national security, natural disaster, national food security in emergency situations, protection of national economic interests in situations arising out of abnormal fluctuation in international commodity prices, removal of anomalies in taxes, development of backward areas and implementation of bilateral and multilateral agreements.

The earlier amendment vide the said Finance Ordinance has also been enacted that any notification issued after the promulgation of Finance Act, 2015, under sub-section (2) of section 53 shall, if not earlier rescinded, stand rescinded on the expiry of the financial year in which it was issued.

## 8. TAX CREDITS

### Tax credits for investment in shares and insurance

**[Section 62]**

The Act enhances benefits from tax credit for investment in shares and insurance by increasing the monetary threshold for eligible amount from existing Rs. 1 Million to Rs. 1.5 Million.

**Tax credit on profit on debt & deductible allowance for profit on debt [Section 64 & 64A]**

Presently a tax credit is available up to certain prescribed limits to persons in respect of any profit or share in rent and share in appreciation for value of house paid by the person in the year on a loan by a scheduled bank or non-banking finance institution regulated by the Securities and Exchange Commission of Pakistan or advanced by Government or the Local Government or a statutory body or a public company listed on a registered stock exchange in Pakistan where the person utilizes the loan for the construction of a new house or the acquisition of a house.

This tax credit has been substituted with deductible allowance for similar cases in addition to such profit or share in rent and share in appreciation for value of house paid to provincial government by individuals.

The amount of deductible allowance for a tax year shall be lower of 50% of taxable income or Rs. 1 Million. Any allowance or part of an allowance for a tax year that could not be deducted for the year shall not be carried forward to a subsequent tax year. It has however been noted that this section should have been inserted in Part IX of the Ordinance.

**Tax credit for employment generation by manufacturers [Section 64B]**

The Act grants a new type of tax credit for a period of ten years to new manufacturing units. The said tax credit shall be equal to 1% of the tax payable for every 50 employees, subject to a maximum of 10% of the tax payable.

Conditions for admissibility of tax credit:

- (a) the company is incorporated and manufacturing unit is setup between the July 2015 and June 2018;
- (b) employs more than 50 personnel in a tax year registered with EOBI and provincial Social Security Institutions;
- (c) manufacturing unit is managed by a company, which is incorporated under the Companies Ordinance, 1984 (XLVII of 1984) and having its registered office in Pakistan; and
- (d) the manufacturing unit is not established by the splitting up or reconstruction or reconstitution of an existing undertaking or by transfer of machinery or plant from an undertaking established in Pakistan at any time before July 2015.

Where the said credit is allowed and subsequently it is discovered, on the basis of documents or otherwise, by the Commissioner that any of the conditions specified in this section were not fulfilled; the credit originally allowed shall be deemed to have been wrongly allowed and the Commissioner may re-compute the tax payable by the taxpayer for the relevant year.

A manufacturing unit shall be treated to have been setup on the date on which the manufacturing unit is ready to go into trial production or commercial production.

**Miscellaneous provisions relating to tax credits [Section 65]**

The Act inserts a new subsection (6) to section 65 proposing that where a person is entitled to a tax credit under section 65B (tax credit for investment), 65D (tax credit for newly established industrial undertakings) or 65E (tax credit for industrial undertakings established before the July 1, 2011), provisions of section 169(2)(d) disallowing any tax credits on final tax and section 113(1)(d) disallowing tax credits on minimum tax shall not apply.

**Tax credit for investment [Section 65B]**

The timeframe for eligibility for tax credits for investments in extension, expansion, balancing, modernization and replacement of the plant and machinery that lapsed on June 30, 2015 has now been extended to June 30, 2016.

**Tax credit for enlistment [Section 65C]**

A tax credit of 15% of the tax payable for the tax year is currently allowable for enlisting of companies at any registered stock exchange in Pakistan. The rate for this credit has now been increased to 20%.

**Tax credit for industrial undertakings established before July 1, 2011** [Section 65E]

A conditional tax credit of 100% of the tax payable is allowable to certain companies established before July 1, 2011. The Act rationalizes the existing condition of tax credit that was currently being reckoned from the date of installation of plant & machinery. Now the period of tax credit shall be reckoned from date of setting up or commencement of commercial production from the new plant or expansion project, whichever is later.

**9. AGREEMENTS FOR THE AVOIDANCE OF DOUBLE TAXATION AND PREVENTION OF FISCAL EVASION** [Section 107]

Necessary changes to the income tax statute have been made, empowering the Federal Government to exchange information with other foreign governments or tax jurisdictions and also to automate such exchange of information. It has been aimed to empower the Federal Board of Revenue to obtain and collect information when solicited by another country under a tax treaty, a tax information exchange agreement, a multilateral convention, an inter-governmental agreement or under any similar arrangement or mechanism. Any such information received or supplied shall be confidential, notwithstanding the provisions of the Freedom of Information Ordinance, 2002 (XCVI of 2002) and shall be subject to subsection (3) of section 216, which requires public servants to maintain confidentiality of information.

**10. MINIMUM TAX**

**Minimum tax in certain cases** [Section 113 Div IX of Part I of First Schedule]

- a. The rate of minimum tax for distributors of fertilizers has been increased from existing 0.2% to 0.5%, however, the rate for dealers of fertilizers has been reduced from existing 1% to 0.5%;
- b. The Act also increases the rate for distributors of consumer goods from existing 0.2% to 1%.

**Minimum tax on builders** [Section 113A]

Pending any further notification on the mode, manner and time of payment of minimum tax on builders, the Act defers the applicability of the said tax till June 2018.

**Minimum tax on land developers** [Section 113B]

The Act enunciates rate of minimum tax at 2% of the notified value of land for the purpose of stamp duty on the business of development and sale of residential, commercial or other plots.

**11. ALTERNATIVE CORPORATE TAX (ACT)** [Section 113C]

The concept of ACT was introduced vide Finance Act, 2014, whereby tax payable on income under normal tax regime including any minimum tax on such income is compared to ACT and higher of the two is considered. The Act now removes certain ambiguities to this concept of ACT viz-a-viz non-applicability on exempt income, capital gains, income under final tax regime and income subject to eligible tax credits by making necessary changes and also introducing an explanation to this effect.

**12. RETURN OF INCOME** [Section 114]

Revision of return of income is subject to certain conditions, including a condition that the revised return needs to be accompanied by written approval of the Commissioner. The Act now enunciates that FBR shall prescribe the mode and manner for seeking revision of return within 60 days of filing.

**13. METHOD OF FURNISHING RETURNS AND OTHER DOCUMENTS** [Section 118]

Presently in the cases where salary income for the tax year is Rs. 500,000 or more, taxpayers are required to file return of income electronically in the prescribed form, accompanied by the proof of deduction or payment of tax and wealth statement as required under section 116. Now the Act empowers the FBR to amend the condition of Rs. 500,000 threshold or to direct that the said condition not to apply to a given tax year.



**14. BEST JUDGMENT ASSESSMENT/ SPECIAL AUDIT PANEL** **[Section 121 & 207]**

Necessary administrative amendments have been made related to special audit panel pursuant to an amendment to section 177 and 207.

**15. PROCEDURE IN APPEAL** **[Section 128]**

The Commissioner (Appeals) is currently empowered to allow an aggregate 30 days stay for recovery of tax. Now, the Commissioner (Appeals), after affording opportunity of being heard to the Commissioner against whose order appeal has been made, may stay the recovery of such tax for a further period of 30 days, provided that the order on appeal shall be passed within the said period of 30 days.

**16. DUE DATE FOR PAYMENT OF TAX** **[Section 137]**

Where any tax is payable under an assessment order or any other order issued by the Commissioner, a notice is required to be served upon the taxpayer that the tax shall be paid within 15 days from the date of service of the notice. The timeframe for payment has now been increased to 30 days.

However, the tax payable under provisional assessment order under section 122C, as specified in the above said notice is currently payable immediately after a period of 60 days from the date of service of the notice and the taxpayer may also pay this tax prior to the said 60 days timeframe. The timeframe of 60 days has been reduced to 45 days.

**17. ADVANCE TAX**

**Advance tax paid by the taxpayer** **[Section 147]**

Presently under section 147(A), a taxpayer, who is required to make payment of advance tax in accordance with sub-section (4), estimates the tax payable for the relevant tax year, at any time before the last installment is due. In case the tax payable is likely to be more than the amount required to be paid under section 147(4), the taxpayer furnishes to the Commissioner an estimate of the amount of tax payable by him and pays such amount after making adjustment for the amount (if any) already paid in terms of sub-section 147(4). Section 147(4A) has now been substituted as under:

A taxpayer who is required to pay advance tax in accordance with section 147(4), shall be required to estimate the tax payable for the relevant tax year, at any time before the 2<sup>nd</sup> installment is due. In case the tax payable is likely to be more than the amount that the taxpayer is required to pay under section 147(4), the taxpayer shall be required to furnish to the Commissioner on or before the due date of the second quarter an estimate of the amount of tax payable by the taxpayer and thereafter pay 50% of such amount by the due date of the 2<sup>nd</sup> quarter of the tax year after making adjustment for the amount (if any) already paid in terms of section 147(4). The balance 50% of the estimate shall be paid after the 2<sup>nd</sup> quarter in two equal installments payable by the due date of the 3<sup>rd</sup> and 4<sup>th</sup> quarter of the tax year.

**Imports** **[Section 148 & Part II of First Schedule]**

The Federal Board of Revenue is currently empowered to specify any goods or class of goods or persons or class of persons importing such goods or class of goods to which tax at import stage may not be collected. This authority of the Board has now been withdrawn. However, a new subsection (2A) has been introduced, which enunciates that any notifications already issued by the Board to this effect and which are applicable currently shall remain in effect until specifically rescinded by the Board.

The Act seeks to substitute the TABLE of rates for collection of tax at import stage as below:

S. No.	Persons	Rate applicable on the import value as increased by customs-duty, sales tax & FED	
		Filers	Non-filers
1.	(i) Industrial undertaking importing remeltable steel (PCT Heading 72.04) and directly reduced iron for its own use (ii) Persons importing potassic fertilizers in pursuance of ECC's decision No.ECC-155/12/2004 dated the 9th December, 2004 (iii) Persons importing urea (iv) Manufacturers covered under Notification No. S.R.O. 1125(I)/2011 dated the 31 <sup>st</sup> December, 2011 and importing items covered under S.R.O. 1125(I)/2011 dated the 31 <sup>st</sup> December, 2011 (v) Persons importing Gold (vi) Persons importing Cotton (vii) Designated buyer of LNG importing on behalf of Govt. of Pakistan	1%	1.5%
2.	Persons importing pulses	2%	3%
3.	Commercial importers covered under Notification No. S.R.O. 1125(I)/2011 dated the 31 <sup>st</sup> December, 2011 and importing items covered under S.R.O. 1125(I)/2011 dated the 31 <sup>st</sup> December, 2011	3%	4.5%
4.	Ship breakers on import of Ships	4.5%	6.5%
5.	Industrial undertakings not covered under S. Nos. 1 to 4	5.5%	8.0%
6.	Companies not covered under S. Nos. 1 to 5	5.5%	8.0%
7.	Persons not covered under S. Nos. 1 to 6	6.0%	9.0%

### Collection of tax by Pakistan Mercantile Exchange Limited (PMEX)

#### [Section 236T & Div XXII of Part IV of First Schedule]

The Act requires PMEX to collect tax at 0.05% from its members on purchase and sale of futures commodity contracts. The tax collected under this section shall be adjustable.

## 18. FINAL TAX

### Tax on shipping of a resident person

#### [Section 7A & Clause (21) of Part II of Second Schedule]

The existing Clause (21) of Part II of Second Schedule has been transposed by inserting a new section 7A to the Ordinance. The extent and basis of tax remaining unchanged as under:

Ships and all floating crafts including tugs, dredgers, survey vessels and other specialized craft purchased or bare-boat	Presumptive/ Final Tax
Chartered and flying Pakistan flag	Annual tonnage tax equivalent amount to USD 1 per gross registered tonnage
Not registered in Pakistan and hired under any charter other than bare-boat charter	Equivalent amount of 15 US cents/ ton of gross registered tonnage per chartered voyage, subject to a maximum annual amount of USD 1 per ton of gross registered tonnage

The explanation as per existing clause has also been transposed and reads as 'the expression 'equivalent amount' means the rupee equivalent of a US dollar according to the exchange rate prevalent on December 01 in the case of a company and September 01 in other cases in the relevant assessment year. It appears there is a need to replace the words 'assessment year' with 'tax year' in this transposition. This mode of tax continues to remain valid till June 30, 2020.

**Tax on local purchase of cooking oil or vegetable ghee by certain persons**

**[Section 148A, 169 & Clause 13(C) of Part II of Second Schedule]**

The Act transposes Clause 13(C) of Part II of Second Schedule in to a new section 148A, which reads as “*The manufacturers of cooking oil or vegetable ghee, or both, shall be chargeable to tax at the rate of two percent on purchase of locally produced edible oil*”. This tax shall be final tax in respect of income accruing from locally produced edible oil.

**Exports**

**[Section 154]**

Opt-out from final tax option was abolished for exporters through Finance Act, 2014. Now the Act offers a new, rather irrational, option for exporters in lieu of final tax regime. The option may be exercised each year at the time of filing of annual tax return and, if exercised, the option will turn tax collected on export proceeds into ‘minimum tax’.

**Payment to residents for use of machinery and equipment**

**[Section 236Q & Div XXIII of Part IV of First Schedule]**

The Act introduces a new section 236Q, which requires every prescribed person, defined in sub-section (7) of section 153, to deduct tax at 10% from gross amount while making a payment in full or in part including a payment by way of advance to a resident person:

- a. for use or right to use industrial, commercial and scientific equipment; and
- b. on account of rent of machinery.

The deduction shall not be applicable in the following cases:

- a. agricultural machinery; and
- b. machinery owned and leased by leasing companies, investment banks, modarabas, scheduled banks or DFIs

The tax deductible under this section shall be final tax on the income of such resident person.

**19. COLLECTION OR DEDUCTION OF WITHHOLDING TAX**

**Tax on profit on debt**

**[Section 7B & Division IIIA of Part I of First Schedule]**

The Act imposes slab-based rates for non-company recipients as tax on profit on debt received from persons liable to withhold tax under section 151(a) to 151(d) by applying the relevant rate of tax to the gross amount of the profit on debt as per the following rates:

S.No.	Profit on Debt	Rate of Tax
1.	Up to Rs. 25 Million	10%
2.	Exceeding Rs. 25 Million up to Rs.50 Million	Rs. 2.5 Million + 12.5% of the amount exceeding Rs. 25 Million
3.	Exceeding Rs. 50 Million	Rs. 5.625 Million + 15% of the amount exceeding Rs. 50 Million

**Dividends**

**[Section 150 & Division I of Part III of First Schedule]**

Rate of tax on dividends has been increased in certain cases, as under:

Category	Existing Rate		Revised Rate	
	<i>Filers</i>	<i>Non-filers</i>	<i>Filers</i>	<i>Non-filers</i>
Dividends from privatized power projects or companies set up for power generation or companies supplying coal exclusively to power generation projects	7.5%	7.5%	7.5%	7.5%
Dividends received by a person from stock funds, if dividend receipts are less than capital gains	12.5%	15.0%	12.5%	17.5%
Dividends received by a company from a collective investment scheme, REIT scheme or a mutual fund, other than a stock fund	25.0%	25.0%	25.0%	25.0%
Dividends declared or distributed in other cases	10.0%	15.0%	12.5%	17.5%

The rate of tax on dividends have also been reduced by 50% for 3 years from June 30, 2018 where such dividends are received from Developmental REIT Schemes set up by June 30, 2018 with the object of development and construction of residential buildings.

**Profit on debt** **[Section 151 & Division IA of Part III of First Schedule]**

The rate of collection of tax on profit on debt in the case of non-filers has been increased from existing 15% to 17.5% where the yield or profit paid is above Rs. 500,000.

Category of Recipient	Rate of Withholding Tax	
	<i>Existing</i>	<i>Revised</i>
Filers	10.0%	10.0%
Non-filers with debt yield up to Rs. 500,000	10.0%	10.0%
Non-filers with debt yield above Rs. 500,000	15.0%	17.5%

(10% is treated as final tax for non-company recipients and balance 7.5% will be in the nature of advance tax)

**Payments to non-residents** **[Section 152 & First Schedule]**

Under section 152(2A), every prescribed person making a payment in full or part including a payment by way of advance to a Permanent Establishment (PE) in Pakistan of a non-resident person for the sale of goods, rendering of or providing services, execution of a contract is liable to deduct tax from the gross amount at specified rates.

The Commissioner has been empowered that he may, on application made by PE in Pakistan of a non-resident person and after making such inquiry as the Commissioner thinks fit, may allow in cases where the tax deductible under section 152(2A) is adjustable, by order in writing, any person to make the payment, without deduction of tax or deduction of tax at a reduced rate.

Discriminatory rates have also been introduced based on filing status in case of non-residents. A comparison of existing and revised rates are as under:

	Existing Rate		Revised Rate	
	<i>Filers</i>	<i>Non-filers</i>	<i>Filers</i>	<i>Non-filers</i>
Royalty or fees for technical services	15.0%	15.0%	15.0%	15.0%
Execution of contracts	6.0%	6.0%	6.0%	6.0%
Insurance or re-insurance premium	5.0%	5.0%	5.0%	5.0%
Advertisement services to a non-resident media person relaying from outside Pakistan	10.0%	10.0%	10.0%	10.0%
Sales/ supply of goods				
- by PE of non-resident companies	3.5%	3.5%	4.0%	6.0%
- by PE other non-residents	3.5%	3.5%	4.5%	6.5%
Rendering of or providing transport services by PE of non-residents	2.0%	2.0%	2.0%	2.0%
Rendering of or providing services other than transport services				
- by PE of non-resident companies	6.0%	6.0%	8.0%	12.0%
- by PE of other non-residents	6.0%	6.0%	10.0%	15.0%
Execution of contracts other than a contract for the sale of goods or the rendering of or providing services				
- by PE of non-resident companies	6.0%	6.0%	7.0%	10.0%
- by a sports person	6.0%	6.0%	10.0%	10.0%
- by PE of other non-residents	6.0%	6.0%	7.5%	10.0%

## Payments for goods, services and contracts

### **Services rendered by companies [Section 153 & Clause (79) of Part IV of Second Schedule]**

Tax deductible at source on rendering of or providing of services is currently minimum tax for taxpayers other than companies and in the nature of advance tax for companies. The Finance Bill 2015 sought to substitute clause (b) of proviso to section 153(3) of the Ordinance and omit Clause (79) of Part IV of Second Schedule for clarity and with no conceptual change.

The Act adopted the original proposals vide the Finance Bill 2015 in part, whereby the referred Clause (79) has been omitted while the proposed transposition of the concept to section 153 has not been enacted.

Summarily, this has resulted in subjecting the income from services of companies to minimum tax while the same always continued to be taxed under normal regime under the Ordinance since inception, though certain apparently unintentional changes made in 2009 and 2011 made this issue controversial.

Had no transposition been proposed vide the Finance Bill or the proposed transposition been enacted in its entirety, the income of corporate services sector would have continued under normal tax regime, since this partial adoption has exposed a large portion of one of the most documented sectors of economy to an abnormally high taxation cost with no similar precedent from past and in an era when both cost of doing business and unemployment are already on rise.

Moreover, a new clause (d) has been introduced to proviso to section 153(3), clarifying that tax deducted under clause (c) of sub-section (1) in respect of a sportsman shall be final tax with effect from tax year 2013.

### **Rendering of services – General [Section 153 & Div III of Part III of First Schedule]**

In a recent amendment vide SRO 136(I)/2015 dated February 13, 2015, discriminatory rates have already been adopted to the statute for deduction of tax at source. The discriminatory rates have now been enacted. Moreover, to give effect to withdrawal of exemption from withholding tax on payments made to electronic and print media, separate rates have also been introduced. Applicable rates for rendering of services after enactment of changes, where applicable, are as under:

<b>Type of Service Provider</b>	<b>Nature of Services</b>	<b>Filers</b>	<b>Non-filers</b>
Companies	Advertising services (electronic & print media services)	1.0%	12.0%
	Transport services	2.0%	2.0%
	Other services	8.0%	12.0%
Other cases	Advertising services (electronic & print media services)	1.0%	15.0%
	Transport services	2.0%	2.0%
	Other services	10.0%	15.0%

### **Supply of goods & execution of contracts [Section 153 & Div III Part III of First Schedule]**

Discriminatory rates for deduction of tax in case of non-filers have been introduced as under:

<b>Payment made on Account of</b>	<b>Type of Supplier/ Contractor</b>	<b>Existing Rates</b>	<b>Revised Rates</b>	
			<b>Filers</b>	<b>Non-filers</b>
Supply of goods	Companies	4.0%	4.0%	6.0%
	Other cases	4.5%	4.5%	6.5%
Execution of contracts	Companies	7.0%	7.0%	10.0%
	Sportsman	10.0%	10.0%	10.0%
	Other cases	7.5%	7.5%	10.0%

**Petroleum products [Section 156A & Div VIA of Part III of First Schedule]**

Discriminatory rates for deduction of tax have also been adopted for discount and commission on petroleum products in case of non-filers from a uniform rate of 12%. The rate for filers continues at 12%, whereas the rate for non-filers has been enhanced to 15%.

**Cash withdrawal from a bank**

**[Section 231A, Div VI of Part IV of First Schedule & Cl (28B) Part II of Second Sched.]**

Banks are required to deduct tax daily cash withdrawals exceeding Rs. 50,000. The rates for collection in case of non-filers have been enhanced as under:

Status/ Type of Taxpayer	Existing Rate	Revised Rate
Filer	0.3%	0.3%
Non-filer	0.5%	0.6%
Exchange company, duly licensed and authorized by SBP, subject to conditions specified as per clause (28B) Part II of Second Schedule	Exempt under clause (61A) of Part IV of Second Schedule	0.15%

**Advance tax on transactions in bank [Section 231AA & Div VIA of Part IV of First Schedule]**

No advance tax is currently applicable to inter-bank or intra-bank transfer and also where payment is made through a crossed cheque for purchase of Demand Draft, Pay Order, CDR, STDR, SDR, RTC, or any other instrument of bearer nature. The rates for collection in case of non-filers are now being enhanced through the Act:

Status of Taxpayer	Existing Rate	Revised Rate
Filer	0.3%	0.3%
Non-filer	0.5%	0.6%

**Advance tax on private motor vehicles**

**[Section 231B & Division VII of Part IV of First Schedule]**

The following rates for collection of advance tax currently apply at the time of registration of motor vehicles as well as sale of motor cars or jeeps by manufacturers.

S. No.	Engine Capacity	Tax for filers	Tax for Non-filers
(1)	(2)	(3)	(4)
1.	Upto 850cc	Rs. 10,000	Rs. 10,000
2.	851cc to 1000cc	Rs. 20,000	Rs. 25,000
3.	1001cc to 1300cc	Rs. 30,000	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

The Act now substitutes the words 'car or jeep' with the word motor vehicle, thereby enhancing the scope of collection of tax at the time of sale by manufacturers of all type of vehicle.

Separate rates have also been introduced for collection of advance tax at the time of transfer of registration or ownership, which were applicable at par with the above cases. These rates are as under, which are to be reduced by 10% each year from the date of first registration in Pakistan:

S. No.	Engine Capacity	Tax for filers	Tax for Non-filers
(1)	(2)	(3)	(4)
1.	Upto 850cc	NIL	Rs. 5,000
2.	851cc to 1000cc	Rs. 5,000	Rs. 15,000
3.	1001cc to 1300cc	Rs. 7,500	Rs. 25,000
4.	1301cc to 1600cc	Rs. 12,500	Rs. 65,000
5.	1601cc to 1800cc	Rs. 18,750	Rs. 100,000
6.	1801cc to 2000cc	Rs. 25,000	Rs. 135,000
7.	2001cc to 2500cc	Rs. 37,500	Rs. 200,000
8.	2501cc to 3000cc	Rs. 50,000	Rs. 270,000
9.	Above 3000cc	Rs. 62,500	Rs. 300,000

It has been clarified that, for the purposes of the given section, the expression 'date of first registration' means:

- (a) the date of issuance of broad arrow number in case a vehicle is acquired from the Armed Forces of Pakistan;
- (b) the date of registration by the Ministry of Foreign Affairs in case the vehicle is acquired from a foreign diplomat or a diplomatic mission in Pakistan;
- (c) the last day of the year of manufacture in case of acquisition of an unregistered vehicle from the Federal or a Provincial Government; and
- (d) in all other cases the date of first registration by the Excise and Taxation Department.

It has also been clarified that, for the purpose of the given section, the term 'motor vehicle' includes car, jeep, van, sports utility vehicle, pick-up trucks for private use, caravan automobile, limousine, wagon and any other automobile used for private purpose.

**Brokerage & commission** **[Section 233 & Div II of Part IV of First Schedule]**

Discriminatory rates based on filing status of the taxpayer are being introduced:

Recipient	Existing Rates	Revised Rates	
		<i>Filers</i>	<i>Non-filers</i>
Advertising agents	7.5%	10.0%	15.0%
Others	12.0%	12.0%	15.0%

**Tax on motor vehicles** **[Section 234 & Div III of Part IV of First Schedule]**

The rates of tax for **goods transport vehicles** are being reduced from existing Rs.5/ kg of laden weight to Rs. 2.5/ kg in case of filers, whereas reduction to Rs. 4/ kg is being made in case of non-filers.

Tax rates for **passenger transport vehicles** plying for hire have been amended as under:

Seating Capacity	Rates (per seat per annum)		
	Existing	Revised	
		<i>Filers</i>	<i>Non-filers</i>
4 to 9 persons	Rs. 25	Rs. 50	Rs. 100
10 to 19 persons	Rs. 60	Rs. 100	Rs. 200
20 and above	Rs. 500	Rs. 300	Rs. 500

The Act substitutes the word 'cars' with the word 'vehicles' in case of **private automobiles** and also amend the rate of tax collectible at the time of collection of motor vehicle tax by reducing tax for filers and further enhancing the same in case of non-filers:

S. No.	Engine capacity	Existing Rates		Revised Rates	
		Filers	Non-filers	Filers	Non-filers
1.	upto 1000cc	Rs. 1,000	Rs.1,000	Rs. 800	Rs.1,200
2.	1001cc to 1199cc	Rs. 1,800	Rs. 3,600	Rs. 1,500	Rs. 4,000
3.	1200cc to 1299cc	Rs. 2,000	Rs.4,000	Rs. 1,750	Rs.5,000
4.	1300cc to 1499cc	Rs. 3,000	Rs.6,000	Rs. 2,500	Rs.7,500
5.	1500cc to 1599cc	Rs 4,500	Rs 9,000	Rs 3,750	Rs 12,000
6.	1600cc to 1999cc	Rs. 6,000	Rs.12,000	Rs. 4,500	Rs.15,000
7.	2000cc & above	Rs.12,000	Rs.24,000	Rs. 10,000	Rs.30,000

### Advance tax on domestic electricity consumption

#### [Section 235A & Division XIX of Part IV of First Schedule]

Advance tax is collectible at 7.5% in cases where electricity consumption is Rs. 100,000 or more. Though there is an error in the clause of Finance Act, it appears that threshold of Rs.100,000 has been reduced to Rs. 75,000.

### Telephone and internet users

#### [Section 236 & Division V of Part IV of First Schedule]

Advance tax is now to be collected on both post-paid subscriptions and prepaid cards at 14% for internet charges at par with subscribers of mobile telephones and prepaid telephone card by enhancing the scope of section 236.

### Advance tax on purchase of domestic air ticket

#### [Section 236B & Division IX of Part IV of First Schedule]

Advance tax was being charged at 5% of gross amount of air tickets for all domestic routes. This collection has now been exempted on tickets for the routes of Baluchistan coastal belt, Azad Jammu and Kashmir, FATA, Gilgit-Baltistan and Chitral. Moreover, the immunity from this section to Federal Government, Provincial Governments or persons holding tax exemption certificate during a tax year has been transposed to the new section 236O.

### Advance tax on sale or transfer of immovable property

#### [Section 236C & Division X of Part IV of First Schedule]

Advance tax is not being collected in the case of sale or transfer of immovable property by Federal Government, Provincial Government or a Local Government. The Act now transposes this exemption to the newly inserted section 236O.

### Advance tax on sale to distributors, dealers or wholesalers

#### [Section 236G & Div XIV of Part IV of First Schedule]

The rate for collection of tax on fertilizers has been enhanced as under:

Category of Sale	Existing Rate		Revised Rate	
	Filers	Non-filers	Filers	Non-filers
Fertilizers	0.2%	0.4%	0.7%	1.4%
Other than Fertilizers	0.1%	0.2%	0.1%	0.2%

### Advance tax on sales to retailers

#### [Section 236H & Division XV of Part IV of First Schedule]

Every manufacturer, distributor, dealer, wholesaler or commercial importer of electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector is responsible to collect advance tax at 0.5% at the time of sale to retailer on the gross amount of such sale.

The Act now withdraws this requirement in case of sale of fertilizers; however, the cases of sale of all other specified commodities to wholesalers in addition to retailers have also been brought under the ambit of this advance tax.



### Collection of advance tax by educational institutions

#### [Section 236I & Division XVI of Part IV of First Schedule]

Non applicability of advance tax collectible at 5% by educational institutions on the amount of fee from non-residents has been transposed to section 236I from Clause (89) of Part IV of Second Schedule of the Ordinance with no conceptual change.

### Advance tax on purchase or transfer of immovable property

#### [Section 236K & Division XVIII of Part IV of First Schedule]

Advance tax is currently not being collected in the case of purchase or transfer of immovable property by Federal Government, Provincial Government or a Local Government. The Act now apparently consolidates exemptions for all of these immune cases in newly proposed section 236O.

This collection also does not apply to schemes for expatriate Pakistanis from Federal Government, Provincial Governments or Authorities established under a Federal or Provincial law. Now a condition has been enacted that the payments shall be remitted in foreign exchange to Pakistan through normal banking channel.

### Advance tax on international air ticket [Section 236L & Div XX of Part IV of First Schedule]

Following changes to rate of collection of tax on international air tickets have been made:

Type of Ticket	Existing Rate (based on gross amount of Ticket)	Revised Rate (per Person)
First/ executive class	4%	Rs.16,000
Others excluding economy	4%	Rs. 12,000
Economy	0%	NIL

### Advance tax under this chapter

#### [Section 236O]

Despite the withdrawal of specific exemptions from collection of advance tax from the Federal Government, Provincial Governments, foreign diplomats or diplomatic missions in Pakistan or persons who produce a certificate from the Commissioner that his income during the tax year is exempt, the insertion of a new section 236O appears as an effort to consolidate the specific/ scattered exemptions in this regard as per various sections.

### Advance tax on banking transactions otherwise than through cash

#### [Section 236P & Div XXI of Part IV of First Schedule]

The new section 236P apparently tends to induce filings while increasing advance tax collections at 0.6% on almost all type of banking transactions of non-filers if such transactions exceed Rs. 50,000 in a day. This new type of advance tax will be applicable on:

- |                                |                                 |                             |
|--------------------------------|---------------------------------|-----------------------------|
| a. demand draft,               | k. online transfer,             | s. real time third party    |
| b. pay order,                  | l. telegraphic transfer,        | account to account fund     |
| c. special deposit receipt,    | m. mail transfer, direct debit, | transfer,                   |
| d. cash deposit receipt,       | n. payments through internet,   | t. automated teller machine |
| e. short term deposit receipt, | o. payments through mobile      | (ATM) transfers,            |
| f. call deposit receipt,       | phones,                         | u. any other mode of        |
| g. rupee traveller's cheque    | p. account to account funds     | electronic or paper based   |
| h. any other instrument of     | transfer,                       | funds transfer.             |
| such nature,                   | q. third party account to       |                             |
| i. cheque or clearing,         | account funds transfers,        |                             |
| j. interbank or intra bank     | r. real time account to         |                             |
| transfers through cheques,     | account funds transfer,         |                             |

Advance tax under this section shall not be collected in the case of Pakistan Realtime Interbank Settlement Mechanism (PRISM) transactions or payments made for Federal, Provincial or local Government taxes.

### Collection of advance tax on education related expenses remitted abroad

#### [Section 236R & Div XXIV of Part IV of First Schedule]

Collection of advance tax at a rate of 5% to be made by banks, financial institutions, foreign exchange companies or any other person responsible for remitting foreign currency abroad on

account of education related expenses. It has also been clarity that 'education related expenses' include tuition fee, boarding and lodging expenses, any payment for distant learning to any institution or university in a foreign country and any other expense related or attributable to foreign education.

**Dividend in specie** **[Section 236S & Div I of Part III of First Schedule]**  
Dividend in specie has been subjected to collection of tax on rates at par with dividends.

**20. TIME OF DEDUCTION OF TAX** **[Section 158]**

A person is required to deduct tax from an amount paid:

- (a) in the case of deduction on profit on debt, at the time the amount is paid or credited to the account of recipient, whichever is earlier; and
- (b) in other cases, at the time the amount is actually paid.

Now a new sub clause (c) has been added, which reads as under:

- (c) amount actually paid shall have the same meaning as may be prescribed.

**21. EXEMPTION OR LOWER RATE CERTIFICATE** **[Section 159]**

The Federal Board of Revenue was empowered to amend the prescribed rates of withholding tax or exempt persons, class of persons, goods or class of goods from withholding tax. The Act now withdraws this authority vested the Board. However, it has been clarified that any notification already issued and for the time being in force, shall continue to remain in force, unless rescinded by the Board through notification in the official Gazette.

**22. FAILURE TO PAY TAX COLLECTED OR DEDUCTED** **[Section 161]**

Where at the time of recovery of tax under section 161(1) it is established that the tax that was to be deducted from the payment made to a person or collected from a person has meanwhile been paid by that person, no recovery could be made from the person who had failed to collect or deduct the tax, however, the said person is liable to pay default surcharge at the rate of 18% per annum from the date he failed to collect or deduct the tax to the date the tax was paid.

The rate of this default surcharge has been reduced from 18% to 12%.

**23. FURNISHING OF INFORMATION BY FINANCIAL INSTITUTIONS INCLUDING BANKS** **[Section 165B]**

While banks have already been bound to provide information to the Board vide an amendment brought to statute through Finance Act, 2013; the insight has now been extended into financial transactions of non-residents handled by all financial institutions by inserting a new section 165B, which reads as under:

- “(1) Notwithstanding anything contained in any law for the time being in force including but not limited to the Banking Companies Ordinance, 1962 (LVII of 1962), the Protection of Economic Reforms Act, 1992 (XII of 1992), the Foreign Exchange Regulation Act, 1947 (VII of 1947) and any regulations made under the State Bank of Pakistan Act, 1956 (XXXIII of 1956), on the subject every financial institution shall make arrangements to provide information regarding non-resident Persons to the Board in the prescribed form and manner for the purpose of automatic exchange of information under bilateral agreement or multilateral convention.*
- (2) Subject to section 216, all information received under this section shall be used only for tax and related purposes and kept confidential.”*

**24. ADDITIONAL PAYMENT FOR DELAYED REFUNDS** **[Section 171]**

Where a refund due to a taxpayer is not paid within 3 months of the date on which it becomes due, he is entitle to a further amount by way of compensation at the rate of 15% per annum of the amount of the refund computed for the period commencing at the end of the 3 month period and ending on the date on which it was paid.

The Act links the rate of compensation to KIBOR with 0.5% add-on.

## **25. NOTICE TO OBTAIN INFORMATION OR EVIDENCE**

**[Section 176]**

The Commissioner is empowered to require any person, whether or not liable for tax under this Ordinance to furnish to the Commissioner or an authorised officer, any information relevant to any tax leviable under the Ordinance. The Commissioner may now also furnish such a notice to any person requiring him to fulfill any obligation under any agreement with foreign government or governments or tax jurisdiction, as specified in the notice.

Moreover, under a new clause (1A) special audit panel appointed under sub-section (11) of section 177, for any tax year, may, with the prior approval of the Commissioner concerned, enter the business premises of a taxpayer, to obtain any information, require production of any record, on which the required information is stored and examine it within such premises and such panel may if specifically delegated by the Commissioner, also exercise the powers vested in a Court under the Code of Civil Procedure, 1908 (Act V of 1908) in respect of certain specified matters.

## **26. AUDIT**

**[Section 177, 210 & 211]**

New sub-sections (11) to (17) have been added, which read as under:

- “(11) *The Board may appoint as many special audit panels as may be necessary, comprising two or more members from the following:-*
- (a) an officer or officers of Inland Revenue;*
  - (b) a firm of Chartered Accountants as defined under the Chartered Accountants Ordinance, 1961 (X of 1961);*
  - (c) a firm of Cost and Management Accountants as defined under the Cost and Management Accountants Act, 1966 (XIV of 1966); or*
  - (d) any other person as directed by the Board, to conduct an audit, including a forensic audit, of the income tax affairs of any person or classes of persons and the scope of such audit shall be as determined by the Board or the Commissioner on case to case basis.*
- (12) *Special audit panel under sub-section (1) shall be headed by a Chairman who shall be an officer of Inland Revenue.*
- (13) *Powers under sections 175 and 176 for the purposes of conducting an audit under sub-section (11), shall only be exercised by an officer or officers of Inland Revenue, who are member or members of the special audit panel, and authorized by the Commissioner.*
- (14) *Notwithstanding anything contained in sub-sections (2) and (6), where a person fails to produce before the Commissioner or a special audit panel under sub-section (11) to conduct an audit, any accounts, documents and records, required to be maintained under section 174 or any other relevant document, electronically kept record, electronic machine or any other evidence that may be required by the Commissioner or the panel, the Commissioner may proceed to make best judgment assessment under section 121 of this Ordinance and the assessment treated to have been made on the basis of return or revised return filed by the taxpayer shall be of no legal effect.*
- (15) *If any one member of the special audit panel, other than the Chairman, is absent from conducting an audit, the proceedings of the audit may continue, and the audit conducted by the special audit panel shall not be invalid or be called in question merely on the ground of such absence.*
- (16) *Functions performed by an officer or officers of Inland Revenue as members of the special audit Panel, for conducting audit, shall be treated to have been performed by special audit panel.*
- (17) *The Board may prescribe the mode and manner of constitution, procedure and working of the special audit panel.”*

Section 210(1B) has been substituted to empower the Commissioner to delegate to a special audit panel appointed under sub-section (11) of section 177, or to a firm of Chartered Accountants or a firm of Cost and Management Accountants appointed by the Board or the Commissioner to conduct an audit of person under section 177, all or any of the powers or functions to conduct an audit under this Ordinance. A similar necessary amendment has also been made in section 211.

## **27. TAXPAYER'S REGISTRATION**

**[Section 181]**

The proviso after sub-section (3) has been substituted by a new sub-section (4), as under with no conceptual change, however specifying its applicability from tax year 2015:

*“From tax year 2015 and onwards, in case of individuals having Computerized National Identity Card (CNIC) issued by the National Database and Registration Authority, CNIC shall be used as National Tax Number.”*

**28. OFFENCES AND PENALTIES [Section 182, Clause (16) of Part III of Second Schedule]**

Changes to certain penalties have been enacted, as under:

S.No.	Offences	Existing Penalty	Proposed Penalty
1A.	Failure to furnish a statement as required under section 115, 165 or 165A within the due date.	Rs.2,500 for each day of default subject to a minimum penalty of Rs.50,000	Minimum penalty of Rs.10,000 transposed from Clause (16) of Part III of Second Schedule
1AA.	Failure to furnish wealth statement or wealth reconciliation statement	Rs.100 for each day of default	0.1% of the taxable income per week or Rs.20,000, whichever is higher

**29. DEFAULT SURCHARGE**

**[Section 205]**

The rate of default surcharge has been reduced from existing 18% to 12%.

**30. AUTOMATIC SELECTION FOR AUDIT**

**[Section 214D]**

The Act introduces a new section 214D, which reads as under:

- (1) A person shall be automatically selected for audit of its income tax affairs for a tax year if-
  - (a) the return is not filed within the date it is required to be filed as specified in section 118, or, as the case may be, not filed within the time extended by the Board under section 214A or further extended for a period not exceeding thirty days by the Commissioner under section 119; or
  - (b) the tax payable under sub-section (1) of section 137 has not been paid.
- (2) Audit of income tax affairs of persons automatically selected under sub-section (1) shall be conducted as per procedure given in section 177 and all the provisions of the Ordinance shall apply accordingly:  
Provided that audit proceedings shall only be initiated after the expiry of ninety days from the date as mentioned in sub-section (1).
- (3) Subject to section 182, 205 and 214C, sub-section (1) shall not apply if the person files the return within ninety days from the date as mentioned in sub-section (1) and-
  - (a) twenty five percent higher tax, than the tax paid during immediately preceding tax year, has been paid by a person on the basis of taxable income and had declared taxable income in the return for immediately preceding tax year; or
  - (b) tax at the rate of two percent of the turnover or the tax payable under Part I of the First Schedule, whichever is higher, has been paid by a person alongwith the return and in the immediately preceding tax year has either not filed a return or had declared income below taxable limit:  
Provided that where return has been filed for the immediately preceding tax year, turnover declared for the tax year is not less than the turnover declared for the immediately preceding tax year.
- (4) The provisions of sub-section (1) and sections 177 and 214C shall not apply, for a tax year, to a person registered as retailer under rule (4) of the Sales Tax Special Procedure Rules, 2007 subject to the condition that name of the person registered under rule (4) of the Sales Tax Special Procedure Rules, 2007 remained on the sales tax active taxpayers' list throughout the tax year.
- (5) Sub-section (4) shall have effect from the date appointed by the Board through Notification in the official gazette."

**31. REWARD TO WHISTLEBLOWERS**

**[Section 227B]**

After a scheme of rewards to officers and officials of Inland Revenue introduced earlier vide Finance Act, 2013, the Act now empowers the Board to sanction reward to whistleblowers in cases of concealment or evasion of income tax, fraud, corruption or misconduct providing credible information leading to such detection of tax. However, claim for reward by the whistleblower shall be rejected if:

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

The new term “whistleblower” means a person who reports concealment or evasion of income tax leading to detection or collection of taxes, fraud, corruption or misconduct, to the competent authority having power to take action against the person or an income tax authority committing fraud, corruption, misconduct, or involved in concealment or evasion of taxes.

Board may, by notification in the official Gazette, prescribe the procedure in this behalf and also specify the apportionment of reward sanctioned under this section for whistleblowers.

## **32. EXEMPTIONS FROM TOTAL INCOME**

**[Second Schedule Part I]**

### **Exemptions granted**

- a. *Deduction from total income for donations*** **[Clause (57)(3)(xiv)]**  
Exemption has been granted to Punjab General Provident Investment Fund established under the Punjab General Provident Investment Fund Act and the trust established thereunder.
- b. *Deduction from total income for donations*** **[Clause (61)(xiv)]**  
Exemption has been granted to amounts donated to the Indus Hospital, Karachi.
- c. *The Indus Hospital, Karachi*** **[Clause (66)(xxxiii)]**  
Exemption has been granted from tax on income generated by the Indus Hospital, Karachi.
- d. *Sale of immovable property to REIT & Development REIT Scheme*** **[Clause (99A)]**  
Profits and gains accruing to a person on sale of immovable property to a REIT Scheme up to June, 2015 are exempt from tax. The Act exempts profit and gains on sale of immovable property to a Developmental REIT Scheme with the object of development and construction of residential buildings up to June, 2020.
- e. *Inter-corporate dividends*** **[Clause (103A)]**  
Income derived from inter-corporate dividend within the group companies entitled to group taxation under section 59AA or section 59B is currently exempt from tax. It has been sought to make this exemption conditional with the filing of return of the group has been filed for the tax year.
- f. *Manufacturers of PME for generation of renewable energy*** **[Clause (126I)]**  
The Act grants exemption to profits & gains of industrial undertakings set-up by December 2016 and engaged in the manufacture of plant, machinery, equipment and items with dedicated use (no multiple uses) for generation of renewable energy from sources like solar and wind. Period of exemption shall be 5 years beginning July 01, 2015.
- g. *Warehouses or cold chain facilities for storage of agriculture produce*** **[Clause (126J)]**  
Tax exemption has been granted for a period of 3 years to industrial undertakings set-up July 2015 and June 2016 engaged in operating warehousing or cold chain facilities for storage of agriculture produce. The said period of 3 years shall be reckoned from later of the month in which the industrial undertaking is set up or commercial operations are commenced.
- h. *Halal meat production units*** **[Clause (126K)]**  
Conditional exemption has granted to industrial undertakings set up between July 2015 and June 2017, engaged in operating halal meat production and have obtained halal certification. The exemption will be so granted for a period of 4 years beginning with the month in which commercial production commences. Conditions are as under:

  - (i) owned and managed by a company formed for operating the said, halal meat production unit and registered under the Companies Ordinance, 1984, and having its registered office in Pakistan
  - (ii) not formed by the splitting up, or the reconstruction or reconstitution, of a business already in existence or by transfer to a new business of any machinery or plant used in a business which was being carried on in Pakistan at any time before the commencement of the new business; and
  - (iii) halal meat production unit is established and obtains a halal certification within the period between July 2015 and June 2017.

- i. Industrial undertakings set up in Khyber Pukhtunkhwa & Baluchistan [Clause (126L)]**  
Profits and gains of industrial undertakings set up in Khyber Pukhtunkhwa and Baluchistan provinces have been exempted from tax for a period of 5 years commencing the month of set up or commercial production, whichever is later. The exemption under this clause shall be admissible where:
- (i) the manufacturing unit is setup between the July 2015 and June 2018; and
  - (ii) the manufacturing unit is not established by the splitting up or reconstruction or reconstitution of an undertaking already in existence or by transfer of machinery or plant from an undertaking established in Pakistan at any time before July 2015.
- j. Transmission line project [Clause (126M)]**  
Profits and gains derived by a taxpayer from a transmission line projects set-up in Pakistan during July 2015 and June 2018 have been exempted from tax for a period of 10 years, subject to the conditions that such projects are:
- (i) owned and managed by a company formed for operating the said project and registered under the Companies Ordinance, 1984, and having its registered office in Pakistan;
  - (ii) not formed by the splitting up, reconstruction or reconstitution of a business already in existence or by transfer to a new business of any P&M used in a business which was being carried on in Pakistan at any time before the commencement of the new business; and
  - (iii) owned by a company 50% of whose shares are not held by the Federal Government or Provincial Government or a Local Government or which is not controlled by the Federal Government or a Provincial Government or a Local Government.
- k. Manufacturing of cellular mobile phones [Clause (126N)]**  
Exemption has been granted to profits and gains derived by taxpayers from an industrial undertaking duty certified by PTA engaged in the manufacturing of cellular mobile phones, for a period of 5 years from the month of commencement of commercial production. Following conditions, however, apply in this case that the industrial undertaking:
- (i) has been set up and commercial production has commenced between July 2015 and June 2017;
  - (ii) is not formed by the splitting up, or the reconstruction or reconstitution, of a business already in existence or by transfer to a new business of any machinery or plant used in a business which was being carried on in Pakistan.
- l. LNG Terminal Operators & Owners [Clause (141)]**  
The Act exempts profit and gains derived by LNG Terminal Operators and Terminal Owners for a period of 5 years commencing the commercial operations.
- m. Income from social security contributions [Clause (142)]**  
Exemption has been granted to the income from social security contributions derived by Balochistan Employees' Social Security Institution, Employees' Social Security Institution Khyber Pakhtunkhwa, Punjab Employees' Social Security Institution and Sindh Employees' Social Security Institution. An explanation has also been included in the Act to this effect for clarity.

#### **Exemptions withdrawn**

- a. Annuity issued under the Pakistan Postal Annuity Certificate Scheme [Clause (20)]**  
Income received from an annuity issued under the Pakistan Postal Annuity Certificate Scheme on or after the July 27, 1977, was exempt up to Rs. 10,000 per year. This exemption has now been withdrawn.
- b. Capital gains from the sale of shares of a public company set up in any Special Industrial Zone [Clause (113)]**  
The prevailing exemption on capital gains being income from the sale of shares of a public company set up in any Special Industrial Zone for a period of 5 years from the date of commencement of commercial operations is now being withdrawn.

- c. Profits & gains of taxpayers located certain areas of KPK, FATA and PATA [Clause (126F)]**  
A time barred clause exempting profits and gains derived by taxpayers (manufacturers and suppliers of cement, sugar, beverages and cigarettes) located in the most affected and moderately affected areas of KPK, FATA and PATA has been omitted.

**Extension in the period of exemption**

**China Overseas Ports Holding Company Limited [Clause (126A)]**

Retrospective exemption was granted earlier vide Finance Act, 2014 to income derived by China Overseas Ports Holding Company Limited from Gwadar Port operations for a period of 20 years, with effect from the February 06, 2007. The period of exemption has now been enhanced from 20 to 23 years.

**33. REDUCTION IN TAX RATES**

**[Second Schedule Part II]**

**Concession granted**

**Cash withdrawal by exchange companies [Clause (28B)]**

Concessionary rate of 0.15% under section 231A has been allowed on cash withdrawal by an exchange company, duly licensed and authorized by SBP, exclusively dedicated for its authorized business related transactions, subject to the condition that a certificate issued by the concerned Commissioner Inland Revenue for a financial year mentioning details and particulars of its Bank Account being used entirely for business transactions is provided.

**Concessions transposed to section and/ or other schedule**

**a. Manufacturers of cooking oil or vegetable ghee [Clause (13C)]**

Concessionary rate of 2% in respect of manufacturers of cooking oil or vegetable ghee or both, the rate of income tax on purchase of locally produced edible oil transposed to section 148A.

**b. Goods transport vehicles & passenger transport vehicles [Clause (14) & (14A)]**

- (i) The concessionary rate of Rs.2/ kg of the laden weight has been increased to Rs. 2.5/ kg in respect of owners of goods transport vehicles being filers. The clause is conceptually transposed to Clause 1 of Division III of Part IV of First Schedule.
- (ii) Concessionary rate of Rs. 250 for passenger transport vehicles with seating capacity of more than 20 is applicable currently. This rate has been increased to Rs. 300 for filers and the concession has been transposed to Clause 2 of Division III of Part IV of First Schedule.

**c. Tax on shipping of a resident person [Clause (21)]**

The existing Clause (21) has been transposed by inserting a new section 7A to the Ordinance, with the extent and basis of tax remaining unchanged.

**Concession withdrawn**

**Owners of goods transport vehicles [Clause (14B)]**

A time-barred concessionary clause for owners of goods transport vehicles has now been omitted.

**34. REDUCTION IN TAX LIABILITY**

**[Second Schedule Part III]**

**Concession transposed to section**

**Penalty for failure to furnish statement [Clause (16)]**

The minimum penalty for failure to furnish statement under section 115, 115, 165 or 165A has been transposed to section 182.

## 35. EXEMPTIONS FROM SPECIFIC PROVISIONS

[Second Schedule Part IV]

### Exemptions granted

- a. Exemptions from the provisions of minimum tax u/s 113** **[Clause (11A)]**  
The Act introduces certain new exemptions, as under:  
Sub-clause
- (xix) LNG Terminal Operators and LNG Terminal Owners.
  - (xx) Taxpayers located in the most affected and moderately affected areas of Khyber Pakhtunkhwa, FATA and PATA for tax year 2010, 2011 and 2012 excluding manufacturers and suppliers of cement, sugar, beverages and cigarettes;
  - (xxi) Rice Mills for the Tax Year 2015;
  - (xxii) Taxpayers qualifying for exemption under clause (126I) of Part-I of Second Schedule in respect of income from manufacture of equipment with dedicated use for generation of renewable energy;
  - (xxiii) Taxpayers qualifying for exemption under clause (126J) of Part-I of Second Schedule in respect of income from operating warehousing or cold chain facilities for storage of agriculture produce;
  - (xxiv) Taxpayers qualifying for exemption under clause (126K) of Part-I of Second Schedule in respect of income from operating halal meat production, during the period mentioned in clause (126K);
  - (xxv) Taxpayers qualifying for exemption under clause (126L) of Part-I of Second Schedule in respect of income from a manufacturing unit set up in Khyber Pukhtunkhwa Province between 1st day of July, 2015 and 30th day of June, 2018. The benefit under Clause (126L) applies to units in KPK as well as Baluchistan; however, exemption from minimum tax has apparently been overlooked for units in Baluchistan.
- b. Exemptions from Alternative Corporate Tax (ACT) u/s 113C** **[Clause (11D)]**  
A new clause 11D has been introduced, granting exemption from the provisions of ACT to LNG Terminal Operators and Owners.
- c. Trading houses** **[Clause (57)]**  
A clarification has been inserted that in-house preparation and processing of food and allied items for sale to customers shall not disqualify a company from being treated as a Trading House and for the purpose of exemption from purview of sections 113 & 153, provided that all the conditions in this clause are fulfilled and sale of such items does not exceed 2% of the total sales.
- d. Trading of listed securities by IFC** **[Clause (67A)]**  
Exemption from the provisions of section 100B (capital gain tax on disposal of listed securities) and Eighth Schedule (Rules for the Computation of Capital Gains on Listed Securities) have been granted to transactions carried on up to June 2015 on any Stock Exchange of Pakistan by International Finance Corporation.
- e. Exemption from section 148 and 153 to certain items** **[Clause (77)]**  
Certain items for renewable source of energy are exempt by specification from the provisions of 148 and 153, even if locally manufactured. Tubular daylighting devices such as solatube has also been added to this inclusive list.
- f. Exemption from section 148 for agricultural & aviation sector** **[Clause (91) & (92)]**  
Certain concessions available through various SROs are now transposed to Part IV of Second Schedule as under in addition to granting certain new exemptions:



**Exemptions under Clause (91)**

(i) Tillage and seed bed preparation equipment:

<b>Equipment</b>	<b>PCT Code</b>
Rotavator	8432.8010
Cultivator	8432.2910
Ridger	8432.8090
Sub soiler	8432.3090
Rotary slasher	8432.8090
Chisel plow	8432.1010
Ditcher	8432.1090
Border disc	8432.2990
Disc harrow	8432.2100
Bar harrow	8432.2990
Mould board plow	8432.1090
Tractor rear or front blade	8430.6900
Land leveller or land planer	8430.6900
Rotary tiller	8432.8090
Disc plow	8432.1090
Soil-scrapper	8432.8090
K.R.Karundi	8432.8090
Tractor mounted trancher	8701.9020
Land leveler	8430.6900

(ii) Seeding or planting equipment:

<b>Equipment</b>	<b>PCT Code</b>
Seed-cum-fertilizer drill (wheat, rice barley, etc.)	8432.3010
Cotton or maize planter with fertilizer attachment	8432.3090
Potato planter	8432.3090
Fertilizer or manure spreader or broadcaster	8432.4000
Rice transplanter	8432.3090
Canola or sunflower drill	8432.3010
Sugarcane planter	8432.3090

(iii) Irrigation, drainage and agro-chemical application equipment

<b>Equipment</b>	<b>PCT Code</b>
Tubewells filters or strainers	8421.2100, 8421.9990
Knapsack sprayers	8424.2010
Granular applicator	8424.2010
Boom or field sprayers	8424.2010
Self propelled sprayers	8424.2010
Orchard sprayer	8424.2010

(iv) Harvesting, threshing and storage equipment

<b>Equipment</b>	<b>PCT Code</b>
Wheat thresher	8433.5200
Maize or groundnut thresher or sheller	8433.5200
Groundnut digger	8433.5900
Potato digger or harvester	8433.5300
Sunflower thresher	8433.5200
Post hole digger	8433.5900
Straw balers	8433.4000
Fodder rake	8433.5900
Wheat or rice reaper	8433.5900
Chaff or fodder cutter	8433.5900
Cotton picker	8433.5900
Onion or garlic harvester	8433.5200
Sugar harvester	8433.5200
Tractor trolley or forage wagon	8716.8090
Reaping machines	8433.5900
Combined harvesters	8433.5100
Pruner/shears	8433.5900

(v) Post-harvest handling and processing & miscellaneous machinery

<b>Equipment</b>	<b>PCT Code</b>
Vegetables and fruits cleaning and sorting or grading equipment	8437.1000
Fodder and feed cube maker equipment	8433.4000

**Exemptions under Clause (92)**

<b>Equipment</b>	<b>PCT Code</b>
Aircraft, whether imported or acquired on wet or dry lease	8802.4000
Maintenance kits for use in trainer aircrafts of PCT headings 8802.2000 and 8802.3000	Respective headings
Spare parts for use in aircrafts, trainer aircrafts or simulators	Respective headings
Machinery, equipment and tools for setting up maintenance, repair and overhaul (MRO) workshop by MRO company recognized by Aviation Division	Respective headings
Operational tools, machinery, equipment and furniture and fixtures on one-time basis for setting up Greenfield airports by a company authorized by Aviation Division	Respective headings
Aviation simulators imported by airline company recognized by Aviation Division	Respective headings

**g. Exemption from tax on exports u/s 154(1) [Clause (93)]**

Exemption has been granted from the provisions of section 154(1) to taxpayers operating halal meat production and qualifying for exemption under clause (126K) of Part I of the Schedule for the period specified in clause (126K).

**Exemptions withdrawn**

**a. Exemption from withholding tax on advertising services [Clause (16A)]**

The prevailing exemption from withholding tax available on advertising services has been withdrawn.

**b. Exemption from tax at import stage [Clause (56)]**

The Act withdraws the prevailing exemption from tax at import stage under section 148 on the following items:

- (i) Chapter 27 of PCT: General/ unconditional import of Mineral fuels, Mineral Oils & Products of their Distillation; Bituminous Substances; Mineral Waxes
- (ii) PCT Heading 9918: Temporary import of Machinery, Equipment, Apparatus, Appliances, etc.

On the other hand the following goods and conditions have been specified for the purpose of exemption from tax at import stage in respect of items under Chapter 27 of PCT:

Item	PCT Code	Conditions for Exemption
Petroleum oils and oils obtained from bituminous minerals crude	2709.0000	If imported by:
Furnace-oil	2710.1941	a. Pakistan State Oil Company Ltd.,
High speed diesel oil	2710.1931	b. Shell Pakistan Ltd.,
Motor spirit	2710.1210	c. Attock Petroleum Ltd.,
J.P.1	2710.1912	d. Byco Petroleum Pakistan Ltd.,
Base oil for lubricating oil	2710.1993	e. Admore Gas Private Ltd.,
		f. Chevron Pakistan Ltd.,
		g. Total-PARCO Pakistan (Pvt.) Ltd.,
		h. Hascol Petroleum Ltd.,
		i. Bakri Trading Company Pakistan (Pvt.) Ltd.;
		j. Overseas Oil Trading Company (Pvt.) Ltd.,
		k. Gas & Oil Pakistan (Pvt.) Ltd., and
		l. Oil refineries.

- c. Cash withdrawals by exchange companies** **[Clause (61A)]**  
The prevailing exemption from deduction of advance tax under section 231A on cash withdrawals for exchange companies has been withdrawn. Reduced rate of 0.15% has, however, been prescribed for these companies as per Clause (28B) of Part II of the Second Schedule.
- d. Payment for rendering of services by companies** **[Clause (79)]**  
Clause (79) maintain the immunity from minimum tax to companies was transposed vide the Finance Bill 2015 to section 153. However, the transposed amendment to section 153 could not be enacted, thereby exposing the corporate service sector to the provisions of minimum tax for the first time since promulgation of the Ordinance.

#### Extensions in the period of exemption

- Fixed tax on Hajj group operators in respect of Hajj operations** **[Clause (72A)]**  
The timeframe of fixed tax at Rs. 5,000 per Hajj in lieu of minimum tax under section 113 and exemption from purview of tax deduction from non-residents as well as non-applicability of section 21(l) has been extended to the tax year 2015.

- Investment in Greenfield industrial undertaking** **[Clause (86)]**  
The timeframe for non-invocation of provisions of section 111 of the Ordinance has been extended to June 2017.

#### Exemptions subjected to condition

- Companies under group taxation scheme** **[Clauses (11B) & (11C)]**  
A new condition has been inserted for the purpose of entitlement to exemption to companies under group taxation scheme from withholding tax on dividends and profit on debt that the return of the group should have been filed for the latest completed tax year.

#### Concessions transposed to section

- a. Collection of advance tax by educational institutions** **[Clause (89)]**  
The Act transposes the non-applicability of collection of advance tax on fee by educational institutions in case of non-residents provisions as per existing clause (89) to section 236l.
- b. Collection of advance tax from government, privileged persons & diplomats** **[Clause (90)]**  
The existing exemptions available to Federal Government or provincial governments, individuals entitled to privileges under the United Nations (Privileges and Immunities) Act, 1948 and foreign

diplomats or diplomatic missions in Pakistan from applicability of collection of advance tax have been transposed to section 236O.

### Corrections and updates

- a. Exemption from the provisions of minimum tax u/s 113** **[Clause (11A)]**  
Certain necessary updates pursuant to changes in relevant statutes, omission of an in-operative concession for KAPCO and correction for companies qualifying for exemption under clause (132B) of Part I of Second Schedule.
- b. Exemption from withholding tax for PEs of Non-residents** **[Clause (46)]**  
Certain correction of reference from section 153(1) to section 152(2A) in case of PE of Non-resident E&P Companies for supply of petroleum products.

### 36. INSURANCE BUSINESS

**[Fourth Schedule]**

- a. Exemption on capital gains from sale of share** **[Rule (6A)]**  
The Act omits a time-barred exemption to insurance companies in respect of capital gains derived which was so exempt up to the tax 2010.
- b. Rate of tax for capital gains** **[Rule (6B)]**  
New rates have been prescribed for tax on capital gains on disposal of shares of listed companies, vouchers of Pakistan Telecommunication Corporation, modaraba certificate or instruments of redeemable capital and derivative products. The proviso to clause (6B) is also omitted accordingly.

S.No.	Holding Period	Tax Year	
		2015	2016
1.	Less than 12 months	12.5%	15.0%
2.	12 months or more but less than 24 months	10.0%	12.5%
3.	24 months or more but less than 4 years	0.0%	7.5%

- c. Super tax for tax year 2015** **[Rule (6D)]**  
With the insertion of section 4B, 'Super Tax for Rehabilitation of Temporarily Displaced Persons', the Act also inserts pursuant Rule (6D) to Fourth Schedule. This one-time tax at 3% for Tax Year 2015 has been imposed upon all companies having income of Rs.500 Million and above.

### 37. EXPLORATION AND PRODUCTION OF PETROLEUM

**[Fifth Schedule Part I]**

- Super tax for tax year 2015** **[Rule (4AA)]**  
With the insertion of section 4B, 'Super Tax for Rehabilitation of Temporarily Displaced Persons', the Act also inserts pursuant Rule (4AA) to Part I of Fifth Schedule. This one-time tax at 3% for Tax Year 2015 has been imposed upon all companies having income of Rs.500 Million and above.

### 38. EXPLORATION AND EXTRACTION OF MINERAL DEPOSITS (OTHER THAN PETROLEUM)

**[Fifth Schedule Part II]**

- Super tax for tax year 2015** **[Rule (2A)]**  
With the insertion of section 4B, 'Super Tax for Rehabilitation of Temporarily Displaced Persons', the Act inserts pursuant Rule (2A) to Part II of Fifth Schedule. This one-time tax at 3% for Tax Year 2015 has been imposed upon all companies having income of Rs.500 Million and above.

### **39. BANKING COMPANIES**

**[Seventh Schedule]**

#### ***Tax on income***

**[Rule (6), (6A), (6B) & (7B)]**

Dividend income and capital gains are taxed at reduced rates up to tax year 2015. A new concept of prorating of expenses between dividend income, capital gains and income taxable at usual rate was also introduced via Finance Act, 2014. The concession of reduced rate for tax on dividend income and capital gains has now been withdrawn. Accordingly, the provisions relating to prorating of expenses have also been omitted, thereby subjecting the income of banking companies from dividend income and capital gains to normal tax regime rate with 35% tax rate for banking companies.

#### ***Super tax for tax year 2015***

**[Rule (7C)]**

With the insertion of section 4B, 'Super Tax for Rehabilitation of Temporarily Displaced Persons', the Act also inserts pursuant Rule (7C) to Seventh Schedule. This one-time tax for Tax Year 2015 has been imposed on banking companies at 4%.

### **40. RULES FOR THE COMPUTATION OF CAPITAL GAINS ON LISTED SECURITIES**

**[Eighth Schedule]**

#### ***Super tax for tax year 2015***

**[Rule 1(8)]**

With the insertion of section 4B, 'Super Tax for Rehabilitation of Temporarily Displaced Persons', the Act also inserts pursuant Rule 1(8) to Eight Schedule. This one-time tax at 3% for Tax Year 2015 has been imposed upon all companies having income of Rs.500 Million and above.

## **SECTION 2 SALES TAX & FEDERAL EXCISE DUTY**

### **1. SALES TAX ACT, 1990**

#### **Definitions**

##### **Active Tax Payer**

**[Section 2 (1)]**

The Act introduces a definition of active taxpayer as a registered person who does not fall in any of the following categories, namely:-

- (a) who is blacklisted or whose registration is suspended or is blocked in terms of section 21;
- (b) who fails to file the return under section 26 by the due date for two consecutive tax periods;
- (c) who fails to file an Income Tax return under section 114 or statement under section 115, of the Income Tax Ordinance, 2001, by the due date; and
- (d) who fails to file two consecutive monthly or an annual withholding tax statement under section 165 of the Income Tax Ordinance, 2001;

##### **Cottage Industry**

**[Section 2(5AB)]**

The Act enhances the threshold of annual utilities [electricity, gas and telephone (bills)] from existing Rs. 700,000 to Rs. 800,000 during the last 12 months for the manufacturer to qualify under cottage industry.

##### **Retailers**

**[Section 2(28)]**

The consideration of total turnover on annual basis of a person having retail and other business for the purposes of registration has been waived from the definition of retailer to align the same since the scheme of registration and charging of sales tax by retailers is no more linked or based on turnover which was previously chargeable to sales tax on turnover basis.

##### **Supply**

**[Section 2(33)(d)]**

The definition of supply has been amended to bring the activities of toll manufacturers into the tax net. Accordingly, transfer or delivery of goods manufactured by toll manufacturer to the owner or to a person nominated by the owner will now be considered as 'supply'.

##### **Whistle blower**

**[Section 2(46A)]**

A new term 'Whistle Blower' has been introduced, which means a person who reports concealment or evasion of sales of tax and tax fraud leading to detection or collection of taxes, fraud, corruption or misconduct, to the competent authority having power to take action against the person or a Sales Tax authority committing fraud, corruption, misconduct, or involved in concealment or evasion of taxes.

##### **Scope of tax**

**[Section 3(1A), (2)(b) & (8)]**

The Act enhances further tax rate at 2% of value against the current applicable rate of 1% where taxable supplies are made to non-registered persons.

##### **Time and manner of payment**

**[Section 6(1)]**

The Act includes recovery powers of Custom Authorities while taking action of collection, payment and enforcement of sales tax in case of goods imported into Pakistan where sales tax is collected by the Customs Authorities under the relevant provision of the Custom Act.

**Determination of tax liability**

**[Section 7(2)(ii)]**

The scope of determination of tax liability has been enhanced by allowing input tax credit on goods cleared by Custom Authorities on provisional assessment basis.

**Tax credit not allowed**

**[Section 8]**

The credit for input tax on pre-fabricated buildings shall now be allowable. However, the input tax credit shall not be allowed in respect of the following:

- a) services in respect of which input tax adjustment is barred under the respective Provincial Sales Tax Law;
- b) import or purchase of agricultural machinery or equipment subject to sales tax at the rate of 7% under Eighth Schedule to this Act; and
- c) from the date to be notified by the Board, such goods and services which, at the time of filing of return by the buyer, have not been declared by the supplier in his return.

**Joint & several liability of registered persons in supply chain where tax unpaid [Section 8A]**

The Act shifts the burden of proof on the department to ascertain responsibilities in respect of unpaid taxes in the case of joint & several liability of a registered person or persons.

**Exemption**

**[Section 13]**

The power of the Board to exempt import or supply of goods from payment of whole or any part of sales tax has been withdrawn. On the other hand the Federal Government has now been empowered to exempt taxable supplies in pursuance to the approval of the Economic Coordination Committee of Cabinet, whenever circumstances exist to take immediate action for the purposes of national security, natural disaster, national food security in emergency situations, protection of national economic interests in situations arising out of abnormal fluctuation in international commodity prices, removal of anomalies in taxes, development of backward areas and implementation of bilateral and multilateral agreements. However, the Federal Government has been required to place before the national assembly all notification issued in a financial year. A notification issued after July 1, 2015 if not rescinded earlier shall stand rescinded on the expiry of financial year in which it was issued.

**Registration**

**[Section 14]**

Existing provisions relating to registration of tax payer have been substituted as under:

- (1) Every person engaged in making taxable supplies in Pakistan, including zero-rated supplies, in the course or furtherance of any taxable activity carried on by him, falling in any of the following categories, if not already registered, is required to be registered under this Act, namely:-
  - (a) a manufacturer who is not running a cottage industry;
  - (b) a retailer who is liable to pay sales tax under the Act or rules made thereunder, excluding such retailer required to pay sales tax through his electricity bill under sub-section (9) of section 3;
  - (c) an importer;
  - (d) an exporter who intends to obtain sales tax refund against his zero-rated supplies;
  - (e) a wholesaler, dealer or distributor; and
  - (f) a person who is required, under any other Federal law or Provincial law, to be registered for the purpose of any duty or tax collected or paid as if it were a levy of sales tax to be collected under the Act;
- (2) Persons not engaged in making of taxable supplies in Pakistan, if required to be registered for making imports or exports, or under any provisions of the Act, or any other Federal law, may apply for registration.

- (3) The registration under this Act shall be regulated in such manner as the Board may, by notification in the official Gazette, prescribe.

**Active taxpayers list**

**[Section 21A]**

The Act introduces the concept of “Active Taxpayers list” similar to the one introduced under the Income Tax Law through Finance Act 2014 in order to identify the “Filers” and “Non-Filers”.

The Board has now been empowered to maintain active taxpayers list in the manner as may be prescribed by the rules and such rules may provide for restrictions and limitations to be imposed on a person who ceases to be an active taxpayer.

**Access to record, documents etc.,**

**[Section 25(3)]**

The reference of section 36 specified in sub section 3 of section 25 which had already become inoperative vide Finance Act, 2012 has now been omitted.

**Audit by special audit panels**

**[Section 32A]**

The Board has been authorized to appoint as many special audit panels as may be necessary comprising two or more members from the following:

- (a) an officer or officers of Inland Revenue;
- (b) a firm of Chartered Accountants or Cost and Management Accountants; or
- (c) any other person as directed by the Board, to conduct audit of a registered person or persons, including audit of refund claims and forensic audit and the scope of such audit shall be determined by the Board or the Commissioner Inland Revenue on a case-to-case basis. In addition, the Board may, where it considers appropriate, also get such audit conducted jointly with similar audits being conducted by provincial administrations of sales tax on services.

Each special audit panel shall be headed by a chairman who shall be an officer of Inland Revenue and the Board may prescribe rules in respect of constitution, procedure and working of special audit panel.

Moreover, if any one member of the special audit panel, other than the chairman, is absent from conducting an audit, the proceedings of the audit may continue and the audit conducted by the special audit panel shall not be invalid or be called in question merely on the ground of such absence.

**Offences and penalties**

**[Section 33]**

The number of days has been reduced from 15 to 10 for computing penalty for failure to furnish a return within due date and fail to deposit the amount of tax due within the stipulated time.

**Monitoring or tracking by electronic or other means**

**[Section 40C]**

The Act introduces bar-coding on goods to make the electronic tracking more effective and also prescribes that such barcodes to be acquired by the registered person from a licensee appointed and against price approved by the Board which shall include the cost of equipment installed by such licensee in the premises of the said registered person.

**Agreement for the exchange of information**

**[Section 56A]**

A new section 56A has been introduced, allowing Federal Government to enter into bilateral or multilateral agreements with Provincial Governments or with Governments of Foreign countries for exchange of information, including electronic exchange of information, with respect to Sales Tax imposed under the Sales Tax Act or any other law of Pakistan.

The provisions of agreements for the avoidance of double taxation and prevention of fiscal evasion as applicable under the Income Tax Ordinance shall apply as it is under the Sales Tax Act as well.

**Disclosure of information by a public servant** **[Section 56B]**

With a view to provide uniformity among relevant statutes, section 56B has been inserted whereby any information acquired under the Sales Tax Act or in pursuance of a bilateral or multilateral agreement or tax information exchange agreement shall be confidential and no public servant shall disclose any such information.

The provisions of disclosure of information by a public servant as applicable under the Income Tax Ordinance shall apply as it is under the Sales Tax as well.

**Prize schemes to promote tax culture** **[Section 56C]**

Prize scheme has been introduced to encourage the general public to make purchase only from registered persons issuing the tax invoices.

**Reward to whistle blowers** **[Section 72D]**

The Board has been empowered to sanction reward to whistle blowers for providing credible information leading to detection of evasion of tax in cases of concealment or evasion of duty, corruption or misconduct.

**Zero rating of sales tax** **[Fifth Schedule]**

**Zero rating facility granted**

**[Sr. No 6 & 6A]**

Supplies of locally manufactured plant and machinery of the following specification and subject to below mentioned conditions / restrictions, to manufacturers in the export processing zone shall be chargeable to sales tax at the rate of zero percent vide amendment in Fifth Schedule of the Sales Tax Act, 1990:

<b>Specifications</b>	<b>Conditions / Restrictions</b>
<ul style="list-style-type: none"><li>i. Plant and machinery, operated by power of any description, as is used for the manufacture or production of goods by that manufacturer;</li><li>ii. Apparatus, appliances and equipment specifically meant or adapted for use in conjunction with the machinery specified in clause (i);</li><li>iii. Mechanical and electrical control and transmission gear, meant or adapted for use in conjunction with machinery specified in clause (i); and</li><li>iv. Parts of machinery as specified in clauses (i), (ii) and (iii) identifiable for use in or with such machinery</li></ul>	<ul style="list-style-type: none"><li>i. the supplier of the machinery is registered under the Act;</li><li>ii. proper bill of export is filed showing registration number;</li><li>iii. the purchaser of the machinery is an established manufacturer located in the Export Processing Zone and holds a certificate from the Export Processing Zone Authority to that effect;</li><li>iv. the purchaser submits an indemnity bond in proper form to the satisfaction of the concerned Commissioner Inland Revenue that the machinery shall, without prior permission from the said Commissioner, not be sold, transferred or otherwise moved out of the Export Processing Zone before a period of five years from the date of entry into the Zone;</li><li>v. if the machinery is brought to tariff area of Pakistan, sales tax shall be charged on the value assessed on the Act of entry; and</li><li>vi. breach of any of the conditions specified herein shall attract legal action under the relevant provisions of the Act, besides recovery of the amount of sales tax along with default surcharge and penalties involved.</li></ul>

**[Sr. No 9]**

Any manufacturer involved in the export of exempt goods can now avail the benefit of zero rate regardless of the fact the manufacturer is involved in local supplies of both taxable and exempted goods or not.



**Zero rating facility withdrawn**

**[Sr. No 12]**

The following goods and raw material, packing materials, sub components, components, sub assemblies & assemblies imported or purchased locally for the manufacture of said goods have been excluded from chargeability to sales tax at the rate of zero percent:

S No.	Description	PCT Heading
Ix	Flavored milk	0402.9900
X	Yogurt	0403.1000
Xi	Cheese	0406.1010
Xii	Butter	0405.1000
Xiii	Cream	04.01 and 04.02
Xiv	Desi Ghee	0405.9000
Xv	Whey	04.04
Xvi	Milk and cream concentrated and added sugar or other sweetening matter	0402.1000

**Exemptions**

**[Sixth Schedule]**

**Exemptions withdrawn**

**[Table I – Imports or Supplies]**

Exemption of sales tax withdrawn in respect of the following items:

S. #	Items	PCT Heading
28	Ingredients of poultry feed and cattle feed, except soyabean meal of PCT heading 2304.0000 and oil cake of cottonseed falling under PCT heading 2306.1000	2301.2090, 2306.4100, 2309.9010, 2309.9020, 2309.9090, 2936.2100, 2936.2200, 2936.2300, 2936.2400, 2936.2500, 2936.2600, 2936.2700 and 2936.2800
39	Incinerators of disposal of waste management, motorized sweepers and snow ploughs.	8417.8000, 8430.2000 and 8479.8990
56	Re-importation of foreign origin goods which were temporarily exported out of Pakistan subject to similar conditions as are envisaged for the purposes of applying zero rate of customs duty under the Customs Act.	99.18

**[Table I – Imports or Supplies]**

The following changes have been made in the Sixth Schedule of the Sales Tax Act, 1990:

S. #	Description	Heading/Sub-Heading No. Omitted	Heading/Sub-Heading No. substituted / inserted with
19	Cereals & products of a milling industry	1006.1010	
20	Seeds, Fruit and spores of a kind use for sowing		1006.1010
73	Milk		04.01
73A	Milk and cream, concentrated or containing added sugar or other sweetening matter, excluding that sold in retail packing under a brand name		04.01 and 04.02
74	Flavored milk, excluding that sold in retail packing under a brand name		0402.9900
75	Yogurt, excluding that sold in retail packing under a brand name		0403.1000
76	Whey, excluding that sold in retail packing under a brand name		04.04
77	Butter, excluding that sold in retail packing under a brand name		0405.1000
78	Desi Ghee, excluding that sold in retail packing under a brand name		0405.9000
79	Cheese, excluding that sold in retail packing under a brand name		0406.1010
80	Processed cheese not grated or powered, excluding that sold in retail packing under a brand name		0406.3000
114	green house farming and other greenhouse Equipment consisting of plastic covering and mulch film, anti-insect net and shade net(if used for agriculture sector)	8430.3100, 8430.3900	3920.1000,3926.9099, 5608.1900, 5608.9000
	a. Tunnel farming equipment		
	b. Green house prefabricated		

The following items, already exempt through various SRO's have now been included under Table – II of the Sixth Schedule of the Act:

**[Table II – Imports or Supplies]**

S. #	Description	PCT Heading
117	Appliances for colostomy	3006.9100
118	Colostomy and urostomy bags	3926.9050
119	Tubular day lightning devices (TDDs)	8539.3930
120	Various Diagnostic kits or equipment	3822.0000
121	Blood Bag CPDA-1 with blood transfusion set pack in aluminum foil with set	Respective headings
122	Urine drainage bags	Respective headings
123	Aircraft, whether imported or acquired on wet or dry lease	8802.4000
124	Maintenance kits for use in trainer aircrafts of PCT headings 8802.2000 and 8802.3000	Respective headings
125	Spare parts for use in aircrafts, trainer aircrafts or simulators	Respective headings
126	Machinery, equipment and tools for setting up maintenance, repair and overhaul (MRO) workshop by MRO company recognized by Aviation Division	Respective headings
127	Operational tools, machinery, equipment and furniture and fixtures on one-time basis for setting up Greenfield airports by a company authorized by Aviation Division	Respective headings
128	Aviation simulators imported by airline company recognized by Aviation Division	Respective headings
129	Import of plant, machinery and production line equipment used for the manufacturing of mobile phones by the local manufacturers of mobile phones duly certified by PTA	Respective headings

The following items have now been included under Table – II of the Sixth Schedule of the Act:

**[Table II – Local Supplies only]**

S. #	Description	PCT Heading
17	Raw and pickled hides and skins, wet blue hides and skins	41.01, 41.02, 41.03, 4104.1000, 4105.1000, 4106.2100, 4106.3000, 4106.9000,
18	Supplies made by manufacturers of marble and granite having annual turnover less than give million rupees even if their annual utility bill is more than eight hundred thousand rupees	Respective headings
19	Bricks (up to 30 <sup>th</sup> June, 2018)	6901.1000
20	Crushed stone (up to 30 <sup>th</sup> June, 2018)	2517.1000
21	Poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal	2306.3000, 2306.4900, and respective headings

The following exemptions previously available vide the Sixth Schedule of the Sales Tax Act have now been withdrawn.

**[Table II – Local Supplies only]**

S. #	Description	PCT Heading
13	Reclaimed lead, if supplied to recognized manufacturers of lead batteries	Respective Headings
14	Waste paper	Respective headings

It has been sought to withdraw the following exemptions previous available vide the Sixth Schedule of the Sales Tax Act.

**[Table III – Local Supplies only]**

S. #	Description	PCT Headings	Conditions
10	Machinery, equipment, raw materials, components and other capital goods for use in buildings, fittings, repairing or refitting of ships, boats or floating structures imported by Karachi Shipyard and Engineering Works Limited	Respective Headings	
16	Plant, machinery, equipment and specific items used in production of bio-diesel	Respective Headings	The Alternate Energy Development Board (AEDB), Islamabad shall certify in the prescribed manner and format as per Annex-B that the imported goods are bonafide project requirement. The goods shall not be sold otherwise disposed of within a period of five years of their import except with the prior approval of the FBR and payment of customs duties and taxes leviable at the time of import.

### **Eighth Schedule**

The following items have been included in Table-I of Eighth Schedule of the Act chargeable to tax at reduced rate of 10%:

**[Table I - Eighth Schedule]**

S No.	Description	PCT Heading	Rate	Conditions
7	Flavored milk	0402.9900	10%	Sold in retail packing under a brand name
8	Yogurt	0403.1000	10%	--- do ---
9	Cheese	0406.1010	10%	--- do ---
10	Butter	0405.1000	10%	--- do ---
11	Cream	04.01 and 04.02	10%	--- do ---
12	Desi Ghee	0405.9000	10%	--- do ---
13	Whey	04.04	10%	--- do ---
14	Milk and cream concentrated and added sugar or other sweetening matter	0402.1000	10%	--- do ---

Reduced rate of sales tax at the rate of 5% on the following items vide Eighth Schedule of the Sales Tax Act.

**[Table I - Eighth Schedule]**

S #	Description	PCT Heading	Rate	Conditions
15	Ingredients of poultry feed and cattle feed, except soya bean meal of PCT heading 2304.0000 and oil-cake of cottonseed falling under PCT heading 2306.1000	Specified headings	5%	
16	Incinerators of disposal of waste management, motorized sweepers and snow ploughs	8417.8000, 8430.2000 and 8479.8990	5%	
17	Re-importation of foreign origin goods which were temporarily exported out of Pakistan	99.18	5%	Subject to similar conditions as are envisaged for the purposes of customs duty under the Customs Act, 1969, and taxable value shall be the value determined under PCT heading 99.18 of the said Act increased by customs duty payable.
18	Reclaimed lead	Respective headings	5%	If supplied to recognized Manufacturers of lead and lead batteries
19	Waste paper	47.07	5%	

S #	Description	PCT Heading	Rate	Conditions
20	Plant, machinery, equipment and specific items used in production of bio-diesel	Respective headings	5%	The Alternative Energy Development Board (AEDB), Islamabad shall certify in the prescribed manner and format as per Annex-B, as given in the Sixth Schedule, that the imported goods are bonafide project requirement. The goods shall not be sold or otherwise disposed of within a period of five years of their import except with the prior approval of the FBR and payment of customs duties and taxes leviable at the time of import
21	Rapeseed, sunflower seed and canola seed	1205.0000, 1206.0000	16%	On import by solvent extraction industries
22	Soya bean seed	1201.1000	6%	On import by solvent Extraction industries, subject to the condition that no refund of input tax shall be admissible
23	Secondhand and worn clothing or footwear	6309.0000	5%	
25	Agriculture tractors	8701.9020	10%	
26	Tillage and seed bed preparation equipment comprising various items etc:	Respective headings	7%	
27	Seeding or planting equipment:	8432.3010	7%	
	(i) Seed-cum-fertilizer drill(wheat, rice barley, etc)	8432.3090		
	(ii) Cotton or maize planter with fertilizer attachment	8432.4000		
	(iii) Potato planter	8432.3090		
	(iv) Fertilizer or manure spreader or broadcaster	8432.3010		
	(v) Rice transplanter	8432.3090		
	(vi) Canola or sunflower drill			
	(vii) Sugarcane planter			
28	Irrigation drainage and agro-chemical application equipment:	8421.2100	7%	
	(i) Tube wells filters or strainers	8421.9990		
	(ii) Knapsack sprayers	8424.2010		
	(iii) Granular applicator	8424.2010		
	(iv) Boom or field sprayers	8424.2010		
	(v) Self propelled sprayers	8424.2010		
	(vi) Orchard sprayer	8424.2010		
29	(i) Harvesting, threshing and storage equipment:	8433.5200	7%	
	(ii) Wheat thresher	8433.5200		
	(iii) Maize or groundnut thresher or sheller	8433.5900		
	(iv) Groundnut digger	8433.5300		
	(v) Potato digger or harvester	8433.5200		
	(vi) Sunflower thresher	8433.5900		
	(vii) Post hole digger	8433.4000		
	(viii) Straw balers	8433.5900		
	(ix) Fodder rake	8433.5900		
	(x) Wheat or rice reaper	8433.5900		
	(xi) Chaff or fodder cutter	8433.5900		
	(xii) Cotton picker	8433.5200		
	(xiii) Onion or garlic harvester	8433.5200		
	(xiv) Sugar harvester	8716.8090		
	(xv) Tractor trolley or forage wagon	8433.5900		
	(xvi) Reaping machines	8433.5100		
	(xvii) Combined harvesters	8433.5900		
	(xviii) Pruner/shears			
30	Post-harvest handling and processing & miscellaneous machinery		7%	
	(i) Vegetables and fruits cleaning and sorting or grading equipment	8437.1000		
	(ii) Fodder and feed cube maker equipment	8433.4000		
31	Pesticides and their active ingredients registered by the Department of Plant Protection under the Agricultural Pesticides Ordinance, 1971 and specified stabilizers, emulsifiers, solvents and ingredients for pesticides	38.03 and respective headings for stabilizers, emulsifiers, solvents and ingredients for pesticides	7%	In case of supplies, no input tax credit shall be admissible, except that of the tax paid under this serial number.

**[Table I to Eighth Schedule]**

Existing			Revised	
Sr.	Description of goods	Rate of Sales Tax	Description of goods	Rate of Sales Tax
1.	Soyabean meal	5%	Soyabean meal	10%
6.	Plant and machinery not manufactured locally and having no compatible local substitutes	5%	Plant and machinery not manufactured locally and having no compatible local substitutes	10%

**[Table I to Eighth Schedule]**

The following items have been omitted from Eighth Schedule of the Sales Tax Act.

S No.	Description	PCT Heading	Rate
3	Directly reduced iron	72.03	5%

**[Table II to Eighth Schedule]**

The rate of sales tax has been enhanced from the existing 5% to 10% in respect of the following.

Existing			Revised	
Sr.	Description of goods	Rate of Sales Tax	Description of goods	Rate of Sales Tax
1.	Machinery and equipment for development of grain handling and storage facilities.	5%	Machinery and equipment for development of grain handling and storage facilities.	10%
5.	Complete plants for relocated industries.	5%	Complete plants for relocated industries.	10%
6.	Machinery, equipment and other capital goods meant for initial installation, balancing, modernization, replacement or expansion of oil refining (mineral oil, hydro- cracking and other value added petroleum products), petrochemical and petrochemical downstream products including fibers and heavy chemical industry, cryogenic facility for ethylene storage and handling.	5%	Machinery, equipment and other capital goods meant for initial installation, balancing, modernization, replacement or expansion of oil refining (mineral oil, hydro- cracking and other value added petroleum products), petrochemical and petrochemical downstream products including fibers and heavy chemical industry, cryogenic facility for ethylene storage and handling.	10%

The following items have been deleted from the Eighth Schedule of the Sales Tax Act, which were earlier chargeable at 5%:

**[Table II to Eighth Schedule]**

S.No.	Description	PCT Heading	Conditions
3	Following items imported by Call Centers, Business Processing Outsourcing facilities duly approved by Pakistan Telecommunication Authority. (1) Telephone sets / head-sets. (2) Cat 5/Cat 6/Power cables (3) PABX Switch (4) Plasma TV (5) Dedicated telephone exchange system for call centres (6) Other digital cell recorders	8517.1100 8544.4990 8517.6290 8528.7212 8517.6290 8519.8990	
7	Proprietary Formwork System for building/structures of a height of 100 ft and above and its various items/ components consisting of the following namely (1) Plastic tube	7308.4000 3917.2390	(i) If not manufactured locally and imported by the construction companies registered with the Pakistan Engineering Council;  (ii) the system is to be procured from a well renowned international manufacturer;

S.No.	Description	PCT Heading	Conditions
	(2) Plastic tie slot filters/plugs, plastic cone.	3926.9099	(iii) a certificate from one of the following International Pre-shipment Inspection Companies/ Survey Firms to the extent that all the components/parts are to be used in the Proprietary Formwork System for construction of structures/ buildings of more than 100 feet height, is produced, namely:-
	(3) Standard steel ply panels, Special sized steel ply panels, wedges, tube clamps (B-Type & G-Type), push/pull props, brackets (structure) steel soldiers (structure), drop head, standard, prop tic, buard rail post (structure), coupler brace, cantilever frame, decking beam/Infill beam and doorway angles.	7308.4000	(a) Messrs Lloyds of London; (b) Messrs Quality Tech, LLC; (c) Messrs ABS; (d) Messrs Bureau Veritas; and (e) Messrs SGS; and (iv) The Pakistan Engineering Council shall certify that the imported Proprietary Formworks System conform to the requirement of the Company's project.
	(4) Lifting Unit (Structure)	7308.9090	-do-
	(5) Bolts, tie bolts, anchor bolt assembly (fastener), anchor screw (fastener).	7318.1590	-do-
	(6) Nuts	7318.1690	-do-
	(7) Steel pins, tie wing nut (fastener).	7318.1900	-do-
	(8) Steel washers, water plate (fastener).	7318.2290	-do-
	(9) Adjustable base jack (thread rod with nut and steel plate), adjustable fork head (threaded rod with nut and steel channel).	8425.4900	-do-

### Ninth schedule

Sales tax has been enhanced by 100% on import of handsets and activation of new cards. Moreover, supply of locally manufactured handsets is also brought under the ambit of this tax, whereby the manufacturer is required to pay this sales tax:

(1) Description / Specification of Goods	(2)		(3)	
	Sales tax payable at the time of import or local supply		Sales tax payable at the time of registration of a new International Mobile Equipment Identity (IMEI) number	
	Existing	Revised	Existing	Revised
<b>A. <u>Low Priced Cellular Mobile Phones or Satellite Phones</u></b>				
(i) All cameras: 2.0 mega-pixels or less	Rs. 150 per phone	Rs. 300 per phone	Rs. 150 per registration	Rs. 300 per registration
(ii) Screen size: 2.6 inches or less				
(iii) Key pad				
<b>B. <u>Medium Priced Cellular Mobile Phones or Satellite Phones</u></b>				
(i) One or two cameras: between 2.1 to 10 mega-pixels	Rs. 250 per phone	Rs. 500 per phone	Rs. 250 per registration	Rs. 500 per registration
(ii) Screen size: between 2.6 inches and 4.2 inches				
(iii) Micro-processor: less than 2 GHZ				
<b>C. <u>Smart Cellular Mobile Phones or Satellite Phones</u></b>				
(i) One or two cameras: 10 mega-pixels and above				
(ii) Touch Screen: size 4.2 inches and above	Rs. 500 per phone	Rs. 1,000 per phone	Rs. 500 per registration	Rs. 1000 per registration
(iii) 4GB or higher Basic Memory				
(iv) Operating system of the type IOS, Android V2.3, Android Gingerbread or higher, Windows 8 or Blackberry RIM				
(v) Micro-processor: 2GHZ or higher, dual core or quad core				

## **2. FEDERAL EXCISE ACT, 2005**

### **Definitions**

#### **Whistle Blower**

**[Section 2 (24A)]**

A new term 'Whistle Blower' has been introduced, which means a person who reports concealment or evasion of duty leading to detection or collection of duty, corruption or misconduct, to the competent authority having power to take action against the person or a federal excise authority committing fraud, corruption, misconduct, or involved in concealment or evasion of duty.

#### **Exemptions**

**[Section 16 (2)]**

The powers of the Board to exempt import or supply of goods from payment of whole or any part of duty chargeable under the Federal Excise Act have now been withdrawn. The Federal Government has now been empowered to exempt taxable supplies in pursuance to the approval of the Economic Coordination Committee of Cabinet, whenever circumstances exist to take immediate action for the purposes of national security, natural disaster, national food security in emergency situations, protection of national economic interests in situations arising out of abnormal fluctuation in international commodity prices, removal of anomalies in taxes, development of backward areas and implementation of bilateral and multilateral agreements.

The Federal Government will be required to place before the National Assembly all notification issued in a financial year. However notification issued after July 1, 2015 shall stand rescinded on the expiry of financial year in which it was issued unless earlier rescinded.

#### **Powers of Board or Commissioner to pass certain orders**

**[Section 35 (1)]**

The Act empowers the Board or Commissioner to call information either of their own act or otherwise of any proceedings, for legality, satisfaction & propriety of any decision passed by the subordinate staff.

#### **Reward to Whistle blowers**

**[Section 42D]**

The Board has been authorized to sanction reward to whistle blowers for providing credible information leading to detection of evasion of duty in cases of concealment or evasion of duty, corruption or misconduct.

The Board has been empowered to prescribe the procedure for rewarding the whistle blower and apportionment of the reward. Further the claim for reward shall be rejected on the following grounds:

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

#### **Monitoring or tracking by electronic or other means**

**[Section 45A]**

The Act introduces barcoding on excisable goods to make the electronic tracking more effective and also prescribes that such barcodes to be acquired by the registered person from a licensee appointed and against price approved by the Board which shall include the cost of equipment installed by such licensee in the premises of the said registered person.

#### **Audit**

**[Section 46]**

The Board has been authorized to appoint as many special audit panels as may be necessary comprising two or more members from the following:

- (a) an officer or officers of Inland Revenue;
- (b) a firm of Chartered Accountants or Cost and Management Accountants; or
- (c) any other person as directed by the Board, to conduct audit of a registered person or persons, including audit of refund claims and forensic audit and the scope of such audit shall be

determined by the Board or the Commissioner Inland Revenue on a case-to-case basis. In addition, the Board may, where it considers appropriate, also get such audit conducted jointly with similar audits being conducted by provincial administrations of sales tax on services.

Each special audit panel shall be headed by a Chairman who shall be an officer of Inland Revenue and the Board may prescribe rules in respect of constitution, procedure and working of special audit panel.

Moreover, if any one member of the special audit panel, other than the chairman, is absent from conducting an audit, the proceedings of the audit may continue and the audit conducted by the special audit panel shall not be invalid or be called in question merely on the ground of such absence.

### **Agreements for the exchange of information** **[Section 47A]**

A new section 47A has been introduced, allowing Federal Government to enter into bilateral or multilateral agreements with provincial governments or with governments of foreign countries for exchange of information, including electronic exchange of information, with respect to excise duty imposed under the Federal Excise Act or any other law of Pakistan.

The provisions of agreements for the avoidance of double taxation and prevention of fiscal evasion as applicable under the Income Tax Ordinance 2001 shall apply as it is under the Federal Excise Act as well.

### **Disclosure of information by a public servant** **[Section 47B]**

With a view to provide uniformity among relevant statutes, a new section 47B has been under the Federal Excise Act wherein any information acquired under the said Act or in pursuance of a bilateral or multilateral agreement or tax information exchange agreement shall be confidential and no public servant shall disclose any such information.

The provisions of disclosure of information by a public servant as applicable under the Income Tax Ordinance shall apply as it is under the Federal Excise Act as well.

### **Changes to the description of goods and/ or rate of duty**

Following changes have been made to the rates of the Federal Excise Duty.

**[Table I to First Schedule to the Act]**

Sr.	Existing		Revised	
	Description of goods	Rate of FED	Description of goods	Rate of FED
4.	Aerated waters	9% of the retail price	Aerated waters	10.5% of the retail price
5.	Aerates waters, containing added sugar or other sweetening matter or flavored	9% of the retail price	Aerates waters, containing added sugar or other sweetening matter or flavored	10.5% of the retail price
6.	Aerated waters if manufactured wholly from juices or pulp of vegetables, food grains or fruits and which do not contain any other ingredient, indigenous or imported, other than sugar, coloring materials, preservatives, or additives in quantities prescribed under the West Pakistan Pure Food Rules, 1965	9% of the retail price	Aerated waters if manufactured wholly from juices or pulp of vegetables, food grains or fruits and which do not contain any other ingredient, indigenous or imported, other than sugar, coloring materials, preservatives, or additives in quantities prescribed under the West Pakistan Pure Food Rules, 1965	10.5% of the retail price
9.	Locally produced cigarettes if their on-pack printed retail price exceeds Rs. 2,706 per 1,000 cigarettes.	Rs. 2,632 per 1,000 cigarette	Locally produced cigarettes if their on-pack printed retail price exceeds Rs. 3,350 per 1,000 cigarettes.	Rs.3,030 per 1,000 cigarettes
10.	Locally produced cigarettes if their on-pack printed retail price does not exceed Rs. 2,706 per 1,000 cigarettes.	Rs. 1,085 per 1,000 cigarette	Locally produced cigarettes if their on-pack printed retail price does not exceed Rs. 3,350 per 1,000 cigarettes.	Rs. 1,320 per 1,000 cigarette
13.	Portland cement, Aluminous cement, Slag cement, Super-sulphate cement and similar hydraulic cements, whether or not colored or in the form of clinkers	Rs.400 per metric ton	No change in description of goods	5% of the retail price
56.	New insertion		Filter rod for cigarettes	Rupee 0.75 per filter rod.



**Changes to the description of services and/ or rate of duty**

Following changes to the description of services as well as subjecting chartered flights to the incidence of duty have been made:

**[Table II to First Schedule to the Act]**

<b>Existing</b>			<b>Proposed</b>	
<b>Sr.</b>	<b>Description of services</b>	<b>Rate of FED</b>	<b>Description of goods</b>	<b>Rate of FED</b>
3.	Facilities for travel		Facilities for travel	
	(a) Services provided or rendered in respect of travel by air of passengers within the territorial jurisdiction of Pakistan		(a) Services provided or rendered in respect of travel by air of passengers within the territorial jurisdiction of Pakistan	
	(i) Long routes	Rs. 2,500	(i) Long routes	Rs. 2,500
	(ii) Short routes	Rs. 1,250	(ii) Short routes	Rs. 1,250
	(iii) Socio-economic routes	Rs. 500	Corresponding entry deleted	

**Conditional exemptions - Goods**

Following new entry has been inserted:

**[Table I to Third Schedule to the Act]**

<b>Sr.</b>	<b>Description of goods</b>	<b>Heading/ Sub heading No.</b>
18.	White cement	25.23

**Conditional exemptions – Services**

Following new entries have been made:

**[Table II to Third Schedule to the Act]**

<b>Sr.</b>	<b>Description of goods</b>	<b>Heading/ Sub heading No.</b>
9.	Services provided or rendered in respect of travel by air of passengers on "socio-economic routes", which means the shortest part of journeys starting from or ending at an airport located in Makran coastal region, FATA, Azad Jammu and Kashmir, Gilgit-Baltistan or Chitral	98.03
10.	Services provided or rendered in respect of travel by air of passengers on international journeys from Pakistan to: (a) Hajj passengers; (b) Diplomats; and (c) Supernumerary crew	9803.1000
11.	Advertisements in newspapers and periodicals	9802.4000
12.	Services provided or rendered by banking companies and nonbanking financial companies in respect of Hajj and Umrah, cheque book, insurance, Musharika and Modaraba financing and utility bill collection.	98.13

## **SECTION 3 Islamabad Capital Territory (Tax on Services)**

The Schedule of Rates of tax as per Islamabad Capital Territory (Tax on Services) Ordinance, 2001 has been substituted:

S #	Description	PCT Heading	Rate of Tax
1	Services provided or rendered by hotels, motels, guest houses, marriage halls and lawns (by whatever name called) including "pandal" and "shamiana" services, clubs including race clubs, and caterers.	9801.1000 9801.3000 9801.4000 9801.5000 9801.6000	16%
2	Advertisement on television and radio, excluding advertisements— (a) sponsored by an agency of the Federal or Provincial Government for health education; (b) sponsored by the Population Welfare Division relating to educational promotion campaign; (c) financed out of funds provided by a Government under grant-in-aid agreement; and (d) conveying public service messages, if telecast on television by the World Wide Fund for Nature (WWF) or United Nations Children's Fund (UNICEF)	9802.100 and 9802.2000	16%
3	Services provided by persons authorized to transact business on behalf of others— (a) stevedore; (b) customs agents; and (c) ship chandlers.	9805.2000 9805.4000 and 9805.8000	16%
4	Courier services and cargo services by road provided by courier companies;	9808.0000 9804.9000	16%
5	Construction services, excluding: (i) construction projects (industrial and commercial) of the value (excluding actual and documented cost of land) not exceeding Rs. 50 million per annum. (ii) the cases where sales tax is otherwise paid as property developers or promoters. (iii) Government civil works including Cantonment Boards. (iv) construction of industrial zones, consular buildings and other organizations exempt from income tax. (v) construction work under international tenders against foreign grants-in-aid. (vi) Residential construction projects where the covered area does not exceed 10,000 square feet for houses and 20,000 square feet for apartments	9824.0000 and 9814.2000	16%
6	Services provided by property developers and promoters (including allied services) excluding the actual purchase value or documented cost of land.	9807.0000 and respective subheadings of heading 98.14	Rs.100/ Sq.Yd for & development and Rs.50/ Sq.Ft for building construction
7	Services provided by persons engaged in contractual execution of work, excluding: (i) annual total value of the contractual works or supplies does not exceed Rs.50 million; (ii) the contract involving printing or supplies of books.	9809.0000	16%
8	Services provided for personal care by beauty parlours, clinics and slimming clinics, body massage centres, pedicure centres; including cosmetic and plastic surgery by such parlours/clinics, but excluding: (i) annual turnover does not exceed Rs.3.6 million; or (ii) the facility of air-conditioning is not installed or available in the premises.	9821.5000	16%
9	Management consultancy services	9815.4000, 9819.9300	16%
10	Services provided by freight forwarding agents, packers and movers.	9805.3000, 9819.1400	16%
11	Services provided by software or IT-based system development consultants.	9815.6000	16%
12	Services provided by technical, scientific and engineering consultants	9815.5000	16%

S #	Description	PCT Heading	Rate of Tax
13	Services provided by other consultants including but not limited to human resource and personnel development services; market research services and credit rating services.	9815.9000 9818.3000 9818.2000	16%
14	Services provided by tour operators and travel agents including all their allied services or facilities (other than Hajj and Umrah)	9805.5100 9805.5000 9803.9000	16%
15	Manpower recruitment agents including labour and manpower supplies.	9805.6000	16%
16	Services provided by security agencies.	9818.1000	16%
17	Services provided by advertising agents	9805.7000	16%
18	Share transfer or depository agents including services provided through manual or electronic book-entry system used to record and maintain securities and to register the transfer of shares, securities and derivatives.	9805.9000	16%
19	Business support services.	9805.9200	16%
20	Services provided by fashion designers, whether relating to textile, leather, jewellery or other product regimes, including allied services, marketing, packing, delivery and display, etc.	9819.6000	16%
21	Services provided by architects, town planners and interior decorators.	9814.1000 9814.9000	16%
22	Services provided in respect of rent-a-car.	9819.3000	16%
23	Services provided by specialized workshops or undertakings (autoworkshops; workshops for industrial machinery, construction and earth- moving machinery or other special purpose machinery etc; workshops for electric or electronic equipments or appliances etc.including computer hardware; car washing or similar service stations and other workshops).	98.20	16%
24	Services provided for specified purposes including fumigation services, maintenance and repair (including building and equipment maintenance and repair including after sale services) or cleaning services, janitorial services, dredging or desilting services and other similar services etc.	98.22	16%
25	Services provided by underwriters, indenters, commission agents including brokers (other than stock) and auctioneers	9819.1100, 9819.1200, 9819.1300 and 9819.9100	16%
26	Services provided by laboratories other than services relating to pathological or diagnostic tests for patients.	98.17	16%
27	Services provided by health clubs, gyms, physical fitness centres, indoor sports and games centres and body or sauna massage centres	9821.1000 and 9821.2000 9821.4000	16%
28	Services provided by laundries and dry cleaners.	9811.0000	16%
29	Services provided by cable TV operators. Technical analysis and testing services	9819.9000 9819.9400	16%
30	Services provided by TV or radio program producers or production houses.		16%
31	Transportation through pipeline and conduit services.		16%
32	fund and asset (including investment) management services.		16%
33	Services provided by inland port operators (including airports and dry ports) and allied services provided at ports and services provided by terminal operators including services in respect of public bonded warehouses, excluding the amounts received by way of fee under any law or by law.		16%
34	Technical inspection and certification services and quality control (standards' certification) services		16%
35	Erection, commissioning and installation services.		16%
36	Event management services		16%
37	Valuation services (including competency and eligibility testing services),		16%
38	Exhibition or convention services		16%
39	Services provided in respect of mining of minerals, oil & gas including related surveys and allied activities		16%
40	Services provided by property dealers and realtors		16%
41	Call centres.		16%
42	Services provided by car/automobile dealers.		16%

## SECTION 4 CUSTOMS

### 1. CUSTOMS ACT, 1969

#### **General power to exempt from customs-duties** **[Section 19]**

The existing case where previously the Federal Government was able to issue notifications to exempt any goods imported into, or exported from, Pakistan has been substituted. Now the Federal Government will only issue such notifications after pursuing the approval from Economic Coordination Committee of Cabinet and all such notifications are required to be placed before the National Assembly in the same financial year. Any notifications issued after promulgation of the Finance Act, 2015 shall stand revoked upon expiry of the financial year in which they were issued, unless earlier rescinded.

#### **Board's power to grant exemption from duty in exceptional circumstances** **[Section 20]**

Board's powers to grant exemption from custom duties, under circumstances of exceptional nature, have been withdrawn.

#### **False statement, error, etc.** **[Section 32]**

The limit has been increased from less than Rs. 100 to more than Rs. 20,000 for issuing of show cause notice for the recoverable amount on cases where duty or charge have not been levied or short levied or has been erroneously refunded due to any inadvertence, error or misconstruction.

#### **Declaration and assessment for home consumption or warehousing** **[Section 79]**

The Act includes the transshipment for the declaration and for assessment the payment of duties and other charges in-case of transshipment will be at the port of destination.

#### **Transshipment of goods without payment of duty** **[Section 121]**

A new proviso has been inserted for permitting transshipment automatically from the customs-station having Customs Computerized System subject to risk selectivity criteria.

#### **Entry, etc., of transshipped goods** **[Section 123]**

The Act inserts an explanation that for the transshipment of LCL goods, The custom- stations of first entry shall be the customs-station where the goods are de-consolidated.

#### **Punishment for offences** **[Section 156]**

The Act inserts a new clause of penalty upto Rs. 50,000, in-case of contravention of the requirement of placement of the invoice and packing list along with consignment.

Further, the Act introduces the existing penalty in-case of offences of misdeclaration, illegal removal and concealment also on the Transit goods.

### 2. FIRST SCHEDULE & FIFTH SCHEDULE

May be downloaded from FBR's website:

<http://download1.fbr.gov.pk/Docs/2015630166346599PakistanCustomTarrifChapter1-99-FifthSchedule.pdf>

**ANNEX APPLICABLE RATES FOR WITHHOLDING TAX**

Nature of Payment	Tax Rate		Nature of Tax (Advance/ Final/ Minimum Tax)
	Filer	Non-filer	
<b>DIVIDEND, INCLUDING DIVIDEND IN SPECIE</b> [Section 150, 236S, Division I Part III First Schedule & Clause 11B Part IV Second Schedule]			
Dividends from privatized power projects or companies set up for power generation or companies supplying coal exclusively to power generation projects	7.50%		<b>Final Tax</b>
Dividends received by a company from a collective investment scheme, REIT scheme or a mutual fund, other than a stock fund	25%		
Dividends received from stock funds, if dividend receipts are less than capital gains	12.5%	17.5%	
Inter-corporate dividend within the group companies covered under group taxation, where return of the group has been filed for the latest completed tax year	0%		
Other cases, including repatriation of after-tax profits by branches of foreign companies	12.5%	17.5%	
Dividends for 3 years from June 30, 2018 paid by Developmental REIT Schemes set up by June 30, 2018 with the object of development and construction of residential buildings	Rate to be reduced by 50%		
<b>SHIPPING OR AIR TRANSPORT INCOME OF NON-RESIDENTS</b> [Section 7 & Division V Part I First Schedule]			
Shipping income	8%		
Air transport income	3%		
<b>INCOME OF RESIDENTS FROM SHIPS and all floating crafts including tugs, dredgers, survey vessels and other specialized craft purchased or bare-boat</b> [Section 7A]			
Chartered and flying Pakistan flag	USD 1 per gross registered tonnage		<b>Final Tax</b>
Not registered in Pakistan and hired any charter other than bare-boat charter	USD 0.15 / ton of gross registered tonnage per chartered voyage, subject to a maximum annual amount of USD 1 per ton of gross registered tonnage		
<b>CAPITAL GAINS TAX collected by mutual funds, collective investment schemes or REIT schemes at the time of redemption of securities</b> [Second Proviso to Division VII of Part I of First Schedule]			
Received by individuals and AOPs, where holding period of securities is up to 4 years	10%		<b>Advance Tax</b>
Received by companies, if holding period of securities is up to 4 years	10.0% for stock funds 25.0% for others		
All type of recipients, where holding period of securities is above 4 years	Exempt		
In case of a stock fund if dividend receipts of the fund are less than capital gains, the rate of tax deduction shall be 12.5% instead of 10%			
<b>IMPORTS</b> [Section 148 & Part II First Schedule]			
Industrial undertaking importing remelttable steel (PCT Heading 72.04) and directly reduced iron for its own use;	1%	1.5%	<b>Final Tax (General)</b>  <b>Advance tax</b> in the case of: - Raw material or plant & machinery imported by industrial undertakings for own use; - fertilizer imported by the manufacturer of fertilizer; - imports by large Import houses; - motor vehicles in CBU condition imported by manufacturers of motor vehicles - Foreign produced film for screening & viewing purposes  <b>Minimum</b> in case of import of packing material and edible oil
Persons importing potassic fertilizers in pursuance of ECC's decision No.ECC-155/12/2004 dated the 9 Dec 2004;			
Persons importing urea			
Manufacturers covered under S.R.O. 1125(I)/2011 dated the 31 Dec 2011 for importing items as per said SRO			
Persons importing gold			
Persons importing cotton			
Designated buyer of LNG importing on behalf of Govt. of Pakistan	1%	1.5%	
Persons importing Pulses	2%	3%	
Commercial importers covered under S.R.O. 1125(I)/2011 dated the 31 Dec 2011 for importing items as per said SRO	3%	4.5%	
Ship breaker on import of ships	4.5%	6.5%	
Companies and industrial undertakings not covered above	5.5%	8%	
Others	6%	9%	

**ANNEX APPLICABLE RATES FOR WITHHOLDING TAX**

Nature of Payment	Tax Rate		Nature of Tax (Advance/ Final/ Minimum Tax)
	Filer	Non-filer	
<b>PROFIT ON DEBT</b>			
<i>[Section 151 &amp; Division IA Part III First Schedule]</i>			
Where debt yield is up to Rs. 500,000	10%		<b>Advance Tax</b> in the case of companies <b>Final tax</b> in other cases
Where debt yield is above Rs. 500,000	10%	17.5%	
For non-filers, 10% is treated as final tax for non-company recipients and balance 7.5% is advance tax			
<b>PAYMENTS TO NON-RESIDENTS</b>			
<i>[Section 152, Division IV Part I First Schedule &amp; Division II Part III First Schedule]</i>			
Royalty or fee for technical services	15%		<b>Final Tax</b>
Contracts or related services	6%		<b>Final Tax</b> (if option exercised under clause (41), Part IV, 2nd Schedule) otherwise <b>Advance Tax</b>
Insurance or re-insurance premium	5%		<b>Final Tax</b>
Advertisement services to a non-resident media person relaying from outside Pakistan	10%		
Execution of contract by Sportpersons	10%		<b>Advance Tax</b>
Any other receipt	20% of the gross amount or reduced rate under DTA		
<b>PAYMENTS TO PERMANENT ESTABLISHMENT (PE) OF NON-RESIDENTS</b>			
<i>[Section 152 &amp; Division II Part III First Schedule]</i>			
Sale/ supply of goods by PE of non-resident company	4%	6%	<b>Advance Tax</b>
Sale/ supply of goods by PE of other non-residents	4.5%	6.5%	
Rendering/ providing of services by PE of non-resident company	8%	12%	
Rendering/ providing of services by PE of other non-residents	10%	15%	
Rendering/ providing of transport services	2%		
Execution of contract other than contract for sale or services by PE of non-resident company	7%	10%	
Execution of contract other than contract for sale or services by PE of other non-residents	7.5%	10%	
<b>PAYMENTS FOR SUPPLY OF GOODS</b>			
<i>[Section 153(1)(a), Division III Part III First Schedule &amp; Clause (24A) Part II Second Schedule]</i>			
Sale of rice, cotton seed, edible oil	1.5%		<b>Advance Tax</b> in case of listed companies and companies engaged in manufacturing. <b>Final Tax</b> for other cases
Sale by distributors of cigarettes & pharmaceutical products and large import houses	1%		
Sale of any other goods by companies	4%	6%	
Sale of any other goods by other than companies	4.5%	6.5%	
No tax to be withheld for payments in case of: <ul style="list-style-type: none"> <li>- Imported goods sold by an importer where tax u/s 148 has been paid</li> <li>- Yarn sold by traders to taxpayers specified in the sales tax zero-rated regime as provided under clause (45A) of Part-IV of Second Schedule</li> <li>- Cotton ginners who directly deposit equivalent amount of tax in the Treasury and provides evidence of payment to the payer</li> <li>- Purchase of an asset under a lease &amp; buy back agreement by modarabas, leasing/ banking companies or financial institutions</li> </ul>			
<b>PAYMENTS FOR SERVICES</b>			
<i>[Section 153(1)(b), 153(2), Division III Part III First Schedule &amp; Division IV Part III First Schedule]</i>			
Companies providing advertising services (electronic & print media services)	1%	12%	<b>Minimum Tax</b>
Companies providing transport services	2%	2%	<b>Minimum Tax</b>
Companies providing other services	8%	12%	<b>Minimum Tax</b>
Non-company entities providing advertising services (electronic & print media services)	1%	15%	<b>Minimum Tax</b>
Non-company entities providing transport services	2%	2%	<b>Minimum Tax</b>
Non-company entities providing other services	10%	15%	<b>Minimum Tax</b>
By export houses for services rendered for stitching, dying, printing, embroidery, washing, sizing & weaving	1%		<b>Final Tax</b>
No tax to be withheld for payments in case of payment for securitization of receivables by Special Purpose Vehicles to Originators. Any tax deducted by a person making a payment for a Special Purpose Vehicle, on behalf of the Originator, the tax is credited to the Originator			

**ANNEX APPLICABLE RATES FOR WITHHOLDING TAX**

Nature of Payment	Tax Rate		Nature of Tax (Advance/ Final/ Minimum Tax)															
	Filer	Non-filer																
<b>PAYMENT ON ACCOUNT OF EXECUTION OF CONTRACTS</b> [Section 153(1)(c) & Division III Part III First Schedule]																		
To companies	7%	10%	<b>Advance Tax</b> for listed companies <b>Final Tax</b> for non-listed companies															
To sportsperson	10%		<b>Final Tax</b>															
To others	7.5%	10%																
<b>EXPORTS</b> [Section 154 & Division IV Part III First Schedule]																		
At the time of realization of proceeds on export of goods [Exemption to cooking oil or vegetable ghee exported to Afghanistan if tax u/s 148 is paid]	1%		<b>Final Tax</b> Exporters may opt at the time of filing of return that the tax collected to be treated as <b>Minimum Tax</b>															
Indenting commission on realization of proceeds on account of commission to indenting agent	5%																	
Inland back to back LC by exporter on sale of goods under inland back to back LC or any other arrangement as may be prescribed by FBR.	1%																	
Export of goods by units located in EPZ	1%																	
Payment for a firm contract by direct exporters or export houses registered under DTRE Rules, 2001 to an indirect exporter as per the said Rules	1%																	
<b>PROPERTY INCOME/ RENTALS</b> [Section 155 & Division V Part III First Schedule]																		
To companies	15% of the gross amount of rent		<b>Advance tax</b>															
To individuals & AOPs	<table border="1"> <thead> <tr> <th colspan="2">Annual Rent (Rs.)</th> <th>Tax Rate</th> </tr> <tr> <th>From</th> <th>To</th> <th></th> </tr> </thead> <tbody> <tr> <td colspan="2">Up to 150K</td> <td>NIL</td> </tr> <tr> <td>Above 150,000</td> <td>1 Million</td> <td>10 % of the amount above Rs.150,000</td> </tr> <tr> <td colspan="2">Above 1Million</td> <td>Rs.85,000 + 15% of amount above Rs.1Million</td> </tr> </tbody> </table>		Annual Rent (Rs.)		Tax Rate	From	To		Up to 150K		NIL	Above 150,000	1 Million	10 % of the amount above Rs.150,000	Above 1Million		Rs.85,000 + 15% of amount above Rs.1Million	<b>Advance tax</b>
	Annual Rent (Rs.)		Tax Rate															
	From	To																
	Up to 150K		NIL															
Above 150,000	1 Million	10 % of the amount above Rs.150,000																
Above 1Million		Rs.85,000 + 15% of amount above Rs.1Million																
<b>PRIZES AND WINNINGS</b> [Section 156 & Division VI Part III First Schedule]																		
Prize on prize bonds and cross-word puzzle	15%		<b>Final Tax</b>															
Winnings from a raffle, lottery, prize on winning a quiz or prizes related to companies' sales promotion schemes	20%																	
<b>PETROLEUM PRODUCTS</b> [Section 156A & Division VIA Part III First Schedule]																		
Commission or discount to petrol pump operators on petroleum products	12%	15%	<b>Final Tax</b>															
<b>WITHDRAWAL OF BALANCE UNDER PENSION FUND</b> [Section 156B]																		
Withdrawal before retirement age	Average rate of tax for 3 preceding years or rate applicable for the year, whichever is lower		<b>Final Tax</b> (Separate Block of Income)															
Withdrawal in excess of 50% of accumulated balance at or after the retirement age																		
<b>Cash withdrawals from banks</b> [Section 231A, Division VI Part IV First Schedule & Clause (28B) Part II Second Schedule]																		
Exchange company, duly licensed and authorized by SBP, subject to specified conditions	0.15%		<b>Advance Tax</b>															
Other cases, where total withdrawal in a day exceeds Rs. 50,000	0.3%	0.6%																

**ANNEX APPLICABLE RATES FOR WITHHOLDING TAX**

Nature of Payment	Tax Rate		Nature of Tax (Advance/ Final/ Minimum Tax)
	Filer	Non-filer	
<b>TRANSACTIONS IN BANK – Banking instrument purchased against payment in cash</b> [Section 231AA & Division VIA Part IV First Schedule]			
Sale against cash of any instrument including demand draft, payment order, CDR, STDR, RTC, or any other instrument of bearer nature except payment is made through a crossed cheque	0.3%	0.6%	Advance Tax
<b>TAX ON MOTOR VEHICLES</b> [Section 231B, 234, Division VII Part IV First Schedule & Division III Part IV First Schedule]			
Tax on purchase/ transfer of motor vehicles & along with annual motor vehicle tax [Not applicable to Federal, Provincial and Local Govts., Foreign Diplomatic Missions in Pakistan]	Various rates based on engine capacity		Advance Tax
<b>BROKERAGE &amp; COMMISSION</b> [Section 233 & Division II Part IV First Schedule]			
Advertising agents	10%	15%	Final Tax
Others	12%	15%	
<b>COLLECTION OF TAX BY STOCK EXCHANGES IN LIEU OF TAX ON COMMISSION</b> [Section 233A & Division IIA Part IV First Schedule]			
On purchase of shares	0.01%		Advance Tax
On sale of shares	0.01%		
<b>COLLECTION BY TAX BY NCCPL FROM MEMBERS OF STOCK EXCHANGES</b> [Section 233AA & Division IIB Part IV First Schedule]			
In respect of financing of carryover trade, margin financing, margin trading nor securities lending in shares business	10%		Advance Tax
<b>CNG STATIONS</b> [Section 234A & Division VIB Part III First Schedule]			
On the amount of gas bill	4%		Final Tax
<b>ELECTRICITY CONSUMPTION</b> [Section 235, Division IV of Part IV of First Schedule & Clause (66) Part IV Second Schedule]			
Electricity bill of commercial or industrial consumers [Exporters-cum-manufacturers are exempt from this collection]	Various rates		Minimum Tax (for Non-corporate tax payers up to bill amount of 30K) Advance Tax (for other cases)
<b>DOMESTIC ELECTRICITY CONSUMPTION</b> [Section 235A & Division XIX Part IV First Schedule]			
Where the monthly bill is Rs. 75,000 and above	7.5%		Advance Tax
<b>STEEL MELTERS, RE-ROLLERS ETC.</b> [Section 235B/ Section 153(1)]			
Electricity consumed for the production of steel billets, ingots and mild steel (MS products) excluding stainless steel by steel melters, steel re-rollers, composite steel units (registered for the purpose of Chapter XI of Sales Tax Special Procedure Rules, 2007)	Re. 1 per unit of electricity consumed		Non-adjustable/ Final Tax
<b>TELEPHONE USERS</b> [Section 236 & Division V Part IV First Schedule]			
Mobile phone bills and prepaid telephone cards	14%		Advance Tax
Landline bills exceeding Rs. 1,000	10%		
Post-paid internet and prepaid internet cards	14%		
<b>SALE BY AUCTION</b> [Section 236A & Division VIII Part IV First Schedule]			
Sale of property, goods or lease of right by public auction or tender	10%		Advance Tax



**ANNEX APPLICABLE RATES FOR WITHHOLDING TAX**

Nature of Payment	Tax Rate		Nature of Tax (Advance/ Final/ Minimum Tax)
	Filer	Non-filer	
<b>PURCHASE DOMESTIC OF AIR TICKETS</b> [Section 236B & Division IX Part IV First Schedule]			
Tickets for routes of Baluchistan coastal belt, Azad Jammu and Kashmir, FATA, Gilgit-Baltistan and Chitral	Exempt		Not Applicable
Other routes	5%		Advance Tax
<b>SALE OR TRANSFER OF IMMOVABLE PROPERTY</b> [Section 236C & Division X Part IV First Schedule]			
To be collected from seller or transferor at the time of registering or attesting the transfer	0.5%	1%	Advance Tax
<b>FUNCTIONS AND GATHERINGS</b> [Section 236D & Division XI Part IV First Schedule]			
To be collected from a person arranging or holding a function on total amount of bill and also for food, service or facility	5%		Advance Tax
<b>FOREIGN PRODUCED TV PLAYS &amp; SERIALS dubbed in Urdu or regional language for seeing &amp; viewing on any landing rights channel</b> [Section 236E & Division XII Part IV of First Schedule]			
TV drama serial	Rs.100,000 per episode		Advance Tax
TV play (single episode)	Rs.100,000		
<b>CABLE OPERATORS AND OTHER ELECTRONIC MEDIA</b> [Section 236F & Division XIII Part IV First Schedule]			
From IPTV, FM Radio, MMDS, Mobile TV, Mobile Audio, Satellite TV Channel and Landing Rights	20% of the permission fee or renewal fee		Advance Tax
From cable operators	Various Rates		
<b>TAX ON SALES TO DISTRIBUTORS, DEALERS AND WHOLESALEERS BY MANUFACTURERS AND COMMERCIAL IMPORTERS</b> [Section 236G & Division XIV Part IV First Schedule]			
On sale of fertilizers	0.7%	1.4%	Advance Tax
On sale of electronics, sugar, cement, iron & steel products, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam	0.1%	0.2%	
<b>TAX ON SALES TO RETAILERS &amp; WHOLESALEERS BY MANUFACTURERS, DISTRIBUTORS, DEALERS, WHOLESALEERS OR COMMERCIAL IMPORTERS</b> [Section 236H & Division XV Part IV First Schedule]			
On sale of electronics, sugar, cement, iron & steel products, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam	0.5%		Advance Tax
<b>COLLECTION OF TAX BY EDUCATIONAL INSTITUTIONS WHERE FEE EXCEEDS RS. 200,000/-</b> [Section 236I & Division XVI of Part IV of First Schedule]			
From residents	5%		Advance Tax
From non-residents	Exempt		Not Applicable
<b>TAX ON DEALERS, COMMISSION AGENTS AND ARHATIS ON ISSUANCE/ RENEWAL OF LICENSE</b> [Section 236J & Division XVII Part IV First Schedule]			
To be collected by market committees	Various Rates		Advance Tax
<b>PURCHASE OR TRANSFER OF IMMOVABLE PROPERTY</b> [Section 236K & Division XVIII Part IV First Schedule]			
Value up to Rs. 3 Million	0%		Advance Tax
Value exceeding Rs. 3 Million	1%	2%	
<b>INTERNATIONAL AIR TICKETS</b> [Section 236L & Division XX Part IV First Schedule]			
First/ executive class	Rs.16,000 per person		Advance Tax
Others excluding economy	Rs.12,000 per person		
Economy	Nil		

**ANNEX                      APPLICABLE RATES FOR WITHHOLDING TAX**

Nature of Payment	Tax Rate		Nature of Tax (Advance/ Final/ Minimum Tax)
	Filer	Non-filer	
<b>BONUS SHARES</b> <i>[Section 236M &amp; 236N]</i>			
Issued by listed companies	5% of bonus shares issued		Final Tax
Issued by other companies	5% of bonus shares issued		
<b>ALL TYPE OF BANKING TRANSACTIONS OF NON-FILERS</b> <i>[Section 236P &amp; Division XXI Part IV First Schedule]</i>			
Transactions otherwise through cash up to Rs.50,000 per day	Not Applicable	Not Applicable	Not Applicable
Transactions otherwise through cash above Rs.50,000 per day	Not Applicable	0.6%	Advance tax
<b>RENT OR PAYMENT FOR RIGHT TO USE MACHINERY AND EQUIPMENT</b> <i>[Section 236Q &amp; Division XXII Part IV First Schedule]</i>			
To be collected in case of industrial, commercial & scientific equipment and machinery	10%		Final Tax
The deduction shall not be applicable in the following cases: a. agricultural machinery; and b. machinery owned and leased by leasing companies, investment banks, modarabas, scheduled banks or DFIs			
<b>EDUCATION RELATED EXPENSES REMITTED ABROAD</b> <i>[Section 236R &amp; Division XXIV Part IV First Schedule]</i>			
Remittance of tuition fee, boarding & lodging expenses, payments for distant learning programs and any other expense related to foreign education	5%		Advance tax
<b>COLLECTION OF TAX BY PAKISTAN MERCANTILE EXCHANGE LIMITED FROM ITS MEMBERS</b> <i>[Section 236T &amp; Division XXII Part IV First Schedule]</i>			
Sale or purchase of future commodity contract	0.5%		Advance Tax

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