

HIGHLIGHTS ON  
**FINANCE  
BILL**  
2017



## Highlights on the Finance Bill, 2017

This document summarizes significant changes proposed to be brought to statute vide the Finance Bill, 2017 (the Bill) relating to Income Tax, Sales Tax, Federal Excise Duty and Customs.

Effective date of applicability of these changes will be July 1, 2017, 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 Bill 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.

### Table of contents

Section 1:	Budget at a Glance
Section 2:	Overview of the Economy
Section 3:	Salient Features
Section 4:	Income Tax
Section 5:	Sales Tax & Federal Excise Duty
Section 6:	Customs
Section 7:	Rates for Withholding (Income) Tax ( <b>Link to download:</b> <a href="http://tagm.co/pdf/WithHoldingRatesTaxYear2018.pdf">http://tagm.co/pdf/WithHoldingRatesTaxYear2018.pdf</a> )

May 28, 2017

---

This page intentionally left blank

---

## SECTION I BUDGET AT A GLANCE

SOURCES OF FUNDS	2017-18	2016-17	Change
	Rupees in Billion		%
Net Revenue Receipts*	2,926.00	2,779.00	5.3
Net Capital Receipts	552.50	454.00	21.7
External Receipts	837.80	820.00	2.2
Privatization Proceeds	50.00	50.00	-
Provincial Surplus	347.40	339.00	2.5
Bank Borrowings	390.10	453.00	-13.9
<b>Total</b>	<b>5,103.80</b>	<b>4,895.00</b>	<b>4.3</b>

Source	2016-17 (%)	2017-18 (%)
Net Revenue Receipts	57%	57%
Net Capital Receipts	11%	9%
External Receipts	17%	16%
Privatization Proceeds	1%	1%
Provincial Surplus	9%	7%
Bank Borrowings	8%	7%

APPLICATION OF FUNDS	2017-18	2016-17	Change
	Rupees in Billion		%
General Public Service incl. others	2,843.70	2,984.00	-4.7
Defense Affairs and Services	920.00	860.00	7.0
Development Expenditure	1,340.10	1,051.00	27.5
<b>Total</b>	<b>5,103.80</b>	<b>4,895.00</b>	<b>4.3</b>

Category	2016-17 (%)	2017-18 (%)
General Public Service incl. others	61%	56%
Defense Affairs and Services	18%	18%
Development Expenditure	21%	26%

*NET REVENUE RECEIPTS	2017-18	2016-17	Change
	Rupees in Billion		%
Tax Revenue	4,013.00	3,956.00	1.4
Non-tax Revenue	1,297.00	959.00	35.2
Gross Revenue Receipts	5,310.00	4,915.00	8.0
Less: Provincial Share in Taxes	2,384.00	2,136.00	11.6
<b>Total</b>	<b>2,926.00</b>	<b>2,779.00</b>	<b>5.3</b>

Category	2016-17 (%)	2017-18 (%)
Tax Revenue	76%	80%
Non-tax Revenue	20%	24%

## **SECTION 2 OVERVIEW OF THE ECONOMY**

Pakistan economic growth for July-March 2016-17 has been recorded at 5.28 percent. In comparison to last year's economic growth of 4.5 percent, advancement in growth is witnessed exhibiting macroeconomic stability demonstrated through a combination of stabilization and structural reforms and all major economic indicators are stable and moving in right direction. However inflation growth could neither be curtailed nor maintained, the same stood at 4.09% (2016-17) in comparison with last year's inflation growth of 2.79%.

Following is a synopsis of Pakistan economy during the fiscal year 2016-17:

- Fiscal deficit as a percent of GDP was confined at 3.9 percent for the period July-March 2016-17 against 3.5 percent in the same period of fiscal year 2015-16.
- Growth in Net Domestic Asset (NDA) had witnessed an increase due to pick up of credit to private sector, credit to Public Sector Enterprises (PSEs) and rise in government borrowing from the banking system. NDA of the banking sector expanded to 9.42 percent (Rs. 1,112.9 billion) during July-April 2016-17 as compared to net expansion of 5.40 percent (Rs. 565.7 billion) in the same period last year.
- Inflation during July-April 2016-17 averaged at 4.1 percent as against 2.8 percent in the same period last year. The rise in inflation is due to revival of international commodity and oil prices, along with rise in domestic demand due to pick up of economic activities.
- Imports during the first nine months (July- March 2016-17) increased by 14.04 percent compared with the same period last year, which stood at \$ 33,942 million against \$29,763 million last year. As per SBP data exports during the first nine months (July-March 2016-17) of the current year stood at US\$ 16,101 million against US\$ 16,320 million during corresponding period last year, recording a decline by 1.34 percent. Trade deficit posted increase of around 32.7 percent during July-March 2016-17.
- Foreign exchange reserves have witnessed a decrease. As of May 04, 2017, foreign exchange reserves reached to US \$ 20.82 billion from US \$ 21.46 billion at end June 2016, representing a decrease of 2.9 percent. Pak Rupee remained at the same level against US Dollar in July-April 2016-17 in comparison to end of June 2016.
- As at March 2017, public debt reached at Rs. 20,873 billion (65.5 percent of GDP) compared to Rs. 19,678 billion during the same period last year (67.6 percent of GDP), representing an increase of 1,195 billion during first nine months of current fiscal year. The Credit Rating of the country changed from B- to B in October, 2016 for the current fiscal year.
- During July-March 2016-17, growth of 14.8 percent was posted in Foreign Direct Investment (FDI) inflows in comparison to same period last year.
- National savings increased to 13.1 percent of GDP in 2016-17 compared to 14.3 percent in 2015-16. Domestic savings being witnessed at 7.5 percent of GDP in 2016-17 against 8.2 percent of GDP in 2015-16.
- FY-2017 witnessed an overall positive and bullish trend for the stock market in Pakistan, overall Capital market demonstrated a positive growth of 34.8%.

Summary of key performance indicators are as follows:

Description	2013-14	2014-15	2015-16	2016-17P
Gross Domestic Product (GDP) – Growth %	4.05	4.06	4.51	5.28
Total Investment – Growth %	14.64	15.71	15.55	15.78
Consumer Price Index (CPI) – Growth %	8.6	4.5	2.8	4.1
Trade Deficit - % of GDP	8.2	8.2	6.0	7.7
Current Account Deficit - % of GDP	1.3	1.0	0.8	2.0
Total Public Debt to GDP Ratio	63.54	63.33	67.62	65.51
Foreign Exchange Reserves – US\$ billion	14.14	18.70	21.46	20.82
Depreciation in Rupee Value against US\$ - %	-0.9	3.04	2.95	-
International Credit Rating – S&P	B-	B-	B-	B
PSX – 100 Index – Growth %	29.7	34.3	36.2	50.9

P = Provisional;

## GROWTH

- The FY 2016 recorded a growth of 5.28% being highest in last 10 years despite a lower growth of agriculture sector as a result of decrease in production of cotton, rice and maize.
- Industrial sector, contributes 20.88 percent in GDP, recorded the growth of 5.02% making it quite evident that industrial revival is taking place on fast track. Large Scale Manufacturing (LSM) witnessed a growth of 4.9% as compared to growth of 2.9% in the last year. For the current fiscal year, growth in electricity generation & distribution was 3.40 percent in comparison to previous year growth of 8.43 percent. Similarly, the sectors of construction and mining and quarrying also registered growth of 9.05% & 1.34% respectively in the current fiscal year as compared to growth of 14.60% & 6.86% in the previous year.
- The agricultural sector accounts for 19.53 percent of GDP, employing a bulk of the total work force and witnessing a growth of 3.46% against 0.27 percent growth last year.
- Services sector has witnessed a growth of 5.98 percent in this fiscal year as compared to 5.55 percent last year. Finance and Insurance contributed positively by 5.71 percent. All components of services contributed positively, as Wholesale and Retail Trade grew by 6.82 percent, Transport, Storage and Communication by 3.94 percent, Housing Services by 3.99 percent, General Government Services by 6.91 percent and Other Private Services by 6.28 percent.
- The private consumption expenditure in nominal terms reached to 79.94 percent of GDP in FY 2017 as compared to 77.76 percent of GDP last year, whereas public consumption expenditures are 11.78 percent of GDP as compared to 11.25 percent last year.

Description	2013-14 Growth %	2014-15 Growth %	2015-16 Growth %	2016-17 P Growth %
Gross Domestic Product (GDP)	4.1	4.1	4.5	5.3
Agriculture	2.5	2.1	0.3	3.5
Manufacturing	5.65	3.9	3.7	5.3
Commodity Producing Sector	3.49	3.6	3.0	4.3
Services Sector	4.46	4.4	5.6	6.0

P = Provisional

### INVESTMENT & SAVING

- Total investment recorded growth of 11.04 percent in FY 2017 and investment to GDP Ratio has reached 15.78 percent in the current year. Fixed investment as percentage of GDP is recorded at 14.18 percent while Private investment as percentage of GDP reached to 9.90 percent. Public investment as percentage of GDP has increased from 3.79 percent to 4.28 percent recording an impressive growth of 23.55 percent.
- National savings reached to 13.1 percent of GDP in this fiscal year against 14.3 percent last year. Domestic savings shown a decrease being recorded at 7.5 percent of GDP in this fiscal year as compared to 8.3 percent of GDP the last year. Foreign savings are needed to finance the saving investment gap.
- During July-March FY 2017, foreign direct investment recorded a growth of 14.8 percent to US\$ 1.6 billion against US\$ 1.4 billion in the same period last year.

Description	2013-14	2014-15	2015-16	2016-17 P
Total Investment - % of GDP	14.64	15.71	15.55	15.78
Fixed Investment - % of GDP	13.04	14.11	13.95	14.18
Public Investment - % of GDP	3.17	3.75	3.79	4.28
Private Investment - % of GDP	9.87	10.36	10.16	9.90
National Saving - % of GDP	13.40	14.70	14.30	13.10

P = Provisional

### CAPITAL MARKETS

- During the fiscal year, the Pakistan Stock Exchange was ranked the 5<sup>th</sup> best performing stock market in the world in the year 2016 by Bloomberg on account of total return of 46 percent for the year.
- The benchmark 100 index touched all time high closing level of 52,387.87 points on May 15, 2017, whereas its lowest point was at 37,966.76 on July 04, 2016.
- The aggregate market capitalization at May 15, 2017 stood at Rs. 10,289.95 billion compared to 7,588.47 billion on June 30, 2016 depicting a growth of 35.6 percent.
- The integration of Karachi, Lahore & Islamabad stock exchanges into a joint trading platform lead to introduction of Central Counterparty for settlement and clearing.
- No change in number of companies listed on PSX is noted as on March, 2017 compared to June, 2016. Some of the relevant statistics related to the PSX are as follows:

Description	2013-14	2014-15	2015-16	2016-17 P
PSX – 100 Index Points (Month end June)	29653	34399	37783	50935 M
PSX – 100 Index – Growth %	29.7	34.3	36.2	50.9
Aggregate Market Capitalization (Growth %)	29.1	11.5	2.3	26.4
Turnover of Shares (Volume Million)	56.5	64.6	55.4	70.5
Funds Mobilized (Rs. in Billion)	47.6	79.6	111.2	21.9

P = Provisional                      M = May 08, 2017

### INFLATION

- Inflation remained at 2.79 percent in FY 2016 and increased to 4.1 percent in FY2017. The uptick in inflation is due to revival of international commodity and oil prices, along with rise in domestic demand.

- Food inflation have been estimated at 3.9 percent as compared to 2.1 percent in the same period last year. The increase in food inflation over the last year is due to increase in prices of major consumable food items and related demand.
- Non-food inflation have been estimated at 4.3 percent as compared to 3.3 percent in the same period last year. The increase in non-food inflation over the last year is due to increase in prices of major consumable items and related supply & demand parity.
- Core inflation which is non-food & non-energy during July-April FY 2017 is recorded at 5.1 percent as against 4.1 percent during the same period last year.

Description	2013-14	2014-15	2015-16	2016-17 P
CPI (Consumer Price Index)	8.6	4.5	2.8	4.1
Food Inflation	9.0	3.5	2.1	3.9
Non-food Inflation	8.3	5.3	3.3	4.3
SPI (Sensitive Price Index)	9.3	1.7	1.4	1.5
WPI (Wholesale Price Index)	8.2	-0.3	-1.3	4.0

P = Provisional;

#### **BALANCE OF PAYMENTS & RESERVES**

- The trade deficit has been widened by 33.1% to US\$ 17.8 billion in July-March FY 2017 due to reversal in global oil prices accompanied by falling exports.
- The current account deficit increased to US\$ 6.1 billion in July-March FY 2017 as compared to US\$ 2.4 billion in the same period last year. As a percentage of GDP it stood at 2 percent compared to 0.9 percent of the comparing period last year.
- During July-March FY 2017 exports declined by 1.3 percent and stood at US\$ 16.1 billion as compared to US\$ 16.3 billion in July-March FY2016. The imports increased by 14.0 percent in July – March FY2017 compared to last year.
- Services trade deficit fell by 1.9 percent during the first nine months of FY 2017. This year Pakistan has received inflows amounting to US\$ 550 million on account of CSF during July – March of FY2017 against US\$ 937 million in the same period of last fiscal year.
- Remittances could not continue its upward growth trajectory during July-March FY2017, the remittances remained US\$ 14.058 billion as compared to 14.388 billion last year.
- Total foreign exchange reserves reached to highest level to US\$ 24.03 billion in October, FY2017 compared to US\$ 21.4 billion in May FY2016.
- Exchange rate averaged at Rs.104.79 per US\$ in July - May FY2017, compared to Rs 104.30 per US\$ of the comparing period last year. The average exchange rate was down marginally 0.5 percent. The stability in exchange rate was result of elevated level of liquid reserves available with SBP.
- Some of the relevant statistics related to balance of payments and foreign exchange reserves are as follows:

Description	2013-14 Growth %	2014-15 Growth %	2015-16 Growth %	2016-17 P Growth %
Exports	9.17	-7.20	-10.42	-2.68
Imports	6.45	0.29	-1.67	18.97
Workers' Remittances (\$ in billion)	15.8	18.7	14.4	14.05
Foreign Direct Investment (FDI)	-12.9	-8.0	5.4	14.8
Foreign Exchange Reserves – US\$ in billion	14.1	18.6	21.4	20.82

P = Provisional



### PUBLIC DEBT

- Public debt was recorded at Rs.20,873 billion as at end March 2017 registering an increase of Rs.1,194 billion during first nine month of current fiscal year.
- Out of this total increase, increase in domestic debt was Rs.1,121 billion while government borrowing from domestic sources for financing of fiscal deficit was Rs.1,101.8 billion. This differential is mainly attributed to increase in government credit balances with banking system. Similarly, increase in external debt contributed Rs.73 billion to public debt. Revaluation gain on account of appreciation of US Dollar against other foreign currencies reduced the impact of net external inflows.
- External debt and Liabilities (EDL) stock was recorded at US\$ 75.7 billion as at end of March 2017 out of which external public debt was US\$58.4 billion. Moreover, external public debt recorded an increase of US\$ 0.7 billion during first nine months of current fiscal year.

Description	2013-14	2014-15	2015-16	2016-17 P
	Growth %	Growth %	Growth %	Growth %
Domestic Currency Debt – Growth	14.7	11.7	11.7	8.2
Foreign Currency Debt – Growth	5.7	2.2	16.8	1.2
Foreign Currency Debt to Total Public Debt Ratio	31.7	29.8	30.75	29.34
Total Public Debt to GDP Ratio	63.54	63.33	67.62	65.51
Depreciation in Value of Rupee against US\$ - %	-0.9	3.04	2.95	-
International Credit Rating – S&P	B-	B-	B-	B
New Guarantees issued as a percentage of GDP	0.4	0.6	0.7	1.2

P = Provisional

### TAXATION EXEMPTIONS

- Total Taxation exemptions for fiscal year 2016-17 have been estimated at Rs. 415.751 billion compared to Rs. 394.5 billion for the previous fiscal year.
- Exemptions in income tax contribute 3.4 percent to total exemptions whereas exemptions in sales tax and custom duties account for 60.2 percent and 36.5 percent respectively.
- Custom duties expenditures have been significantly increased from Rs. 119.9 billion to Rs. 151.686 billion for the fiscal year 2016-17.
- Income tax and sales tax exemptions represent a growth of -79.19 percent and 20.62 percent respectively.

Description	Rs. Billion			
	2013-14	2014-15	2015-16	2016-17 P
Income Tax	96.6	83.6	67.3	14.0
Sales Tax	249.0	478.4	207.3	250.1
Custom Duties	131.5	103	119.9	151.7
<b>Total</b>	<b>477.1</b>	<b>665.0</b>	<b>394.5</b>	<b>394.5</b>

P = Provisional

## **SECTION 3      SALIENT FEATURES**

---

### **Income Tax**

---

#### ***Relief measures***

1. Start-ups for technology driven products or services, being business set-up to be eligible to following tax concessions:
  - a. Exemption from income tax for three years from the year of registration with Pakistan Software Export Board (PSEB);
  - b. Exemption from minimum tax under section 113;
  - c. Exemption from withholding tax under section 153;
2. Admissible ceiling of 5% sales promotion expenses for pharmaceutical manufacturers increased to 10%;
3. Income threshold for individuals for claiming deductible allowance for education expenses proposed to be increased from existing Rs. 1 Million to Rs. 1.5 Million;
4. Increase the monetary threshold of tax credit on health premium from existing Rs. 100,000 to Rs. 150,000 is proposed;
5. 20% tax credit is available for companies listing on stock exchange during the year of enlistment and next year. The credit is proposed to be available for a total of four years now, including the year of enlistment, however, the credit for last two years will be 10%;
6. Certain more relaxations proposed for widows, orphans, disabled persons and non-residents from requirement to file tax return;
7. The monetary threshold on income of Rs. 500,000 for business individuals for paying advance tax proposed to be increased to Rs. 1 Million;
8. It has been proposed that CNG Stations will be entitled to refund of all taxes collected or withheld other than that on gas bills and electricity bills;
9. Advance tax on internet, mobile telephone, pre-paid internet and telephone card proposed to be reduced from 14% to 12.5%;
10. Advance tax on registration and sale of motor vehicles by manufacturers proposed to be reduced for vehicles up to 1300cc;
11. It is proposed to include Pakistan Stock Exchange Limited in the list of companies which are subjected to minimum tax at 2% under clause (94) of Part IV of Second Schedule. Moreover, the timeframe for concession under (94) has been extended to June 2018;
12. Cash withdrawals by Branchless Banking (BB) Agent Accounts utilized to render branchless banking services to customers are proposed to be immune from collection of advance on cash withdrawals from banks;
13. The ceiling for raw material imports by industrial undertakings for own consumption without paying tax at import stage is proposed to be increased from existing 110% to 125% of raw material imported and consumed during last tax year.

#### ***Revenue measures***

1. Direct measures:
  - (i) Tax on undistributed profits proposed to be payable where less than 40% of current year profits are distributed instead of taxing reserves in excess of paid-up capital;
  - (ii) General tax rate on dividends proposed to be increased from existing 12.5% to 15% and for dividends from mutual funds from 10% to 12.5%;
  - (iii) The period for applicability of super tax extended to tax year 2018;

- (iv) Applicability of fixed and final tax for builders and developers restricted to projects initiated and approved in tax year 2017;
- (v) It has been sought to increase the rate of minimum tax on turnover from existing 1% to 1.25%;
- (vi) Tax collected on sale of immovable property which was acquired within the same year is proposed to be treated as minimum tax;
- (vii) Increase in tax rates on profit on debt has been proposed.

2. **Indirect measures:**

- (a) Following the trend from the previous years, implicit revenue measures continue to be primarily based on advance taxes with a continued drive towards general increase in withholding tax rates for non-filers;
- (b) 3% tax credit available to manufacturers registered for sales tax has been sought to be withdrawn;
- (c) It has been sought to make dividends received from non-resident companies taxable at par with dividends received from local companies;
- (d) 100% tax credit available to NPOs, trusts and welfare institutions has been proposed to be subjected to further condition that management & admin expenses should not exceed 15% of total receipts. Moreover, surplus funds proposed to be taxed at 10%;
- (e) 3% advance tax to be collected on vehicle leasing transactions under Islamic mode for non-filers;
- (f) Income tax on electricity bills proposed to be collected on electricity bill inclusive of sales tax and all incidental charges;
- (g) Collection of 0.1% tax from filers and 0.2% from non-filers applicable on sales of electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector by manufacturers and importers to distributors, dealers and wholesalers proposed to be extended to sale of batteries;
- (h) Likewise, advance tax already collectible at 0.5% on sale of all above items by manufacturers or commercial importers or on sales by distributors and dealers to other wholesalers proposed to be collected at 1% for electronics and sale of batteries to be subjected to collection at 0.5% along with other items in the list;
- (i) Pakistan Tobacco Board proposed to collect advance tax at 5% on purchase value of tobacco at the time of collecting cess on tobacco from every person purchasing tobacco including manufacturers of cigarettes;
- (j) It has been proposed that non-residents could now exercise an option for presumptive tax regime in respect of payments made under 152 on yearly basis. It is also proposed that the Commissioner may now allow no tax or tax at lower rates to be deducted from these payments.

**Other measures**

- 1. Full depreciation is proposed to be allowed to the taxpayer in case of financing from Islamic financial institutions under Musharika or diminishing Musharika arrangements;
- 2. Imports of fertilizer by manufacturers of fertilizer proposed to be subjected to final tax;
- 3. Tax collected by Stock Exchange on sale and purchase of shares in lieu of tax on the commission earned by stock brokers as final tax.

**Procedural measures**

- 1. It has been proposed that wealth statement could only be revised before service of a notice under section 122(9);
- 2. It has been sought that Chief Commissioner may grant extension or further extension for filing of return where the same has been refused by the Commissioner;
- 3. A new sub-section (2A) is proposed to be inserted in section 165, allowing revision of withholding tax statement within a timeframe of 60 days of filing.

---

**Sales Tax & Federal Excise**

---

**Sales tax**

Relief Measures

1. Sales tax withholding to be withdrawn on supplies from registered persons to other registered persons with the exception of advertisement services;
2. Sales tax to be charged on Fertilizers (except Urea) at reduced rates from the existing 17%;
3. Withdrawing the levy of 2% sales tax on lubricating oils;
4. Granting of exemption from sales tax in respect of the following:
  - a. import of sunflower and canola hybrid seeds meant for sowing;
  - b. combined harvesters up to five years old;
  - c. agricultural diesel engines;
  - d. import of multimedia projectors by educational institutions; and
  - e. Gift and donations received by Federal/Provincial Governments and Public Sector organization;
5. Reduction in the rate of sales tax from existing 17% to 7% on import & supply of Poultry related machinery and equipment;
6. Exemption from sales tax on vehicles imported for construction, operation and development of Gwadar Port and Gwadar Free Zone by China Overseas Ports Holding Company Limited and its operating companies;
7. Sales tax exemption on export of IT services under Islamabad Capital Territory (Tax on Services) Ordinance, 2001.

Revenue Measures

1. Enhancement of sales tax from existing rate of 5% to 6% in respect of retail sales of five export oriented sectors;
2. Enhancing the purview of further tax at the rate of 2% on zero rated supplies made to unregistered persons;
3. The scope of Sales Tax has been broadened by including the areas of FATA and PATA to check illicit movement of supplies from tax exempted areas;
4. Harmonizing the rate of Sales tax at Rs. 650 per mobile phone (other than smartphones) from existing Rs. 300/1,000 for small/medium priced category respectively.

Regulatory Measures

1. Facilitation for automatic stay against recovery of Sales Tax and Federal Excise Duty demand till decision by the Commissioner Inland Revenue (Appeals) subject to the condition that 25% of the amount of sales tax and FED demand has been paid;
2. Steel sector, ship breaking and other allied industry to pay sales tax on the basis of consumption of electricity at the enhanced rate of Rs. 10.5/unit of electricity from the existing Rs. 9/unit of electricity;
3. Taxation of retailers to be made part of the Sales Tax Act that was previously accounted for through Special Procedure Rules 2007.

**Federal Excise Duty**

Relief Measure

Reduction in rate of duty to 17% from rate of 18.5% on telecommunication services.

Revenue Measures

1. Enhancement of duty from 10.5% to 11.5% on aerated waters;
2. Duty on cigarettes has been increased;
3. Increase in duty on cement to Rs. 1.25/Kg from Re. 1/Kg.

---

**Customs**

---

**Relief Measures:**

1. It has been sought to reduce duty from 11% to 3% and removal of 5% Regulatory Duty (RD) on grandparent and parent stock of chicken;
2. Reduction of Customs Duty (CD) on import of hatching eggs from 11% to 3%;
3. Reduction of RD on aluminum waste or scrap from 10% to 5%;
4. Exemption of 3% CD on raw skins & hides;
5. Exemption of 16% CD on stamping foils;
6. Reduction of CD on sheets for veneering from 16% to 11%;
7. Reduction of CD on pre-fabricated modular clean rooms panels from 20% to 3%;
8. Exemption of 3% CD on import of ostriches;
9. Reduction of CD on fabric (non-woven) for pharmaceutical industry from 16% to 5%;

**Protection to local industry:**

10. 5% RD levied on import of synthetic filament yarn (of polyesters);
11. Increase of CD on aluminum beverage cans from 11% to 20%;
12. CD reduced on uncoated polyester film and aluminum wire from 20% to 11% for manufacturers of metalized yarn;
13. CD reduced from 20% to 16% and from 16% to 11%, on raw materials for manufacturers of Baby Diapers;

**Tariff rationalization:**

14. CD rate on Bituminous coal and other coal equalized @ 5%. However, for the Power Projects in IPPs Mode, CD on import of both types of coal reduced to 3%;
15. Separate PCT code for compressors of vehicle @ 35% CD created;
16. Separate PCT code for classification of electric cigarettes created at 20% CD;
17. RD @ 10% levied on animal protein meals;

**Revenue Measures:**

18. RD levied/increased on 565 non-essential items by various rates ranging from 5% to 15%;
19. CD @ Rs. 250 per set converted into RD @ Rs. 250 per set on mobile phones;
20. CD @ 11% and 16% exempted and instead RD at uniform rate of 9% levied on the telecom equipment;
21. RD on betel nuts increased from 10% to 25% while RD @ Rs.200/kg levied on betel leaves;
22. Concession in duty/taxes on Hybrid Electric Vehicles above 2500 cc withdrawn;

**Miscellaneous:**

23. Adoption of WCO HS version 2017: Pakistan being a signatory to the HS Convention is obliged to adopt the HS 2017, incorporated its nomenclature/New HS Codes in Pakistan Customs Tariff with addition, creation and deletion of local PCT codes and also made relevant changes in the Fifth Schedule and SROs/Notifications where HS Codes have changed;
24. Exemption from CD extended on import of combined harvesters threshers up to 5 years old while 10% and 20% RD levied on five to ten years and more than ten years old respectively;
25. Additional duty on cylinder head for motorcycles levied;
26. Extension of concession on 11 more components of trailers;
27. Concessionary rate of 11% available on Set top boxes, TV broadcast transmitter and Reception apparatus etc. extended till 30.6.2018;
28. Surcharge in excess of 0.25% for cargo in-bonded at Karachi for upcountry Bonds exempted;
29. Expansion of scope of exemption on import/donation by allowing imports and donation of Federal, Provincial, AJ&K, Gilgit-Baltistan Governments, NDMA, PDMA and Govt. emergency/rescue services
30. Import of solar panels and related components were exempted from the condition of 'local manufacturing' till 30th June 2017 which is extended till 30th June, 2018.

## **SECTION 4 INCOME TAX**

### **1. SALARIED INDIVIDUALS**

**Value of perquisites** **[Section 13(7)]**

It has been sought to increase the ceiling for interest-free loans to employees from existing Rs. 0.5 Million Rs. 1 Million.

### **2. DEFINITIONS**

**Fast moving consumer goods** **[Section 2(22A)]**

It has been sought to amend the definition of fast moving consumer goods to add clarity that these doesn't include durable goods.

**Officer of Inland Revenue** **[Section 2(38A)]**

The Bill seeks to include District Taxation Officer and Assistant Director Audit in the list of officers Inland Revenue.

**Start-up** **[Section 2(62A)]**

The Bill seeks to introduce a new definition for start-ups, which is proposed to mean a business of resident individual, AOP or a company incorporated or registered in Pakistan on or after first July, 2012 and is engaged in or intends to offer technology driven products or services to any sector of the economy. The person needs to be registered with and duly certified by the Pakistan Software Export Board (PSEB) and should have a turnover of less than 100 million in each of the last five tax years.

### **3. SUPER TAX** **[Section 4B]**

Super tax for rehabilitation of temporarily displaced persons was imposed on 'one-time basis' for Tax Year 2015 and the applicability was then extended to the tax year 2016. It has now been sought to extend the incidence of this tax to tax year 2017.

### **4. TAX ON UNDISTRIBUTED PROFITS** **[Section 5A]**

Tax at 10% is currently payable on undistributed reserves in excess of paid-up capital for public companies (excluding scheduled banks, modarabas, power projects qualifying for exemption under clause 132 of Part I of Second Schedule and companies with 50% or more shareholding by Government) unless these companies distribute lower of 40% of current year profits or amount equal to 50% of paid-up capital as cash dividends.

The Bill now seeks to amend the applicability of this tax on undistributed profits of the current year instead of prevailing applicability on undistributed reserves. It is also sought to consider bonus shares as distribution of profits, which were currently restricted to cash dividends.

### **5. TAX ON DEVELOPERS** **[Section 7C and 7D]**

Developers and builders were taxable at specified full and final rates as per Finance Act, 2016 for projects initiated after July 01, 2016. The Bill now seeks to limit the applicability of this full and final tax for projects initiated and approved in tax year 2017 only and further subjected to the following conditions:

- a. payment under rule 13S of the Income Tax Rules, 2002 has been made during tax year 2017; and
- b. Chief Commissioner has issued online schedule of advance tax installments to be paid by under rule 13ZB and 13U of the Income Tax Rules, 2002 respectively for developers and builders.

## 6. INCOME FROM BUSINESS

### Deductions not allowed

**[Section 21(o)]**

A ceiling of 5% was placed on the sales promotion expenses incurred by pharmaceutical manufacturers for admissibility. The ceiling has now been proposed to be increased to 10%.

### Depreciation

**[Section 22]**

It has been sought to bring assets co-owned by a taxpayer and Islamic financial institutions under arrangement of Musharika financing or diminishing Musharika financing arrangements within the purview of depreciable asset in the hand of the taxpayer.

## 7. CAPITAL GAIN ON SALES OF SECURITIES

**[Section 37A Div VII Part I First Schedule]**

Following rates table has been proposed for capital gain on securities:

S. No.	Holding Period of Security/ Case	Tax Year 2015	Tax Year 2016	Tax Year 2017		Tax Year 2018	
				Filers	Non-filers	Filers	Non-filers
1.	Less than 12 months	12.5%	15%	15%	18%	15.0%	20.0%
2.	12 months or more but less than 24 months	10%	12.5%	12.5%	16%	15.0%	20.0%
3.	24 months or more but the security was acquired on or after 1st July, 2013	0%	7.5%	7.5%	11%	15.0%	20.0%
4.	Where security was acquired before 1st July, 2013	0%	0%	0%	0%	0%	0%
5.	Future commodity contracts entered into by the members of Pakistan Mercantile Exchange	0%	0%	5%	5%	5%	5%

## 8. DEDUCTIBLE ALLOWANCE FOR EDUCATION EXPENSES

**[Section 60D]**

A deductible allowance was allowed vide the Finance Act, 2016 to individuals having taxable income less than Rs.1,000,000 in respect of children tuition fee. The threshold to taxable income is now being proposed to be increased to Rs. 1,500,000.

## 9. TAX CREDIT FOR INVESTMENT IN HEALTH INSURANCE

**[Section 62A]**

A new tax credit for health insurance premium paid by individuals was granted vide Finance Act, 2016. The Bill now seeks to increase the monetary threshold of premium amount from existing Rs.100,000 to Rs.150,000.

## 10. TAX CREDIT TO A PERSON REGISTERED UNDER THE SALES TAX ACT, 1990

**[Section 65A]**

Subject to certain conditions, a manufacturer registered for sales tax was eligible to tax credit of 3% of tax liability. The Bill seek to withdraw this concession.

## 11. TAX CREDIT FOR ENLISTMENT

**[Section 65C]**

A company opting for enlistment in any registered stock exchange in Pakistan is eligible for a tax credit equal to 20% of the tax payable for the tax year in which the said company is enlisted and the year next to enlistment. It has now been proposed to grant a further reduction of 10% tax payable during a period of succeeding two years.

## 12. TAXATION OF COMPANIES

### Rate of tax on dividends [Division II of Part I of First Schedule]

Tax Year	Existing Rate
2017	31%
2018 and onwards	30%

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

It has been proposed to increase the rate of tax on dividends as follows:

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

### Principles of taxation of companies [Section 94(3)]

Dividends received by resident persons from non-resident companies are currently chargeable to tax under the head "Income from Business" or "Income from Other Sources", as the case may be, unless the dividend is exempt from tax. The Bill now seeks to omit this concept, making these dividends taxable under section 5 of the Ordinance.

## 13. SPECIAL PROVISIONS RELATING TO THE PRODUCTION OF OIL AND NATURAL GAS, AND EXPLORATION AND EXTRACTION OF OTHER MINERAL DEPOSITS [Section 94(3)]

Provisions of the Fifth Schedule do not apply to the profits and gains attributable to the production of petroleum including natural gas discovered before the 24th day of September, 1954. The Bill seeks that this immunity will not be available to profit and gains derived from Sui gas field for tax year 2017 and onward.

## 14. TAX CREDIT FOR CERTAIN PERSONS [Section 100C]

Subject to certain conditions, the income of non-profit organizations, trusts and welfare institutions are eligible to 100% tax credit. The Bill seeks to include a further condition that this concession shall be subject to a case that the administrative and management expenditure do not exceed 15% of the total receipts. It has also been sought to tax surplus funds at 10%, whereby surplus funds will mean funds or monies:

- a. not spent on charitable and welfare activities during the tax year;
- b. received during the tax year as donations, voluntary contributions, subscriptions and other incomes;
- c. or more than 25% of the total receipts of the non-profit organization received during the tax year;
- d. are not part of restricted funds, where restricted funds mean any fund received by the organization but could not be spent and treated as revenue during the year due to any obligation placed by the donor.

## 15. MINIMUM TAX ON THE INCOME OF CERTAIN PERSONS [Section 113 & Division IX Part-I of 1<sup>st</sup> Schedule]

It has been sought to increase the rate of minimum tax from existing 1% to 1.25%.



**16. PERSONS NOT REQUIRED TO FURNISH A RETURN OF INCOME [Section 115]**

The following cases are immune from the requirement to file return of income by virtue of owning specified immoveable property within the municipal limits:

- a. widows;
- b. orphans below the age of twenty-five years;
- c. disabled persons; or
- d. non-resident persons, in case of ownership of immovable property.

Now, it has been sought to increase the purview of ownership to following assets:

- a. immoveable property with a land area of five hundred square yards or more located in a rating area;
- b. flat having covered area of two thousand square feet or more located in a rating area;
- c. motor vehicle having engine capacity above 1000 CC.

**17. WEALTH STATEMENT [Section 116]**

A wealth statement filed could be revised presently at any time before an assessment is framed by Commissioner under section 122(1) or 122(4) of the Ordinance. It is has now been sought that such revisions could only be made unless a notice has been served under section 122(9).

**18. EXTENSION OF TIME FOR FURNISHING RETURNS AND OTHER DOCUMENTS [Section 119]**

It has been sought to empower the Chief Commissioner to grant extension or further extension for up to 15 days or more, in exceptional circumstances, upon application from the taxpayer in case the Commissioner refuses to grant extension or further extension for furnishing return under sub-section (3) or (4).

**19. BEST JUDGEMENT ASSESSMENT [Section 121 & 122C]**

It has been proposed that best judgement assessment could also be made by the Commissioner in case a taxpayer fails to furnish return of income in response to notice under section 114(3) or 114(4). Presently, this concept is covered under section 122C, which is proposed to be omitted. Various consequent amendments have also been proposed due to this transposition.

**20. APPOINTMENT OF THE APPELLATE TRIBUNAL [Section 130]**

An amendment made vide the Finance Act 2013 provided that an officer of Inland Revenue Service in BS-20 or above and is a law graduate could also be appointed as a judicial member of appellate tribunal. It has now been proposed to omit this provision.

**21. ADVANCE TAX**

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

Individuals with latest assessed taxable income from business under normal tax regime less than Rs.0.5 Million is currently not required to pay advance tax. This limit is proposed to be increased to Rs. 1 Million.

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

It has been proposed to include the vehicles leasing transaction to non-filers under Islamic mode of financing under the ambit for tax collection at 3%.

***Domestic electricity consumption [Section 235A]***

The Bill seeks to include a clarification by way of explanation that income tax shall be collected on electricity Bill inclusive of sales tax and all incidental charges.

**Advance Tax on sale or transfer of immovable property** **[Section 236C]**

It has been sought to amend the terminology for transfer of property from registering to recording apparently to address the transfer of properties in housing societies and co-operative societies. Furthermore, it has been proposed that tax collected on immoveable property acquired and disposed of within the same tax year shall be minimum tax.

**Advance tax on sales to distributors, dealers and wholesalers** **[Section 236G]**

Tax at specified rates is collectible at time of sale to distributors, dealers and wholesalers by manufacturers or commercial importers of electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector. It has been proposed to include batteries in the list of these items, whereby tax is collectible at 0.1% from filers and 0.2% from non-filers.

**Advance tax on sales to retailers** **[Section 236H]**

Tax at specified rates is collectible at time of sale to retailers by manufacturers or commercial importers or on sales by distributors and dealers to other wholesalers of electronics, sugar, cement, iron and steel products, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector. It has been proposed to include batteries in the list of these items. The rates for collection this tax are also proposed to be changed as under:

Category of Sale	Existing Rate		Proposed Rate	
	<i>Filers</i>	<i>Non-filers</i>	<i>Filers</i>	<i>Non-filers</i>
Electronics	0.5%	0.5%	1.0%	1.0%
Others	0.5%	0.5%	0.5%	1.0%

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

It has been sought to amend the terminology for transfer of property from registering to recording apparently to address the transfer of properties in housing societies and co-operative societies.

**Advance tax on tobacco** **[Section 236X]**

It has been proposed that Pakistan Tobacco Board shall collect advance tax at 5% at the time of collecting cess on tobacco, directly or indirectly, on purchase value of tobacco from every person purchasing tobacco including manufacturers of cigarettes.

## 22. FINAL TAX

**Imports** **[Section 148]**

Imports of fertilizer by manufacturers of fertilizer is currently assessed under normal tax. It is now proposed to subject this activity to final tax.

**Payments to non-residents** **[Section 152]**

Tax collected on payments received by non-residents on account of contracts for construction, services and advertisement is advance tax, unless a non-resident files a three years option for presumptive/ final tax under Clause (41) of Part IV of Second Schedule. The Bill now seeks to transpose this option to section 152, apparently for year-on-year basis. It has also been sought to empower the Commissioner to allow no tax or tax at lower rates to be deducted from these payments.

**Collection of tax by a stock exchange registered in Pakistan** **[Section 233A]**

The Bill seeks to make the tax collected by Stock Exchange on sale and purchase of shares in lieu of tax on the commission earned by stock brokers as final tax.

**CNG Stations**

**[Section 234A]**

CNG Stations are being assessed to final tax on the basis tax collected on gas bills. Moreover, any taxes collected or deducted under any other heads were not admissible for claim. The Bill now seeks to restrict unclaimable taxes to the extent of tax collected on electricity bills only. It is also sought to include a clarification by way of explanation that income tax shall be collected on consumption of gas inclusive of sales tax and all incidental charges.

**Electricity consumption**

**[Section 235]**

The Bill seeks to include a clarification by way of explanation that income tax shall be collected on electricity Bill inclusive of sales tax and all incidental charges. The billing threshold of Rs. 30,000 per month for the purpose of minimum tax has been proposed to be changed to annual threshold of Rs. 360,000.

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

**Tax on profit on debt**

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

The Bill seeks to amend the slab-based rates of tax on profit on debt as under:

Profit on Debt	Existing Rates	Proposed Rates
Up to Rs. 5M	10.0%	10.0%
Above Rs. 5M up to Rs. 25M	10.0%	12.5%
Above Rs. 25M up to Rs. 50M	Rs. 2,500,000 + 12.5% of the amount exceeding Rs.25,000,000	15.0%
Above Rs. 50M	Rs. 5,625,000 + 15% of the amount exceeding Rs. 50,000,000	15.0%

**Dividend**

**[Section 150 Div I Part III First Schedule]**

It has been proposed to increase the general rate of withholding tax on dividends. A comparison of existing and proposed rates is as under:

Category	Existing Rate		Proposed Rate	
	<i>Filers</i>	<i>Non-filers</i>	<i>Filers</i>	<i>Non-filers</i>
Dividends declared or distributed by purchaser of a power project privatized by WAPDA or on shares of a company set up for power generation or on shares of a company, supplying coal exclusively to power generation projects	7.5%	7.5%	7.5%	7.5%
Other cases	12.5%	20.0%	15.0%	20.0%

Rates of tax to be deducted by Collective Investment Schemes, REIT Schemes and Mutual Funds have been proposed to be increased for individuals and AOPs. Comparison of existing and proposed rates are as under:

Person	Stock Fund				Money Market Fund, Income Fund, REIT scheme or Any Other Fund			
	<i>Filer</i>		<i>Non-filer</i>		<i>Filer</i>		<i>Non-filer</i>	
	Existing	Proposed	Existing	Proposed	Existing	Proposed	Existing	Proposed
Individual	10%	12.5%	10%	12.5%	10%	12.5%	15%	15%
Company	10%	12.5%	10%	12.5%	25%	25%	25%	25%
AOP	10%	12.5%	10%	12.5%	10%	12.5%	15%	15%

The rate of tax on dividends continue to be 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.

**Payments to non-residents**

**[Section 152 & First Schedule]**

A comparison of existing and proposed rates are as under:

	Existing Rate		Proposed 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	7.0%	12.0%	7.0%	13.0%
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	4.0%	6.0%	4.0%	7.0%
- by PE other non-residents	4.5%	6.5%	4.5%	7.75%
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	8.0%	12.0%	8.0%	14.0%
- by PE of other non-residents	10.0%	15.0%	10.0%	17.5%
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	7.0%	12.0%	7.0%	13.0%
- by a sportsperson	10.0%	10.0%	10.0%	10.0%
- by PE of other non-residents	7.0%	12.0%	7.0%	13.0%

**Payments for goods, services and contracts**

**[Section 153 & Division III Part III First Schedule]**

The Bill seeks to insert a new proviso to section 153(1) related to payment on account of services that where the recipient of the payment for services receives the payment through an agent or any other third person and the agent or the third person retains service charges or fee, by whatever name called, from the payment remitted to the recipient, the agent or the third person shall be treated to have been paid the service charges or fee by the recipient and the recipient shall collect tax along with the payment received. A comparison of existing and proposed rates are as under:

Payment made on Account of	Type of Vendor	Existing Rates		Proposed Rates	
		<i>Filers</i>	<i>Non-filers</i>	<i>Filers</i>	<i>Non-filers</i>
Supply of goods (General Rate)	Companies	4.0%	6.0%	4.0%	7.0%
	Other cases	4.5%	6.5%	4.5%	7.75%
Supply by FMCG distributors	Companies	3.0%	3.0%	2.0%	2.0%
	Other cases	3.5%	3.5%	2.5%	2.5%
Supply of rice, cotton seed oil or edible oil	All types	1.5%	1.5%	1.5%	1.5%
Payment for services (General Rate)	Companies	8.0%	12.0%	8.0%	14.5%
	Other cases	10.0%	15.0%	10.0%	17.5%
Payments to electronic and print media for advertising services	Companies	1.5%	12.0%	1.5%	12.0%
	Other Cases	1.5%	15.0%	1.5%	15.0%
Payments for transport services	All types	2.0%	2.0%	2.0%	2.0%
Execution of contracts	Companies	7.0%	10.0%	7.0%	12.0%
	Sportsperson	10.0%	10.0%	10.0%	10.0%
	Other cases	7.5%	10.0%	7.5%	12.5%

**Income from property** **[Section 155 & Div V Part III First Schedule]**

Proposed withholding tax rates for companies:

Tax Payer Status	Existing Rates	Proposed Rates
Filer	15.0%	15.0%
Non-filer	15.0%	17.5%

**Prizes and winnings** **[Section 156 & Div VI Part I First Schedule]**

Proposed rates for withholding tax on prize bond or cross-word puzzles:

Tax Payer Status	Existing Rates	Proposed Rates
Filer	15%	15%
Non-filer	20%	25%

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

Proposed rates for withholding tax:

Tax Payer Status	Existing Rates	Proposed Rates
Filer	12.0%	12.0%
Non-filer	15.0%	17.5%

**CNG stations** **[Section 234A & Div VIB Part I First Schedule]**

Proposed rates for withholding tax:

Tax Payer Status	Existing Rates	Proposed Rates
Filer	4%	4%
Non-filer	4%	6%

**Telephone and internet users** **[Section 236 & Division V of Part IV of First Schedule]**

Advance tax is proposed to be reduced from existing 14% to 12.5% for internet, mobile telephone and pre-paid internet or telephone card.

**Advance tax on private motor vehicles**

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

The following compares the existing and proposed rates for collection of advance tax at the time of registration of motor vehicles as well as sale of motor cars or jeeps by manufacturers.

S. No.	Engine Capacity	Existing Rates		Proposed Rates	
		Tax for filers	Tax for Non-filers	Tax for filers	Tax for Non-filers
1.	Upto 850cc	Rs. 10,000	Rs. 10,000	Rs. 7,500	Rs. 10,000
2.	851cc to 1000cc	Rs. 20,000	Rs. 25,000	Rs. 15,000	Rs. 25,000
3.	1001cc to 1300cc	Rs. 30,000	Rs. 40,000	Rs. 25,000	Rs. 40,000
4.	1301cc to 1600cc	Rs. 50,000	Rs. 100,000	Rs. 50,000	Rs. 100,000
5.	1601cc to 1800cc	Rs. 75,000	Rs. 150,000	Rs. 75,000	Rs. 150,000
6.	1801cc to 2000cc	Rs.100,000	Rs. 200,000	Rs.100,000	Rs. 200,000
7.	2001cc to 2500cc	Rs.150,000	Rs. 300,000	Rs.150,000	Rs. 300,000
8.	2501cc to 3000cc	Rs.200,000	Rs. 400,000	Rs.200,000	Rs. 400,000
9.	Above 3000cc	Rs.250,000	Rs. 450,000	Rs.250,000	Rs. 450,000

**Advance tax at the time of sale by auction [Section 236A & Div VIII Part IV First Schedule]**

Proposed rates for withholding tax:

Tax Payer Status	Existing Rates	Proposed Rates
Filer	10%	10%
Non-filer	10%	15%

**Advance tax on insurance premium**

**[Section 236U & Div XXV of Part IV of First Schedule]**

Advance tax is collectible on insurance premium payments by non-filers. It is proposed to increase the existing annual threshold for collection of tax on life insurance premium paid by non-filers from Rs. 0.2 Million to Rs. 0.3 Million.

**24. STATEMENTS**

**[Section 165]**

There is currently no legal provision enabling submission revised statements on account of correction of error. It has now been sought to do away with this limitation by inserting a new sub-section (2A) that allows revision within a timeframe of 60 days of filing of statements.

**25. FURNISHING OF INFORMATION BY FINANCIAL INSTITUTIONS INCLUDING BANKS**

**[Section 165B]**

With the recent changes to the Income Tax Rules, 2002 by way of inserting a Chapter XIA 'Common Reporting Standard' pursuant to the implementation of OECD Model Multilateral Treaty, it has now been sought to include 'Reportable Person' in addition to non-residents under the scope of obligation to furnish information by financial institutions and banks.

**26. NOTICE TO OBTAIN INFORMATION OR EVIDENCE**

**[Section 176]**

The Bill seeks that firms of cost and management accountants as defined under the Cost and Management Accountants Act, 1966 (XIV of 1966) could also be appointed by the Commissioner or the Board in addition to firm of chartered accountants.

**27. OFFENCES AND PENALTIES**

**[Section 182]**

The Bill seeks to insert new offences and penalties as under:

Offences	Penalties
Failure to maintain records required under this Ordinance or the rules made thereunder related to transfer pricing.	Rs. 10,000 or 5% of the amount of tax on income whichever is higher
Failure to furnish the information required or to comply with any other term of the notice served under section 176.	Rs. 25,000 for the first default and Rs. 50,000 for each subsequent default
Failure by a reporting financial institution or reporting entity to furnish information or country-by-country report to the Board as required under section 107, 108 or 165B within the due date.	Rs. 2,000 for each day of default subject to a minimum penalty of Rs. 25,000.
Failure to keep and maintain document and information required under section 108 or Income Tax Rules, 2002.	1% of the value of transactions, the record of which is required to be maintained under section 108 and Income Tax Rules, 2002.

## **28. PROSECUTION FOR NON-COMPLIANCE WITH CERTAIN STATUTORY OBLIGATIONS**

**[Section 191]**

It has been sought to broaden the scope of prosecution under section 191 to include the following:

- a. Failure to comply with notice under 114(4);
- b. Failure with the obligation to comply with payment of tax under Chapter XII.

## **29. DEFAULT SURCHARGE**

**[Section 205]**

The Bill proposes that, in the case of person having a special tax year, the default surcharge shall be calculated on and from the first day of the fourth quarter of the special tax year till the date on which assessment is made or the last day of special tax year, whichever is earlier.

## **30. ADVANCE RULING**

**[Section 206A]**

Through an amendment made vide the Finance Act, 2011, permanent establishment of non-residents were made not entitled to seek advance ruling over proposed transactions. It has now been sought that these permanent establishments may now be able to seek these rulings again.

## **31. DISCLOSURE OF INFORMATION BY A PUBLIC SERVANT**

**[Section 216]**

It has been proposed that information regarding salaries in statements furnished under section 165 to be made available to Employees Old Age Benefit Institution.

## **32. REWARD TO WHISTLE BLOWERS**

**[Section 227B]**

It has been proposed that a claim for reward to whistle blowers will also be rejected in cases where the information provided is not supported by any evidence.

## **33. NEW DIRECTORATE-GENERALS**

**[Section 230D & 230E]**

It has been sought to establish two new directorate generals, namely Directorate-General of Broadening of Tax Base and Directorate-General of Transfer Pricing. The Board may, by notification in the official Gazette, specify the functions, jurisdiction and powers of the Directorate-General of Broadening of Tax Base. The function of the Directorate General of Transfer Pricing shall be to conduct transfer pricing audits for determination of transfer price at arm's length in transactions between associates and is independent of audit under section 177, 214C or 214D which is audit of the income tax affairs of the taxpayer. The Board may, by notification in the official Gazette, specify the criteria for selection of the taxpayer for transfer pricing audit and may further specify functions, jurisdiction and powers of the Directorate-General of Transfer Pricing.

## **34. VALIDATION**

**[Section 241]**

A new section is proposed to be inserted seeking to allow that all notifications and orders issued and notified, in exercise of the powers conferred upon the Federal Government, before the July 01, 2017 shall be deemed to have been validly issued and notified in exercise of those powers, notwithstanding anything contained in any judgment of a High Court or the Supreme Court.

## **35. EXEMPTIONS FROM TOTAL INCOME**

**[Second Schedule Part I]**

### **Exemptions proposed to be granted**

#### **a. *Income generated by certain institutions***

**[Clause (66A)]**

- (i) Asian Infrastructure Investment Bank and persons as provided in Article 51 of Chapter IX of the Articles of Agreement signed and ratified by Pakistan and entered into force on December 25, 2015;
- (ii) Gulab Devi Chest Hospital;
- (iii) Pakistan Poverty Alleviation Fund;
- (iv) National Academy of Performing Arts.

- b. Profit on debt earned by JICA** **[Clause (140A)]**  
Profit on debt received by Japan International Cooperation Agency (JICA), from Islamabad-Burhan Transmission Reinforcement Project (Phase-I).
- c. Income of registered political parties** **[Clause (143)]**  
Income derived by a political party registered under the Political Parties Order, 2002 with the Election Commission of Pakistan.
- d. Start-up** **[Clause (144)]**  
Profit and gains derived by a start-up as defined in clause (62A) of section 2 for the tax year in which the start-up is certified by the Pakistan Software Export Board and the following two tax years.

**36. EXEMPTIONS FROM SPECIFIC PROVISIONS** **[Second Schedule Part IV]**

**Exemption proposed to be granted**

**Start-up** **[Clause (11A)(xxix) & (43F)]**

The Bill seeks to grant the following immunities to start-up:

- a. minimum tax under section 113;
- b. withholding tax under section 153.

**Import of petroleum products** **[Clause (56)]**

The Bill seeks to add the following oil marketing companies in the list for import of petroleum products without paying tax under section 148:

- a. Z&M Oils (Pvt.) Ltd.;
- b. Exceed Petroleum (Pvt.) Ltd.;
- c. Petrowell (Pvt.) Ltd, Quality-1Petroleum (Pvt.) Ltd.;
- d. Horizon Oil Company (Pvt.) Ltd.,
- e. Outreach (Pvt.) Ltd.; and
- f. Kepler Petroleum (Pvt.) Ltd.

**Exemptions proposed to be withdrawn**

**Presumptive tax regime for non-residents** **[Clause (41)]**

The Bill also seeks to transpose the option available to non-residents to opt for presumptive tax regime to section 152. However, the existing condition that the option, once exercised, remains applicable to three years is proposed to be omitted.

**Extension in the period of exemption**

**a. Withholding tax on services rendered** **[Clause (94)]**

Filer companies, rendering the following services, are granted exemption from the withholding provisions of section 153(1)(b) up to June 30, 2016, subject to certain conditions, including that the tax payable or paid on income shall be at least 2% of the gross amount of turnover:

- (i) Freight forwarding services;
- (ii) Air cargo services;
- (iii) Courier services;
- (iv) Manpower outsourcing services;
- (v) Hotel services;
- (vi) Security guard services;
- (vii) Software development services;
- (viii) Tracking services;



- (ix) Advertising services, other than by print or electronic media;
- (x) Share registrar services;
- (xi) Engineering services; and
- (xii) Car rental services.

The Bill now seeks to extend the timeframe for this concession up to June 30, 2018 provided that an irrevocable declaration shall be filed with the Commissioner by November 2017.

Moreover, it is also proposed to include Pakistan Stock Exchange Limited in the list of above companies.

**b. Hajj group operators** **[Clause (72A)]**

The timeframe for non-applicability of provisions of minimum tax under section 113 and liability to withhold tax from payment to non-residents under section 152 is being proposed to be extended to tax year 2017.

**c. Branchless banking agents** **[Clause (101)]**

It has been sought to immune cash withdrawals by Branchless Banking (BB) Agent Accounts utilized to render branchless banking services to customers from the provision of advance tax collection on cash withdrawals.

**d. Prime Minister's Youth Business Loan Scheme** **[Clause (102)]**

The Bill seeks to immune the vehicles leased to non-filers under Prime Minister's Youth Business Loan Scheme from collection of 3% advance tax.

**Conditional exemption**

**Imports by industrial undertakings** **[Clause (72B)]**

Finance Act 2016 placed a ceiling that the quantity of raw material imports by industrial undertakings to be exempted from tax under section 148 shall not exceed 110% of the quantity of raw material imported and consumed during the previous tax year. It is now proposed to enhance this ceiling to 125%.

**Corrections and updates**

**[Clause (56A)]**

With the omission of section 236E vide Finance Act, 2016, the Bill seeks to make corrective omission of clause 56A.

**Import of agricultural machinery and equipment** **[Clause (91)]**

Certain specified agricultural machinery and equipment are immune from tax under section 148 on import stage. The Bill seeks to update the PCT Code for certain entries to harmonize with HS Codes being adopted in Pakistan.

**37. BANKING COMPANIES**

**[Seventh Schedule Rule 1(g)]**

Adjustments made in the annual accounts of banking companies on account of application of international accounting standards 39 and 40 are excluded in arriving at taxable income. The Bill seeks to include an explanation that nothing in this sub-rule shall be so construed as to allow a notional loss, or charge to tax any notional gain on any investment under any regulation or instruction unless all the events that determine such gain or loss have occurred and the gain or loss can be determined with reasonable accuracy.

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

#### **[Eighth Schedule]**

The Eighth Schedule, as well as Section 100B, were earlier introduced via the Finance Act, 2012, entrusting the National Clearing Company Pakistan Ltd. (NCCPL) with the responsibility of withholding tax on capital gains. The Schedule outlines functional role and operating mechanism for withholding tax on capital gains wherein the Central Depository Company (CDC) assists NCCPL for discharging its obligation and NCCPL also issues annual certificates to the taxpayers in respect of capital gains subjected to tax under this Schedule.

The Bill now seeks to:

- a. Enhance the period for furnishing quarterly statement of capital gains and tax computed thereon by NCCPL to the Board from existing 30 days to 45 days;
- b. The amount collected by NCCPL on behalf of the Board under Eighth Schedule is be paid to the Board along with interest accrued thereon on yearly basis by July 31st next following the financial year in which the amount is collected. It is now proposed to change the payment date from July 31 to August 15.

## **SECTION 5 SALES TAX & FEDERAL EXCISE DUTY**

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

#### **Definitions**

##### **Tier-1 Retailer**

**[Section 2 (43A)]**

The Bill seeks to insert a new definition for Tier-1 Retailer, meaning:-

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

#### **Scope of tax**

**[Section 3]**

Currently goods imported into Pakistan are subject to levy of Sales Tax. The Bill proposes to amend the same by including the goods imported, irrespective of their final destination in territories of Pakistan.

Moreover, the Bill proposes to charge, levy and pay a further tax at the rate of two percent of the value for the zero rated goods where taxable supplies are made to a person who has not obtained registration number.

It has been further sought to empower Board with the approval of the Minister In charge of Federal Government to issue notification instead of Federal Government in respect of:

- a. exclude or include any taxable supply specified in the Third Schedule to the Sales Tax Act, 1990;
- b. specify the goods in respect of which the liability to pay tax shall be of the person receiving the supply; and
- c. in addition to the normal levy of sales tax on imported goods and taxable supplies, levy and collect tax at such extra rate or amount not exceeding seventeen per cent of the value of such goods or class of goods and on such persons or class of persons.

##### **Tier-1 Retailer**

**[Section 3(9A)]**

A new sub-section is proposed to be inserted requiring Tier-1 retailers to pay sales tax under normal regime which were previously governed through Special Procedure Rules, 2007.

It is further sought that Tier-1 retailers, in lieu of net tax payable at the applicable rate shall, have an option to pay sales tax under the turnover regime at the rate of two percent of their total turnover, including turnover relating to exempt supplies, without adjustment of any input tax. The retailers opting to pay sales tax on the basis of total turnover, shall file an option to the Chief Commissioner of Regional Tax Office or Large Taxpayers Unit having jurisdiction and such option shall remain in force for the whole financial year.

It is also proposed that the retailers making supplies of finished goods of the five sectors specified in Notification No. S.R.O.1125 (I)/2011, dated the 31st December, 2011 shall pay sales tax in respect of such supplies at the rates prescribed in the said Notification.

**Zero rating**

**[Section 4]**

The Bill seeks to charge, levy and pay a further tax at the rate of two percent of the value for the zero rated goods where taxable supplies are made to a person who has not obtained registration number.

**Determination of tax liability**

**[Section 7]**

It has been sought to empower Board with the approval of the Minister-In-Charge of Federal Government to issue notification instead of Federal Government in respect of the following:

- a. a registered person to deduct input tax paid by him from the output tax determined or to be determined as due from him under this Act;
- b. a registered person or class of persons to deduct such amount of input tax from the output tax as may be specified in the said notification.

**Levy and collection of tax on specified goods on value addition**

**[Section 7A]**

The Bill proposes to empower Board with the approval of the Minister-In-Charge of Federal Government to issue notification instead of Federal Government in respect of:

- a. sales tax chargeable on the supply of goods of such description or class shall be levied and collected on the difference between the value of supply for which the goods are acquired and the value of supply for which the goods, either in the same state or on further manufacture, are supplied;
- b. specify the minimum value addition required to be declared by certain persons or categories of persons, for supply of goods of such description, or class as may be prescribed, and to waive the requirement of audit or scrutiny of records if such minimum value addition is declared.

**Tax credit not allowed**

**[Section 8]**

The Bill seeks to empower the Board with the approval of the Minister In charge of Federal Government to issue notification, previously vested with Federal Government, in respect of the admissibility of input tax credit on specified goods or services.

**Exemption**

**[Section 13]**

It has been sought to empower the Board with the approval of the Minister-In-charge of Federal Government to issue notification to exempt any taxable supplies made or import or supply of any goods or class of goods, from the whole or any part of the tax, instead of Federal Government

Under the proposed amendment the Board is required to place before the National Assembly all notifications issued under this section in a financial year instead of the Federal Government. The Bill proposes that all notification issued including notifications issued on or after 1st July, 2016, shall remain in force till the 30th June, 2018, if not earlier rescinded.

**Appointment of Authorities**

**[Section 30]**

The Bill seeks to create new positions to administer and manage sales tax affairs namely:

- a. District Taxation Officer;
- b. Assistant Director Audit;

The Bill seeks to empower Board to direct Chief Commissioner Inland Revenue to perform functions in respect of persons or classes of persons of such areas. Similarly, the Bill empowers to the Chief Commissioner to direct Commissioners Inland Revenue to whom they are sub-ordinate, to perform their functions in respect of such persons or classes of persons of such areas.

**Offences and penalties**

**[Section 33]**

It has been sought to insert the following new penalty clause in respect of persons involved in manufacturing and trade of cigarettes:-

Offences	Penalties	Section Reference
23. Any person who manufactures, possesses, transports, distributes, stores or sells cigarette packs without, or with counterfeited, tax stamps, banderoles, stickers, labels or barcodes.	<ul style="list-style-type: none"> <li>(i) such cigarette stock shall be liable to outright confiscation and destruction. Any person committing the offence shall pay a penalty of twenty-five thousand rupees or one hundred percent of the amount of tax involved, whichever is higher. He shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to five years which may extend to an amount equal to the loss of tax involved, or with both.</li> <li>(ii) In case of transport of cigarettes without, or with counterfeited, tax stamps, banderoles, stickers, labels or barcodes, permanent seizure of the vehicle used for transportation of non-conforming or counterfeit cigarette packs; and</li> <li>(iii) In case of repeat sale of cigarettes without or with counterfeited, tax stamps, banderoles, stickers, labels or barcodes, the premises used for such sale be sealed for a period not exceeding 15 days.</li> </ul>	40C(2)

**Recovery of arrears of tax**

**[Section 48]**

The Bill proposes that commissioner shall not issue recovery notice in case an appeal before commissioner appeals is pending, provided that 25% of the demand has been paid. The amendment is in consonant with the settled proposition of law that a taxpayer shall not be forced to pay the demand created by an order unless he has gone through an appellate forum, however, condition of payment of 25% of the demand is against the spirit of such principle of law.

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

**[Section 56]**

It has been sought that communication of notices to public and private limited companies may now be served electronically through email or to the e-folder maintained for the purpose of e-filing of sales tax- cum-federal excise returns. The Bill further proposes that same channel of communication may also be followed for serving of notice on any person other than resident individual.

**Powers to deliver certain goods without payment of tax**

**[Section 60]**

The Bill seeks to empower the Board with the approval of the Minister In charge of Federal Government, that were previously vested with Federal Government, to authorize import of goods or class of goods, without payment of the whole or any part of the tax payable thereon to the following person:

- a. registered importers importing such goods temporarily with a view to subsequent exportation;
- b. registered manufacturer-cum-exporters who import raw materials and intermediary products for further manufacture of goods meant for export.

**Exemption of tax not levied or short levied as a result of general practice**

**[Section 65]**

The Bill seeks to empower Board with the approval of the Minister In charge of Federal Government is satisfied that inadvertently and as a general practice direct that the tax not levied or short levied as a result of that inadvertent practice, shall not be required to be paid for the period prior to the discovery of such inadvertent practice, instead of Federal Government.

**Special procedure**

**[Section 71]**

It has been sought to empower Board with the approval of the Minister In charge of Federal Government to issue notification to prescribe special procedure for scope and payment of tax, registration, book keeping and invoicing requirements and returns, etc., instead of Federal Government.

**Validation**

**[Section 74A]**

A new sub-section is proposed to be inserted whereby all notifications and orders issued and notified in exercise of the powers conferred upon the Federal Government, before the commencement of Finance Act, 2017, shall be deemed to have been validly issued and notified in exercise of those powers, despite anything contained in any judgment of the High Court or Supreme Court.

**Sales Tax at Retail Price**

**[Third Schedule]**

The Bill seeks to propose following changes in the Third Schedule of the Sales Tax Act, 1990:

S. #	Description	Heading/Sub-Heading No. Omitted	Heading/Sub-Heading No. substituted / inserted with
2.	Ice cream	21.05	21.05.0000
32.	Fertilizers	Respective headings	

**Zero rating**

**[Fifth Schedule]**

The Bill seeks to propose following changes in the Fifth Schedule of the Sales Tax Act, 1990:

Sr.	Existing	PCT	Proposed	PCT
12 (xvii)	Preparations for infants use put for retail sale	1901.1000	Preparations suitable for infants or young children, put for retail sale	1901.1000

**Exemptions**

**[Sixth Schedule]**

**[Table I – Imports or Supplies]**

The Bill seeks to propose following changes in the Sixth Schedule of the Sales Tax Act 1990

Sr.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)	
		Existing	Proposed
1.	Live Animals and live poultry	0101.3100	0101.3000
15.	Edible fruits excluding imported fruits (except fruits imported from Afghanistan) whether fresh, frozen or otherwise preserved but excluding those bottled or canned.	0805.2010, 0805.2090,	0805.2910, 0805.2100, 0805.2200, 0805.2990
17.	Ginger excluding those sold in retail packing bearing brand names and trade marks	0910.1000	09.10
23.	Sugarcane	1212.9990	1212.9300
33.	Currency notes, bank notes, shares, stocks and bonds	4907.0000	49.07
38.	Monetary gold	7108.2000	7108.1390
81.	Cotton seed	1207.2000	1207.1000
91.	Energy saver lamps	8539.3910	8539.3110
108(h)	Al-oxide suspension	3824.9099	3824.8400
110(c)	SMD, LEDs with or without ballast, with fitting and fixtures	8543.7090	8539.5010 , 8539.5020
113(2)	Sprinklers including high and low pressure (centre pivotal) system, conventional sprinkler equipment, water reel travelling sprinkler, drip or trickle irrigation equipment, mint irrigation sprinkler system	8424.8100	8424.4100
114(2)	Green houses (pre-fabricated)	9406.0010	9406.1010, 9406.9010
133(h)	Ingredients for pesticides	2939.9910	2939.8010
133(j)	Chemical preparations	3824.9099	3824.9999

**Exemptions**

**[Sixth Schedule]**

**[Table I – Imports or Supplies]**

The Bill seeks to withdraw exemption of sales tax in respect of the following items:

S. #	Items	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
133	Ingredients for pesticides Cadusafos technical material Other ingredients for pesticides Tiethanolamine and its salts	2903.3040, 2918.9010, 2919.0010, 2924.2930 2903.6900 2919.0090 2922.1300

**[Table I – Imports or Supplies]**

The Bill seeks to propose following changes in the Sixth Schedule of the Sales Tax Act, 1990:

S. #	Description	Heading/Sub-Heading No. Omitted	Heading/Sub-Heading No. substituted / inserted with
1.	Live animals and live poultry	0102.1010, 0105.1900	
15.	Edible fruits excluding imported fruits (except fruits imported from Afghanistan) whether fresh, frozen or otherwise preserved but excluding those bottled or canned.	0803.0000	
19.	Cereals and products of milling industries	1102.3000	
20.	Seeds, fruit and spores of a kind used for sowing	1209.1010	
26.	Fruit juices, whether fresh, frozen or otherwise preserved but excluding those bottled, canned or packaged	2009.8000	
31.	Holy Quran, complete or in parts, with or without translation; Quranic verses recorded or any analogue or digital media; other Holy Books	8523.5100, 8523.5200	
83.	Meat and similar products of prepared, frozen or preserved meat or meat offal of all types including poultry meat and fish	1604.3000	
84.	Preparation suitable for infants or young children, put up for retail sales		1901.1000
97.	Pens, ball pens, markers and porous tipped pens		96.08
100A.	Materials and equipment (plant, machinery, equipment, appliances and accessories) for construction and operation of Gwadar Port and free zone for Gwadar as imported by or supplied to China overseas Port holding Company Limited (COPHCL) and its operating companies namely (i) China Overseas Ports Holding Company Pakistan (Pvt.) Limited (ii) Gwadar International Terminal Limited		Respective headings
100C.	Vehicles imported by China Overseas Ports Holding Company Limited (COPHCL) and its operating companies, namely: i. China Overseas Ports Holding Company Pakistan (Private) Limited ii. Gwadar International Terminal Limited iii. Gwadar Marine Services Limited; and iv. Gwadar Free Zone Company Limited		9917(3)
106.	for a period of 23 years for construction, development and operations of Gwadar Port and Free Zone Area		
134.	Import of halal edible offal of bovine animals	0206.2000	
134.	Goods received as gift or donation from a foreign Government or organization by the federal or provincial government or any public sector organization subject to recommendations of the cabinet division and concurrence by the Federal Board of Revenue		9908
135.	Sunflower and canola hybrid seeds meant for sowing		Respective headings
136.	Combined harvesters upto 5 years old		8433.5100
137.	Single cylinder agriculture diesel engines (compression-ignition internal combustion piston engines) of 3 to 36 HP, and CKD kits thereof		8408.9000

**Exemptions**

**[Sixth Schedule]**

**[Table 3 – Imports or Supplies]**

The Bill seeks to propose following changes in the Sixth Schedule of the Sales Tax Act 1990

Sr.	Description	PCT heading	
		Existing	Proposed
2(A8)	Refrigerated liquid bath	3824.9099	3824.9999

**[Annexure - Table 3 – Imports or Supplies]**

Sr.	Description	PCT heading	
		Existing	Conditions
14.	<b>Following items for use with solar energy:-</b> Solar Power Systems. (1) Off-grid/On-grid solar power system (with or without provision for USB/charging port) comprising of : (i) PV Module. (ii) Charge controller. (iii) Batteries for specific utilization with the system (not exceeding 50 Ah in case of portable system). (iv) Essential connecting wires (with or without switches).  (v) Inverters (off-grid/ on-grid/ hybrid with provision for direct connection/ input renewable energy source and with Maximum Power Point Tracking (MPPT). (vi) Bulb holder	8501.3110 8501.3210	
		8541.4000	
		9032.8990	
		8507.2090	
		8507.3000	
		8507.6000	
		8544.4990	
		8504.4090	
		8536.6100	
		8421.2100	
14A.	<b>Following systems and items for dedicated use with renewable source of energy like solar, wind, geothermal etc.</b> <b>1. (a) Solar Parabolic Trough Power Plants.</b> <b>(b) Parts for Solar Parabolic Power Plants.</b> (i) Parabolic Trough collectors modules. (ii) Absorbers/Receivers tubes. (iii) Steam turbine of an output exceeding 40MW. (iv) Steam turbine of an output not exceeding 40MW. (v) Sun tracking control system. (vi) Control panel with other accessories. <b>2. (a) Solar Dish Stirling Engine.</b> <b>(b) Parts for Solar Dish Stirling Engine.</b> (i). Solar concentrating dish. (ii). Sterling engine. (iii). Sun tracking control system. (iv). Control panel with accessories. (v). Stirling Engine Generator <b>3. (a) Solar Air Conditioning Plant</b> <b>(b) Parts for Solar Air Conditioning Plant</b> (i). Absorption chillers. (ii). Cooling towers. (iii). Pumps. (iv). Air handling units. (v). Fan coils units. (vi). Charging & testing equipment. <b>4. (a) Solar Desalination System</b> <b>(b) Parts for Solar Desalination System</b> (i). Solar photo voltaic panels. (ii). Solar water pumps. (iii). Deep Cycle Solar Storage batteries. (iv). Charge controllers.	8502.3900	
		8503.0010	
		8503.0090	
		8406.8100	
		8406.8200	
		8543.7090	
		8537.1090	
		8543.7000	
		8543.7000	
		8543.7090	
		8406.8200	
		8501.6100	
		8415.1090	
		8418.6990	
		8419.8910	
		8413.3090	
		8415.8200	
		8415.9099	
		9031.8000	
		8421.2100	
		8541.4000	
		8413.3090	
		8507.2090	
		9032.8990	



Sr.	Description	PCT heading	
		Existing	Conditions
	(v). Inverters (off grid/on grid/ hybrid) with provision for direct connection/input from renewable energy source and with Maximum Power Point Tracking (MPPT)	8504.4090	
	<b>5. Solar Thermal Power Plants with accessories.</b>	8502.3900	
	<b>6. (a) Solar Water Heaters with accessories.</b>		
	<b>(b) Parts for Solar Water Heaters</b>	8419.1900	
	(i). Insulated tank	7309.0000	
	(ii). Vacuum tubes (Glass)	7310.0000	
	(iii). Mounting stand	7020.0090	
	(iv). Copper and Aluminum tubes	Respective headings	
	<b>(c) Accessories:</b>	Respective headings	
	(i) Electronic controller		
	(ii) Assistant/ feeding tank		
	(iii) Circulation Pump		
	(iv) Electric heater/ immersion rod (one piece with one solar water heater)		
	(v) Solenoid valve (one piece with one solar water heater)		
	(vi) Selective coating for absorber plates		
	<b>7. (a) PV Modules.</b>	8541.4000	
	<b>(b) Parts for PV Modules</b>		
	(i). Solar cells.	8541.4000	
	(ii). Tempered Glass.	7007.2900	
	(iii). Aluminum frames.	7610.9000	
	(iv). O-Ring.	4016.9990	
	(v). Flux.	3810.1000	
	(vi). Adhesive labels.	3919.9090	
	(vii). Junction box & cover.	8538.9090	
	(viii). Sheet mixture of paper and Plastic	3920.9900	
	(ix). Ribbon for PV Modules (made of silver &Lead).	Respective Headings	
	(x). Bypass diodes.	8541.1000	
	(xi). EVA (Ethyl Vinyl Acetate) Sheet (Chemical).	3920.9900	
	<b>8. Solar Cell Manufacturing Equipment.</b>		
	(i). Crystal (Grower) Puller (if machine).	8479.8990	
	(ii). Diffusion furnace.	8514.3000	
	(iii). Oven.	8514.3000	
	(iv). Wafering machine.	8486.1000	
	(v). Cutting and shaping machines for silicon ingot.	8461.9000	
	(vi). Solar grade polysilicon material.	3824.9999	
	(vii). Phosphene Gas.	2853.9000	
	(viii). Aluminum and silver paste.	Respective headings	
	<b>9. Pyranometers and accessories for solar data collection.</b>	9030.8900	
	<b>10. Solar chargers for charging electronic devices.</b>	8504.4020	
	<b>11. Remote control for solar charge controller.</b>	8543.7010	
	<b>12. Wind Turbines.</b>		
	(a) Wind Turbines for grid connected solution above 200 KW (complete system).	8412.8090	
	(b) Wind Turbines upto 200 KW for off-grid solutions comprising of:	8412.8090	
	(i) Turbine with generator / alternator	Respective heading	
	(ii) Nacelle with rotor with or without tail		
	(iii) blades		
	(iv) Pole/Tower		
	(v) Inverter for use with wind turbine		
	(vi). Deep Cycle Cell/ Battery (for use with wind turbine).	8507.2090	
	<b>13. Wind water pump</b>	8413.8100	

Sr.	Description	PCT heading	
		Existing	Conditions
	<b>14. Geothermal energy equipment.</b>		
	(i). Geothermal heat pumps.	8418.6100	
	(ii). Geothermal Reversible Chillers.	8418.6990	
	(iii). Air handlers for indoor quality control equipment.	8415.8300	
	(iv). Hydronic heat pumps.	8418.6100	
	(v). Slim Jim heat exchangers.	8419.5000	
	(vi). HDPE fusion tools.	8515.8000	
	(vii). Geothermal energy installation tools and equipment.	8419.8990	
	(viii). Dehumidification equipment.	8479.6000	
	(ix). Thermostats and intellizone.	9032.1090	
	<b>15. Any other item approved by the Alternative Energy Development Board (AEDB) and concurred to by the FBR.</b>	Respective heading	
	<b>Following items for promotion of renewable energy technologies or for conservation of energy:-</b>		
	(i) SMD/LED/LVD lights with or without ballast, fittings and fixtures.	9405.1090 8539.3290 8543.7090	
	(ii) SMD/LED/LVD street lights, with or without ballast, PV module, fitting and fixtures	9405.4090 8539.3290 8543.7090	
	(iii) Tubular day lighting device.	9405.5010	
	(iv) Wind turbines including alternators and mast.	8502.3100	
	(v) Solar torches.	8513.1040	
	(vi) Lanterns and related instruments.	8513.1090	
	(vii) LVD induction lamps.	8539.3290	
	(viii) LED bulb/tube lights.	8543.7090	
	(ix) PV module, with or without, the related components including invertors (offgrid/ on grid/ hybrid) with provision for direct connection/input from renewable energy source and with Maximum Power Point Tracking (MPPT), charge controllers and solar batteries.	8541.4000 8504.4090 9032.8990 8507.0000	
	(x) Light emitting diodes (light emitting in different colors).		
	(xi) Water pumps operating on solar energy along with solar pump controllers	8541.5000	
	(xii) Energy saver lamps of varying voltages		
	(xiii) Energy Saving Tube Lights.	8413.7010	
	(xiv) Sun Tracking Control System	8413.7090 8504.4090 8539.3110	
	(xv) Invertors (off-grid/on grid/hybrid) with provision for direct connection/input from renewable energy source and with Maximum Power Point Tracking (MPPT).	8539.3210 8539.3120 8539.3220	
	(xvi) Charge controller/ current controller.	8543. 7090	
	Provided that exemption under this serial shall be available with effect from 01.07.2016.	8504.4090 9032.8990	
15A	<b>Parts and components for manufacturing LED lights:</b>		
	(i) Aluminum housing/ shell for LED (LED light fixture)	9405.1090	If imported by LED light manufacturers Registered under the Sales Tax Act, 1990 subject to annual quota determination by the Input Output Coefficient Organization (IOCO)
	(ii) Metal clad printed circuit boards (MCPCB) for LED		
	(iii) Constant current power supply for of LED lights (1-300W)	8543.0000	
	(iv) Lenses for LED lights	8504.4090 9001.9000	

**Reduced rates**

**[Eighth Schedule]**

The Bill seeks to propose following changes in the Eighth Schedule of the Sales Tax Act 1990

Sr.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)	
		Existing	Proposed
26(iv).	Sub soiler	8432.3090	8432.3900
27(iv).	Fertilizer of manure spreader or boradcaster	8432.4000	8432.4100
27(vi).	Canola or sunflower drill	8432.3010	8432.3100
27(vii).	Sugarcane planter	8432.3090	8432.3900

The Bill seeks to adopt reduced rate of Sales tax on the following items vide Eight Schedule of the Sales Tax Act, 1990:

**[Table I - Eighth Schedule]**

S. #	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)	Rate of Sales Tax	Conditions
35.	DAP	Respective heading	Rs.100 per 50kg bag	Nil
36.	NP (22-20)	Respective heading	Rs.168 per 50 kg bag	If manufactured from gas other than imported LNG
37.	NP (18-18)	Respective heading	Rs.165 per 50 kg bag	If manufactured from gas other than imported LNG
38.	NPK-I	Respective heading	Rs.251 per 50 kg bag	If manufactured from gas other than imported LNG
39.	NPK-II	Respective heading	Rs.222 per 50 kg bag	If manufactured from gas other than imported LNG
40.	NPK-III	Respective heading	Rs.341 per 50 kg bag	If manufactured from gas other than imported LNG
41.	SSP	Respective heading	Rs.31 per 50 kg bag	If manufactured from gas other than imported LNG
42.	CAN	Respective heading	Rs.98 per 50 kg bag	If manufactured from gas other than imported LNG
43.	Natural Gas	Respective heading	10%	If supplied to fertilizer plants for manufacturing of urea
44.	Phosphoric acid	2809.2010	5%	If imported by fertilizer company for manufacturing of DAP
45.	Following machinery for poultry sector:			Import & supply
	(i) Machinery for preparing feeding stuff	8436.1000	7%	
	(ii) Poultry incubators and brooders	8436.2100 and 8436.2900	7%	
	(iii) Insulated sandwich panels	9406.0090	7%	
	(iv) Poultry sheds	9406.0020	7%	
	(v) Evaporative air cooling system	8479.6000	7%	
	(vi) Evaporative cooling pad	8479.9010	7%	
46.	Multimedia projectors	8528.6210	10%	If imported by educational institution
47.	Locally produced coal	27.01	Rs. 425 per metric tonne or 17% ad valorem, whichever is higher	Nil

**Mobile phones**

**[Ninth Schedule]**

The Bill seeks to propose the following changes on the amount of sales tax on import of handsets and activation of new cards as under:

Description / Specification of Goods	Sales tax on import or local supply		Sales tax chargeable at the time of registration of an International Mobile Equipment Identity (IMEI) number by CMO	
	<i>Existing</i>	<i>Proposed</i>	<i>Existing</i>	<i>Proposed</i>
<b>A. <u>Low Priced Cellular Mobile Phones or Satellite Phones</u></b>				
(i) All cameras: 2.0 mega-pixels or less	Rs. 300 per phone	Rs. 650 per phone	Rs. 300 per registration	Rs. 650 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>				
(iv) One or two cameras: between 2.1 to 10 mega-pixels;	Rs. 1000 per phone	Rs. 650 per phone	Rs. 1,000 per registration	Rs. 650 per registration
(v) Screen size: between 2.6 inches and 5.0 inches;				
(i) Micro-processor: less than 2 GHZ				

**Announcements through Salient Features published with the Finance Bill**

It could be observed through salient features published with the Bill that certain measures are expected to be adopted in due course. The significant announcements in this respect are as under:-

- a. Withdrawal of sales tax withholding on supplies between registered persons with the exception of advertisement services;
- b. Exemption from sales tax on export of IT services.
- c. Services which are subjected to sales tax on turnover basis without input tax adjustment under Provincial Sales Tax laws to be taxed in the similar manner under the Islamabad Capital Territory (Tax on Services) Ordinance, 2001;
- d. The rate of tax on retail sales of five export oriented sectors is being enhanced from 5% to 6%.

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

### **Definitions**

#### **Due Date** **[Section 2 (8a)]**

The Bill seeks to propose that due dates for furnishing different parts or annexure of the return that were previously vested with the Federal Government shall now be prescribed by the Board.

#### **Duties specified in the First Schedule to be levied** **[Section (3)]**

It has been proposed that levy and collection of duty in respect of the following powers that were previously vested with the Federal Government shall now be prescribed by the Board with the approval of the Minister-in-charge of the Federal Government:

- a. goods produced or manufactured in the non-tariff areas and are brought to the tariff areas for sale or consumption; and
- b. class or classes of goods or services chargeable at such higher or lower rate.

#### **Exemptions** **[Section 16]**

The exemption from levy of duty in whole or in part on any goods or class of goods or any services or class of services that was previously vested with Federal Government shall now be prescribed by the Board with the approval of the Minister-in-charge of the Federal Government.

#### **Offences, penalties, fines and allied matters** **[Section 19 (13)]**

The Bill seeks to propose that any person involved in evading excise duty on cigarettes or is involved in the manufacture or production of tax stamp, banderoles, stickers, labels or bar codes or in the manufacturing or production of cigarettes packs without affixing or affixing counterfeited, tax stamps, banderoles, stickers, labels or barcodes shall be subjected to fines and penalties as may be prescribed by relevant authorities.

#### **Appointment of Federal Excise officers and delegation of Powers** **[Section 29]**

The Bill proposes to include District Taxation Officer and Assistant Director Audit in the list of Inland Revenue Authorities.

It has been further sought that Chief Commissioner Inland Revenue shall perform functions in accordance with the directions of the Board while Commission Inland Revenue shall follow directions of Chief Commissioner for performance of their duties.

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

The Bill seeks to propose that notice for recovery of tax due from a tax payer shall not be issued in cases where appeal filed by the tax payer has not yet been decided by the Commissioner Appeals provided that twenty five percent of the amount of tax due has been paid by the tax payer.

#### **Validation** **[Section 43A]**

A new sub-section is proposed to be inserted whereby all notifications and orders issued and notified in exercise of the powers conferred upon the Federal Government, before the commencement of Finance Act, 2017, shall be deemed to have been validly issued and notified in exercise of those powers, despite anything contained in any judgment of the High Court or Supreme Court.

**Service of notices and other documents**

**[Section 47]**

It has been sought that communication of notices to public and private limited companies may now be served electronically through email or to the e-folder maintained for the purpose of e-filing of sales tax- cum-federal excise returns. The Bill further proposes that same channel of communication may also be followed for serving of notice on any person other than resident individual.

**Excisable goods**

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

a. **Cigarettes:** The Bill seeks to propose that description of and duty on the locally produced cigarettes is to be modified/ enhanced as under:

Existing				Proposed			
Sr.	Description of goods	Heading/ sub- heading Number	Rate of FED	Sr.	Description of goods	Heading /sub- heading Number	Rate of FED
9a	For the period from 01-07-2016 to 30-11-2016, locally produced cigarettes if their on-pack printed retail price exceeds four thousand rupees per thousand cigarettes	24.02	Rupees three thousand four hundred and sixty per thousand cigarettes				
9b	For the period from 01-12-2016 onwards, locally produced cigarettes if their on-pack printed retail price exceeds four thousand four hundred rupees per thousand cigarettes	24.02	Rupees three thousand seven hundred and five per thousand cigarettes	9	Locally produced cigarettes if their on-pack printed retail price exceeds four thousand five hundred rupees per thousand cigarettes	24.02	Rupees three thousand seven hundred and forty per thousand cigarettes
10a	For the period from 01-07-2016 to 30-11-2016, locally produced cigarettes if their on-pack printed retail price does not exceed four thousand rupees per thousand cigarettes	24.02	Rupees one thousand five hundred and thirty four per thousand cigarettes	10	Locally produced cigarettes if their on-pack printed retail price exceed two thousand nine hundred and twenty five rupees per thousand cigarettes but does not exceed four thousand five hundred rupees per thousand cigarettes	24.02	Rupees one thousand six hundred and seventy per thousand cigarettes
10b	For the period from 01-12-2016 onwards, locally produced cigarettes if their on-pack printed retail price does not exceed four thousand four hundred rupees per thousand cigarettes	24.02	Rupees one thousand six hundred and forty-nine per thousand cigarettes	10a	Locally produced cigarettes if their on-pack printed retail price does not exceed two thousand nine hundred and twenty five rupees per thousand cigarettes	24.02	Rupees eight hundred per thousand cigarettes

b. **Cement:** It has been further sought that duty on Cement to be enhanced as under:

Existing				Proposed			
Sr.	Description of goods	Heading/ sub- heading Number	Rate of FED	Sr.	Description of goods	Heading /sub- heading Number	Rate of FED
13	Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not colored or in the form of clinkers	25.23	One rupee per kilo gram	13	Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not colored or in the form of clinkers	25.23	One rupee and twenty five paise per kilo gram

**Restriction – Excisable goods**

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

Existing	Proposed
<b>Restriction 1 – Reduction</b>	<b>Restriction 1 – Reduction</b>
For the purpose of levy, collection and payment of duty at the rates specified in column (4) against serial numbers 9, 10 and 11, no cigarette manufacturer shall reduce price from the label adopted on the day of announcement of the latest budget.	For the purpose of levy, collection and payment of duty at the rates specified in column (4) against serial numbers 9 no cigarette manufacturer shall reduce retail price from the label adopted on the day of announcement of the latest budget.
<b>Restriction 3 – Minimum Price</b>	<b>Restriction 3 – Minimum Price</b>
Any new brand introduced in the market shall not be priced and sold lower than 5 percent below the price of the most popular price category (MPPC). MPPC is the price point at which the highest number of excise tax paid cigarettes are sold in the previous fiscal year.	No brand shall be priced and sold at a retail price (excluding sales tax) lower than 45 percent of the retail price under column (2) serial 9 of Table -1 of First Schedule to this Act.

**Excisable Services**

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

The Bill seeks to propose the following reduction in the rate of excise duty chargeable on telecommunication services:

Sr.	Description	Heading/sub-heading Number	
		Existing	Proposed
6.	Telecommunication services excluding such services in the area of a province where such province has imposed provisional sales tax and has started collecting the same through its own Board or Authority, as the case may be	18.5% of the charges	17% of the charges

**Conditional Exemption - Services**

The Bill seeks to insert the following new entry:

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

Sr.	Description
20A.	Vehicles imported by China Overseas Ports Holding Company Limited (COPHCL) and its following operating companies for a period of 23 years for construction, development and operations of Gwadar Port and Free Zone Area subject to limitations, conditions prescribed under PCT heading 9917(3): <ul style="list-style-type: none"> <li>v. China Overseas Ports Holding Company Pakistan (Private) Limited</li> <li>vi. Gwadar International Terminal Limited</li> <li>vii. Gwadar Marine Services Limited; and</li> <li>viii. Gwadar Free Zone Company Limited</li> </ul>

## **SECTION 6 CUSTOMS ACT. 1969**

### **Goods declaration [Section 2 (la)]**

The Bill seeks to include the Bill of Coastal Goods in the meaning of Goods Declaration.

### **Controlled delivery [Section 2 (z)]**

It has been proposed to insert a new clause of controlled delivery to regulate the provision to supervise and coordinate operational activities that allow suspected consignments of prohibited and restricted goods, including Smuggled items, to pass out of, through or into the territory of Pakistan, with a view to identifying persons involved in the commission of an offence cognizable under the Customs Act.

### **Directorate General of China Pakistan Economic Corridor [Section 3 (AAA)]**

The Bill seeks to create a legal provision for establishment of a Directorate General CPEC which shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint. This provision shall provide for effective supervision and monitoring of trade flows under this strategic initiative.

### **Assistance to the officers of customs [Section 7]**

The Bill seeks to broaden the assistance to the officers of Customs by also requiring and empowering the officers of Inland Revenue, National highway and Pakistan Motorway Police in the already empowered officers of Police, civil armed forces and other officers engaged in revenue collection.

### **Uniform [Section 8 (A)]**

It has been sought to insert this section to empower the Board to prescribe rules for wearing of uniform by officers and staff of Customs Service of Pakistan.

### **General power to exempt from customs-duties [Section 19 (1)]**

The Bill seeks to allow Board, with prior approval of Minister-in-Charge and pursuant 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 duties, development of backward areas, implementation of bilateral and multilateral agreements, [and to any international financial institution or foreign government-owned financial institution operating under a memorandum of understanding an agreement or any other arrangement with the Government of Pakistan], subject to such conditions, limitations or restrictions, if any, as it deems fit to impose, may, by notification in the official Gazette, exempt any goods imported into, or exported from, Pakistan or into or from any specified port or station or area therein, from the whole or any part of the customs-duties chargeable thereon and may remit fine, penalty, charge or any other amount recoverable under this Act.

Earlier this power was vested with the Federal Government.

### **General power to exempt from customs-duties [Section 19 (5)]**

Earlier any notification issued after the commencement of Finance Act, 2015 under section 19(1), if not earlier rescinded, stands rescinded on the expiry of the financial year in which it was issued.

Now, the bill seeks to provide legal coverage to certain notifications earlier issued, except those earlier rescinded, to be deemed to be in force with effect from first day of July, 2016 and it has been sought



further that all notifications issued on or after first day of July, 2016 shall also continue to be in force till thirtieth day of June, 2018, if not earlier rescinded.

**Power to determine the customs value** **[Section 25A (2)]**

It has been proposed to empower the Customs officer to finalize the assessment on the basis of value, if the same is higher than value fixed through Valuation Ruling and it has been proposed to include a proviso that where the value declared in a goods declaration, filed under section 79 or section 131 or mentioned in the invoice retrieved from the consignment, as the case may be is higher than the value determined under sub-section (1), such higher value shall be the customs value.

**Obligation to produce documents and provide information** **[Section 26 (1A)]**

The Bill seeks to insert this new sub section to authorize board or any officer in this behalf, who subject to rules may require any person to provide such information as is held by that person, which is required for the purpose of End User Verification of goods.

**Period for which goods may remain warehoused** **[Section 98 (1)]**

It has been sought to insert a clause to empower a Chief Collector of Customs to further allow a second extension in warehousing period, for a period not exceeding one month in case of notified perishable goods and a period not exceeding three months in case of non-perishable goods.

**Cancellation of registration of registered user** **[Section 155F]**

It has been proposed to add a proviso to permit a right of appeal to the aggrieved person who may prefer within 30 days of cancellation or suspension of his unique user identifier USER to file an appeal to the Chief Collector of Customs. The Chief Collector may pass an order annulling, modifying or confirming the order passed by the Collector of Customs.

**Punishment for offences** **[Section 156 (1)]**

The Bill seeks to add in the table a new clause 7A, to impose a penalty not exceeding five hundred thousand rupees, if any agency or person including port authorities managing or owning a customs port, customs airport or a land customs station or a container freight station, fails to entertain a delay and detention certificate issued by the officer of Customs.

**Punishment for offences** **[Section 156 (4)]**

The Bill seeks to add this new subsection to enable the Board to regulate the imposition of penalty u/s 156(1), including the time and manner.

**Appeals to Collector (Appeals)** **[Section 193 (1)]**

The Bill seeks to permit the right of Appeal also for the order passed under section 195 by an officer of Customs below the rank of an Additional Collector.

**Appeals to the Appellate Tribunal** **[Section 194A (1d)]**

It has been proposed to amend and also allow filing of appeal in respect of an order issued under section 195 by the Board or an officer of Customs not below the rank of an Additional Collector.

**Powers of Board or Collector to pass certain orders** **[Section 195]**

The Bill seeks to empower Board or Collector of Customs or Collector of Customs (Adjudication) either to dispose of a case on its own or to assign the case to equal or higher mark officer, who may have passed the order earlier, for passing such order as he may think fit.

**Power to enter into mutual legal assistance agreements on customs matters [Section 219A]**

To enable the Customs to enhance international cooperation it has been proposed to insert this new section, so that:

- (1) The Board may, of its own motion or upon request from an international organization, a foreign customs administration, or any other foreign competent authority, enter into memorandum of understanding pertaining to mutual legal assistance in customs matters, or in pursuance of any bilateral or a multilateral agreement, undertake activities, which, inter alia, include:
  - a. coordinated border management;
  - b. information and data sharing;
  - c. bilateral and multilateral international special operations, including, by the method of controlled delivery;
  - d. capacity building and technical assistance initiatives; and
  - e. any other matter to which both or all parties agree.
- (2) Notwithstanding anything contained in any other law, for the time being in force, the Board may, on behalf of the Federal Government, request an international organization, a foreign customs administration, or any other foreign competent authority for legal assistance on any matter or offence under this Act, or upon request received therefrom; and
- (3) The Board may, by notification in the official Gazette, prescribe the rules for any of the matters enumerated in this section.

**Validation [Section 221A]**

The bill proposes to insert this new section to provide savings to all notifications and orders issued and notified in exercise of the powers conferred upon the Federal Government before the commencement of Finance Act, 2017, which shall be deemed to have been validly issued and notified in exercise of those powers, notwithstanding anything contained in any judgment of the High Court or Supreme Court.

## **SECTION 7 RATES FOR WITHHOLDING (INCOME) TAX**

LINK TO DOWNLOAD: <http://tagm.co/pdf/WithHoldingRatesTaxYear2018.pdf>







**TARIQ ABDUL GHANI MAQBOOL & CO.**

Chartered Accountants

**Head Office**

173-W, Block 2, P.E.C.H.S., Karachi

Tel. +9221-34322582 – 583

+9221-34322606 – 607

Fax. +9221-34522492

Email: [info@tagm.co](mailto:info@tagm.co)

Web: [www.tagm.co](http://www.tagm.co)

Offices also in Lahore & Islamabad