



HIGHLIGHTS ON  
**FiNANCE**  
Bill

**2020**

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## Highlights on the Finance Bill, 2020

This document summarizes significant changes proposed to be brought to statute vide the Finance Bill, 2020 (the Bill) relating to Income Tax, Sales Tax, Federal Excise Duty and Customs.

Effective date of applicability of these changes will be July 1, 2020, 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.

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June 14, 2020

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## SECTION I BUDGET AT A GLANCE

SOURCES OF FUNDS	2020-21	2019-20	Change
	Rupees in Million		%
Net Revenue Receipts*	3,699,507	3,102,409	19.2
Net Capital Receipts	1,463,179	966,708	51.4
External Receipts	810,347	2,272,921	-64.3
Privatization Proceeds	100,000	150,000	100.0
Provincial Surplus	241,865	(80,664)	-399.8
Bank Borrowings	916,599	1,723,814	-46.8
<b>Total</b>	<b>7,231,497</b>	<b>8,135,188</b>	<b>-11.1</b>

APPLICATION OF FUNDS	2020-21	2019-20	Change
	Rupees in Million		%
General Public Service incl. others	5,056,016	6,148,369	-17.8
Defense Affairs and Services	1,289,134	1,227,388	5.0
Development Expenditure	886,346	759,431	16.7
<b>Total</b>	<b>7,231,496</b>	<b>8,135,188</b>	<b>-11.1</b>

*NET REVENUE RECEIPTS	2020-21	2019-20	Change
	Rupees in Million		%
Tax Revenue	5,464,300	4,208,459	29.8
Non-tax Revenue	1,108,926	1,296,030	-14.4
<b>Gross Revenue Receipts</b>	<b>6,573,226</b>	<b>5,504,489</b>	<b>19.4</b>
Less: Provincial Share in Taxes	2,873,719	2,402,080	19.6
<b>Total</b>	<b>3,699,507</b>	<b>3,102,409</b>	<b>19.2</b>

## SECTION 2 OVERVIEW OF THE ECONOMY

Pakistan economic growth for fiscal year 2019-20 has been recorded at -0.4 percent, against the target of 4.0 percent, compared to last year's growth of 1.9 percent, against the provisional target of 3.3 percent. The negative growth observed was mainly due to the economic impact of the ongoing COVID-19 pandemic, which according to the IMF can shrink the world economy by 3%, though the target was based upon sectoral growth projections for agriculture, industry, and services at 3.5 percent, 2.3 percent and 4.8 percent respectively. The actual sectoral growth turned out to be 2.7 percent for agriculture, -2.6 percent for industry and 0.6 percent for services. Inflation spiked to average 11.22 percent during July-April FY2020 measured by CPI, against 6.8 percent during same period of last year mainly because of the extreme impact of the COVID-19 impact on the global as well as local economy.

Indicators	FY2019-20	FY2020-21
GDP growth (%)	-1.5	2
CAD (% of GDP)	1.7	2.4
Fiscal deficit (% of GDP)	9.2	6.5
Unemployment ratio (%)	4.5	5.1
Inflation rate (%)	11.1	8

### Coronavirus disease - COVID-19 (Recession)

#### IMF forecasted macroeconomic indicators:

- The official assessments estimate an initial loss of PKR 3 trillion (around \$15 billion) to the economy.
- The disease could result into unemployment ranging from 12.5 to 15.5 million people in the case of moderate slow down and 18.7 million people to 19.1 million in case of severe restrictions.
- A condensed income for a vast part of the population will result in shrinking the tax base. Tax collection which was growing at the rate above 17 percent during July-February, FY2020 has witnessed a significant decline. After the outbreak of COVID-19 pandemic, an average negative growth rate of 13.4 percent was recorded during March 2020 and April 2020 as compared to last year.

- It is expected that there will be an increase in expenses due to the relief packages and therefore budget deficit is expected to exceed the target of 7.5 percent of GDP and may go up to 9.4 percent of GDP.
- The Ministry of Commerce has estimated that the exports losses may be as significant as USD 4 billion. Imports are expected to decline which will disrupt the supply chain of multiple industries as 68% of imports constitute raw materials, which are used to produce final goods.
- Remittances expected to drop by \$5 billion during FY20-21, amid shutdowns and reduced activities in major countries, including GCC.
- Healthcare facilities are insufficient to meet the populations need, creating social vulnerabilities. On average there is only 1 bed available for over 1680 people.

### Policy responses by the Government – COVID-19

#### Fiscal policy

A relief package worth PKR 1.24 trillion has been announced by the federal government. Following are the key features:

- elimination of import duties on emergency health equipment,
- relief to daily wage workers (PKR 200 billion),
- cash transfers to low-income families (PKR 150 billion),
- accelerated tax refunds to the export industry (PKR 100 billion),
- financial support to SMEs (PKR 100 billion),
- accelerated procurement of wheat (PKR 280 billion),
- financial support to utility stores (PKR 50 billion),
- relief in fuel prices (PKR 70 billion),
- support for health and food supplies (PKR 15 billion),
- electricity bill payments relief (PKR 110 billion),

- an emergency contingency fund (PKR 100 billion),
- a transfer to the National Disaster Management Authority (NDMA) for the purchase of necessary equipment to deal with the pandemic (PKR 25 billion).

### Monetary & Macro-Financial policy

- a) SBP has responded to the crisis by cutting the policy rate three times by a cumulative 525 basis points to 8.0% in the span of two months.
- b) SBP has introduced 3 refinancing facilities for:
  - supporting hospitals and medical centers to purchase equipment to detect, contain, and treat COVID-19,
  - stimulating investment in new manufacturing plants and machinery,
  - incentivizing businesses to avoid laying off their workers during the pandemic.
- c) SBP introduced temporary regulatory measures to maintain banking system soundness and sustain economic activity. These include:
  - reducing the capital conservation buffer by 100 basis points to 1.5%,
  - increase the regulatory limit on extension of credit to SMEs by 44% to PKR 180 million,
  - relaxation of the debt burden ratio for consumer loans from 50% to 60%,
  - allowing banks to defer clients' payment of principal on loan obligations by one year.

### Synopsis of Pakistan economy during the fiscal year 2019-20:

- Fiscal deficit as a percent of GDP was confined at 4.0 percent for the period July-March 2019-20 against 5.1 percent in the same period of fiscal year 2018-19.
- The Net Domestic Assets (NDA) of the banking sector witnessed a reduction of Rs. 843.4 billion (58.9 percent) during 01 July - 26 April, FY2019-20 as compared to the expansion of Rs. 1,507.7 billion (9.3 percent) in the same period last year.
- Core Inflation during July-April FY201-20 measured by CPI averaged at 8.25 percent against 7.00 percent during corresponding

period of last year on the back of the prevalence of the pandemic situation posed by the emergence of COVID-19, to counter this the government has not only launched economic relief and stimulus packages as well as reduced the price of various petroleum products in line with the international prices to counter the inflationary pressure.

- Imports stood at US\$ 31.50 billion in July-April FY201-20 as compared to US\$ 36.60 billion in the same period last year showing a decline of almost 14 percent, while exports during July-April FY2019-20 reached to US\$ 18.40 billion, registering a decline of 3.9 percent as compared to US\$ 19.20 in July-April FY2018-19.
- Foreign exchange reserves till end-April FY2019-20, stood at US\$ 17.1 billion. This was above than the total reserves of US\$ 14.8 billion of the same period of last year. Out of this SBP reserves were US\$ 10.8 billion, where reserves held with commercial banks were US\$ 6.3 billion.
- As at end of March 2020 Public debt stood at Rs. 35,207 billion, as compared to Rs. 28,607.5 billion during the same period of last year, recording an increase of Rs 6,599.5 billion (23.06%) during the first nine months of current fiscal year.
- An increase of 137.3 percent was posted in Foreign Direct Investment (FDI) during July-March 2019-20 to US \$ 2.1 billion as compared to US \$ 0.9 billion last year.
- National Savings were 13.9 percent of GDP during 2019-20 against the previous year 10.8 percent of GDP in 2018-19.
- FY2019-20, the performance of stock markets presented a mixed trend. The turnover of shares on the Pakistan Stock Exchange during July-March 2019-20 was 52.48 billion, compared to 39.94 billion shares in the twelve months of fiscal year 2018-19.
- The current account deficit declined to US\$ 3.37 billion during Jul-Apr FY2019-20, compared to US\$ 11.51 billion last year.

Summary of key performance indicators are as follows:

Description	2016-17	2017-18	2018-19	2019-20P
Gross Domestic Product (GDP) – %	5.2	5.5	1.90	-0.4
Total Investment – Growth %	16.2	17.3	15.6	15.4
Consumer Price Index (CPI) – %	4.8	4.7	6.8	11.2
Trade Deficit - % of GDP	8.5	9.8	9.9	5.6
Current Account Deficit - % of GDP	4	6.1	4.8	1.1
Total Public Debt to GDP Ratio	67.06	72.08	86.13	84.37
Foreign Exchange Reserves – US\$ billion	21.4	16.4	14.8	17.1
Depreciation in Rupee Value against US\$ %	0.12	16.08	34	(1.61) A
International Credit Rating – S&P	B	B	B-	B-
PSX – 100 Index	23.4	-10.1	-19.6	-
				13.43

P = Provisional (various durations)

## GROWTH

- Pakistan GDP growth rate has slumped to -0.4% from a target of 4% for the current fiscal year. After a reasonable growth in 2017 and early 2018, global economic activity slowed to a noticeable degree from the second half of the year 2019 and declined significantly in the second half of the current year, reflecting a confluence of factors including the global COVID-19 pandemic situation affecting major economies including Pakistan. This is the reason why IMF has further revised downward real GDP growth for almost all countries in its World Economic Outlook.
- Industrial sector, contributes 19.21 percent in GDP. The deterioration in growth of the industrial sector has been estimated at (2.64) percent, remaining below the target of 2.3 percent. This sharp decline is due to the imposition of lockdown policies and reduction of aggregate demand due to the COVID-19 situation.
- The agricultural sector contributes for 19.31 percent of GDP, and provides 38 percent employment to national labour force. It was the only sector which has performed relatively better in comparison to the other sectors of the economy. This sector grew by 2.67 percent compared to 0.58% last year, much lower than the target of 3.5 percent.

COVID-19 has not affected the agricultural sector by much in 2019-20.

- Services Sector Accounts for 61.4 percent of GDP. The sector has witnessed a drop of (4.2) percent in current fiscal year from 3.8 percent last year. The performance in it was much lower than the target of 4.8 percent. The drop was mainly due to the lockdown which affected trading activities in wholesale, retail trade, transport, storage, and communication sectors.
- The private consumption expenditure declined to 78.5 percent of GDP in FY 2019-20 compared to 82.9 percent in FY2018-19, whereas public consumption expenditures increased to 13.1 percent during FY2017-18 from 11.7 percent in FY2018-19.

Description	2016-17 Growth %	2017-18 Growth %	2018-19 Growth %	2019-20P Growth %
Gross Domestic Product (GDP)	5.2	5.5	1.90	-0.4
Agriculture	0.4	0.8	0.1	0.5
Manufacturing	0.95	0.96	-0.47	-0.5
Commodity Producing Sector	1.38	1.38	-0.36	0.0
Services Sector	3.83	3.93	2.27	-0.36

P = Provisional

## INVESTMENT & SAVING

- Total investment recorded a decline of 0.2 percent in July 2019 to Mar 2019. Fixed investment as percentage of GDP is recorded at 13.8 percent declined from 14.0 percent while Private investment was recorded as a percentage of GDP at 10.0 percent also declined from 10.3 percent. Public investment as percentage of GDP has increased from 3.7 percent to 3.8 percent.
- National savings increased to 13.9 percent of GDP in this fiscal year against 10.8 percent last year. Domestic savings has shown an increase, being recorded at 6.8 percent of GDP in this fiscal year as compared to 4.1 percent of GDP the last year.
- During July-April FY2019-20, foreign direct investment increased by 31.33 percent to USD 2.281 billion in as compared to USD

1.737 billion in FY19. Foreign private investment also increased by 115.85 percent.

Description	2016-17	2017-18	2018-19	2019-20 P
Total Investment - % of GDP	16.20	17.30	15.60	15.40
Fixed Investment - % of GDP	14.60	15.70	14.00	13.80
Public Investment - % of GDP	4.50	5.20	3.70	3.80
Private Investment - % of GDP	10.10	10.50	10.30	10.00
National Saving - % of GDP	12.00	11.30	10.80	13.90

P = Provisional

## CAPITAL MARKETS

- During FY 2020, the performance of stock markets recorded a downwards trend between July and April.
- Fiscal year 2018-19 witnessed the market gaining momentum, reaching the highest point of 43,557 on July 30, 2018, after which it started moving down, and reaching period's lowest closing point of 35,974 on May 30, 2019 which further plummeted to an all-time low of 29,231 in March 2020 due to global economic shock presented by the COVID-19 pandemic. This downfall is mainly because of withdrawal of foreign investors from the market due to investor insecurity because of the tumultuous global economic conditions prevailing during the pandemic. However, the market regained momentum and recorded a close of 33,836 (up by 24.2 percent) displaying the regain of investor confidence and it is expected that market capitalization will increase further if the economic policies can maintain economic stability.
- The turnover of shares on the Pakistan Stock Exchange during July-March 2019-20 was 52.84 billion, compared to 39.94 billion shares in the twelve months of fiscal year 2018-19. Total paid-up capital with the PSX increased from Rs 1,340.27 billion in June 2019 to Rs 1,387.43 billion in March 2020
- Market capitalization at end of March, 2020 stood at Rs. 5,620.94 billion compared to Rs. 6,887.3 billion in June 2019

Some of the relevant statistics related to the Karachi Stock Exchange are as follows:

Description	2016-17	2017-18	2018-19	2019-20 P
KSE - 100 Index Points	46760	41998	33766	29231 M
KSE - 100 Index - Growth %	23.4	-10.1	-19.6	-13.43
Aggregate Market Capitalization (Growth %)	25.5	-9.0	-20.5	-18.4
Turnover of Shares	88.6	46.5	39.9	52.8

P = Provisional

M = March, 2020

## INFLATION

Average inflation during July-April of the current fiscal year has been recorded at 11.22 percent, which is on much higher level as observed during the last year at 6.8 percent.

- Food inflation have been estimated at 15.09 percent as compared to 4.69 percent in the last year.
- Non-Food inflation did not register any significant changes and stood at 8.07 percent compared to 8.07 percent of corresponding period of FY 2018-19. The stagnation in non-food inflation was due to stationary energy prices, reduced petroleum prices and weak overall domestic demand.
- Core inflation increased to 8.2 percent in April 2020 compared to 8.0 percent in April 2019.

Description	2016-17	2017-18	2018-19	2019-20 P
CPI (Consumer Price Index) (BY 2015-16)	4.8	4.68	6.51	11.22 A
Average Food Inflation (BY 2015-16)	4.7	3.09	4.69	15.09 A
Average Non-food Inflation (BY 2015-16)	4.8	5.69	8.07	8.07 A
SPI (Sensitive Price Index) (BY 2015-16)	0	1.45	0.9	-1.8 A
WPI (Wholesale Price Index) (BY 2015-16)	-0.1	2.46	0.3	-2.1 A

P = Provisional; A = April, 2020

## BALANCE OF PAYMENTS & RESERVES

- The trade deficit has decreased by US\$ 6.6 billion in the current fiscal year (July-April 2019-20) to US\$ 14.7 billion in the current fiscal year compared to US\$ 21.3 billion in FY2018-19. Pakistan's exports during the period July-May (FY 2019-20) stood at US\$ 19.79 billion compared with US\$ 21.25 billion during the corresponding period of FY 2018-19.



- The current account deficit declined to US\$ 3.37 billion during Jul-Apr FY2019-20, compared to US\$ 11.51 billion last year.
- Exports emerged as a cause for concern, due to the lowering of global aggregate demand.
- The remittances registered a significant growth of 6.0 percent and stood at US\$ 18.78 billion during July-April FY2019-20 compared to US\$ 17.8 billion last year
- Foreign exchange reserves stood at US\$ 17.1 billion till end-April FY2019-20. This was significantly below than the total reserves of US\$ 14.8 billion of the same period last year.
- In the current fiscal year FY2019-20, as of Apr 29, 2020, PKR cumulatively appreciate by 1.61 percent against the US\$ since end June 2019.
- Foreign investment is on positive growth trajectory. It increased by 31.33 percent in July-April FY2020 to US \$ 2.281 billion as compared to US \$ 1.737 billion in FY2017-18.
- Some of the relevant statistics related to balance of payments and foreign exchange reserves are as follows:
- Out of this total increase, increase in domestic debt was Rs. 1,745.9 billion which government uses for financing of fiscal deficit which was Rs. 1,686 billion as at March, 2020.
- During first nine month of current fiscal year, External debt & Liabilities (EDL) recorded an increase of US\$ 3.6 billion to stand at US\$ 109.95 billion out of which public debt was US\$ 76.5 billion. Moreover, external public debt increased by around US\$ 3.0 billion during first nine months of current fiscal year compared with the increase of US\$ 3.9 billion witnessed during the same period last year.

Description	2016-17	2017-18	2018-19	2019-20 P
	Growth %	Growth %	Growth %	Growth %
Total Public Debt to GDP Ratio	(0.90)	7.49	19.49	(2.04)
Depreciation in Value of Rupee against US\$ - %	0.12	16.08	34	(1.61)
International Credit Rating – S&P	B	B	-B	-B
New Guarantees issued as a percentage of GDP	1.2	0.9	0.4	0.3

P = Provisional

Description	2016-17	2017-18	2018-19	2019-20 P
	Growth %	Growth %	Growth %	Growth %
Exports	0.10	12.60	-2.10	1.40
Imports	16.70	16.00	-6.80	-16.20
Workers' Remittances (\$ in billion)	-2.8	2.9	9.2	6.0
Foreign Direct Investment (FDI)	19.15	26.37	-50.0	31.33
Foreign Exchange Reserves – US\$ in billion	21.4	16.4	14.8	17.1

P = Provisional

## PUBLIC DEBT

- Public debt stood at Rs. 35,207 billion at end of March 2020, recording an increase of Rs 2,499.1 billion during the first nine months of current fiscal year. Government domestic debt stood at Rs. 22,477.7 billion while government external debt stood at Rs. 11,658.1 billion at end of March, 2020.

## SECTION 3 SALIENT FEATURES

### Income Tax

#### Relief measures

1. Ceilings for payments otherwise through crossed cheques to be increased.
2. Taxation on capital gains on sale of immoveable property to be reduced while also adopting uniform criteria for holding period in case of both open land and constructed properties.
3. The lower rates of 3% for specified services also to be available for PE of non-residents.
4. The rate of advance tax allowed by the Commissioner to be reduced from 30% to 20% in case of payments forming part of cohesive arrangements in case of the PE of non-residents.
5. Increase in turnover threshold for AOPs & individuals from existing Rs. 50M to Rs. 100M as withholding agents u/s 153. Threshold of Rs. 100M proposed for persons registered under the Sales Tax Act, 1990 for compulsion to withhold taxes u/s 153.
6. Commercial & industrial consumers to be immune from WHT on electricity consumption upon discharging advance tax obligation u/s 147.
7. Reduction in rate for collection of advance tax on sale of immoveable property by public auction from 10% to 5%.
8. Holding period of property for relaxation from 1% advance tax upon sale to be reduced from 5 to 4 years.
9. No advance tax to be collected on functions and gatherings.
10. Tax collected by PEMRA at license renewals from cable operators and certain other electronic media to be abolished.
11. Advance tax on education expenses not to be collected from persons borne on active taxpayers' list.
12. Market committees no more to collect advance tax from dealers, commission agents or arhatis, etc.
13. Advance tax on educational expenses remitted abroad to be abolished.
14. No more advance tax on general life and life insurance premia paid by non-filers.
15. 5% advance tax no more to be collected by Pakistan Tobacco Board from persons purchasing tobacco.
16. Hajj Group Operators relieved from withholding taxes on payments to non-residents in respect of Hajj Operation.
17. Immunity to Pak Rupee Account from below advance taxes to the extent of foreign remittances credited into such account:
  - a. Cash withdrawals;
  - b. Transactions via banking instruments made against cash; and
  - c. All other payments through bank accounts.

#### Revenue measures

1. Fee for offshore digital services received by non-residents to be taxed at 5% of gross fee.
2. Benefit of lower rate of 3% withholding (minimum) tax on engineering services to be abolished.
3. Pakistan resident ship owning companies having its own sea worthy vessels registered under Pakistan Flag to pay tonnage tax of US Cents 75 per ton of gross registered tonnage per annum.
4. For income from property, the admissible ceiling in case of individuals and AOPs for administration and collection charges to be reduced from 6% to 2%. Minimum rental income threshold of Rs. 4M to be abolished for the purpose of opting for normal tax applicable to individuals and AOPs;
5. Ceiling to be placed on admissible expenditure on utilities.
6. Maximum ceiling proposed on proportionate basis for admissibility of expenditure on sales made to persons liable to be registered for sales tax where sales in Rs. 100M or more per such person.
7. Only 50% of normal depreciation in the year of acquisition to be allowed, whereas 50% normal depreciation to be allowed in the year of disposal.
8. A ceiling on principal of Rs. 2.5M is proposed for lease rental deductions on passenger transport vehicles not plying for hire.
9. Maximum ceiling applicable to income of the donor for any donations to eligible associates proposed to be reduced to 50% of other cases.
10. Further restrictions on admissibility of profit on debt payable to associated enterprise for Foreign-controlled Resident Companies.
11. Minimum tax under section 113 also to apply to PE of non-resident companies.
12. Tax collectible at 10% on payments for use of machinery & equipment made to residents to be treated as Minimum Tax.
13. Appeal fee to be enhanced and 10% of the amount to be deposited for preferring an appeal before the Appellate Tribunal.
14. Tax paid at import stage by large import houses and CBU vehicles imports by vehicle manufacturers to be treated as minimum tax.

15. Uniform rate for tax collected at imports irrespective of the corporate status. Rates categorized in three broad heads being 1%, 2% and 3% respectively for 'Materials & machinery', 'Parts & components' and 'All other items' being classified respectively under three parts of the newly proposed Twelfth Schedule.
16. Separate rates for collection of advance tax on CKD/ SKD import of mobile phones.
17. Rate of 1% advance tax continue to apply for imports by manufacturers covered under the rescinded SRO No. 1125(I)/2011, as it stood on June 28, 2019.
18. Value of goods chargeable to tax at retail price under the Third Schedule of the Sales Tax Act, 1990, to be the retail price of such goods increased by sales tax payable in respect of the import and taxable supply of such goods.
19. Abolishing the concept of taxing manufacturers of cooking oil and/ or vegetable ghee at 2% final tax on purchase of locally produced edible oil.
20. 10% deduction on payments to non-resident media persons for advertisement services to be treated as minimum tax.
21. 25% tax to be withheld from dividends in case no tax is payable by paying companies, due to exemption of income, carry forward of business losses or claim of tax credits.
22. Tax rate for return on investment in Sukuks to be increased to 25% from existing 15% for corporate investors.
23. Final tax at Rs. 1 per unit of electricity consumed in case of steel melters and composite units to be abolished.
24. Advance tax on sale by public auction also to be collected on renewals.
25. 5% advance tax to be collected on extraction of minerals from all cases irrespective of tax profile (filing status).
26. Modarabas to distribute at least 90% of profits to enjoy immunity from minimum tax u/s 113.
27. Super tax on banking companies to be extended to the tax year 2021.
3. Tax credit for fresh enlistment not be available after June 30, 2022.
4. NPOs, trusts or welfare institutions to furnish statement of voluntary contributions & donations received in the immediately preceding tax year to remain eligible for 100% tax credit. Moreover, 10% tax on surplus funds disregarding any usage restrictions from donors which are associates.
5. Suppressed amount of production, sales or any amount chargeable to tax or of any item of receipt to be taxed under the head 'income from business' instead of 'income from other sources' under section 111.
6. Return of income u/s 114 instead of statement of final tax u/s 115 to be filed for cases covered under FTR.
7. Commissioner may approve filing of revised return in case of a bonafide omission or wrong statement.
8. Tax payers' profile to be kept updated by taxpayers, failing which the status may be changed to inactive – attracting higher rates of withholding taxes, etc.
9. Automated assessments to be made within six months of filing of returns.
10. A new concept of agreed assessments to be introduced for certain cases whereby the taxpayer can offer an amount for settlement upon receipt of a notice u/s 122(9).
11. Changes to process of alternate dispute resolution and composition of committee.
12. Availability of further options for recovery in case a taxpayer fails to pay the demand within stipulated timeframe.
13. Automated process for calculation of turnover for the purpose of quarterly advance tax.
14. The Board may prescribe such other particulars required to be furnished in respect of any payments benefiting under agreements for avoidance of double taxation.
15. For availing the benefit of 10% withholding rate instead of 15%, recipient of profit on debt to submit a certificate to the payers that their aggregate annual income under this head is up to 500,000.
16. Toll manufacturing to be treated as supply of goods instead of services.
17. Frequency for furnishing WHT statements increased from bi-annual to quarterly basis.
18. Certain persons involved/ engaged in economic activities to file quarterly statements.
19. Information collection and audit may also be made on real-time basis from taxpayers as well as regulatory authority and institutions.

### Other measures

1. Enactment of certain provisions already adopted to the statute vide:
  - a. the Tax Laws (Amendment) Ordinance, 2019;
  - b. the Tax Laws (Amendment) Ordinance No. 1 of 2020, applicable to builders and developers;
  - c. SRO 287(I)/2020 dated April 7, 2020;
  - d. SRO 316(I)/2020 dated April 16, 2020;
  - e. SRO 586(I)/91 | related to provisions of section 153.
2. Rates for taxing capital gains on disposal of securities for onward years to continue at the same rates applicable to tax years 2018 to 2020.

20. Audits may also be conducted through video links, etc. and sectoral benchmarks/ ratios may be applied for audits in case of non-furnishing of details/ records by taxpayers.

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## Sales Tax

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### Relief measures

1. The minimum threshold requirement of CNIC on tax invoice in case of supplies made by retailers is proposed to be enhanced from Rs. 50,000 to Rs. 100,000.
2. A person whose refunds or input tax adjustment is blocked will continue to be treated as an active taxpayer.
3. Relief for Gwadar Free Zone proposed to be effective from 01 June, 2020:
  - a. Zero rate on supplies of raw materials, components and goods for further manufacturing in the Gwadar Free Zones and exports thereof;
  - b. Zero rate on supplies of locally manufactured plant and machinery to the manufacturers located in Gwadar Free Zone;
  - c. Exemption on import of goods for exclusive use within the Gwadar Free Zone or for making exports therefrom;
4. Exemptions from sales tax on import and supply of ships and all floating crafts etc. is proposed to be extended upto the year 2023.
5. Dietetic foods for consumption of children suffering from inherent metabolic disorder is exempted subject to certain conditions.
6. Supplies made from retail outlets which are integrated with the FBR's computerized system will now be subject to reduce rate of 12% instead of 14%.
7. Proposed for Raw materials and intermediary goods imported by a manufacturer for in-house consumption are not subject to value addition tax of 3% at import stage.

### Revenue measures

1. Sales tax on supply of used vehicle is applicable only on value addition to the used vehicles purchased locally.
2. Scope of sales tax withholding is proposed to extend on acquisition of services.

### Regulatory measures

1. FBR is empowered to impose restrictions on wastage of materials vis-à-vis claim of input tax relating thereto.
2. The restriction on claim of input tax has been extended to services where supplies were made

to un-registered persons without mentioning of NTN or CNIC.

3. Commissioner may conduct audit proceedings electronically through video links or any other facility as prescribed by the FBR.
4. Every registered person is required to submit a complete return i.e. along with all applicable Annexures in the manner prescribed by the FBR.
5. If a person or entity does not integrate his business with the FBR system within two months even after the penalty is imposed in past the business premises shall be sealed until he integrates such business.
6. The CIR (Appeals) is now empowered to not admit any additional documentary material or evidence.
7. Agencies including NADRA, FIA, provincial excise and taxation departments, utility companies etc. are now required to provide information to the FBR on real-time basis.
8. Restriction on input tax as attributable to the prescribed excess supplies to unregistered persons has now been extended to every registered person. Previously, it was applicable only on registered manufacturers.

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## Federal Excise Duty

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### Revenue measure

1. It is proposed to add "Caffeinated energy" in the First Schedule to the ACT and impose excise duty at the rate of 25% of the retail price.
2. It is proposed to enhance the exercise duty from 65% to 100% on cigars, cheroots, cigarillos and cigarettes of tobacco and it is also proposed to impose a duty on "tobacco substitute".
3. It is proposed to impose excise duty at the rate of PKR "Ten per ml" on E-liquids by whatsoever name called for electronic cigarette kits.
4. It is proposed to impose excise duty on imported and locally manufactured double cabin 4x4 pick up vehicles @25% ad val and @ 7.5% ad val both.
5. It is proposed to increase duty on Cigarettes Filter rods form from Rs. 0.75/ filter to Rs. 01/ filter

### Relief measure

Excise duty on specified types of Cements from to be reduced Rs. 2/ KG" to Rs. 1 .75/ KG.

### Regulatory measures

1. The FBR is empowered to impose restrictions on wastage of materials vis-à-vis claim of input tax relating thereto.

2. It has been sought to empower the officer Inland Revenue to seize counterfeited cigarettes or beverages or cigarettes, un-manufactured tobacco or beverages which have been manufactured unlawfully.
3. The bill seeks to propose that the restriction of Audit of a registered person to be conducted only once in three years is proposed to be withdrawn;
4. It has been proposed to broaden the scope of confiscation by Officer Inland Revenue from cigarettes, un-manufactured tobacco or beverages to the extent of all dutiable goods specified under first schedule of Federal Excise Act, 2005.
5. It has been proposed to restrict the power of Commissioner Appeals to grant permission for production of new record during the Adjudicating of Appeal before forum which has not been presented earlier before assessment of Officer Inland Revenue.
6. The bill seeks to propose the specific mode, manner, fees and procedure of filing Appeal before The Appellate Tribunal forum, and disposal of appeal as per section 131 and 132 of income tax ordinance, 2001.
7. The bill seeks to propose that Board shall not disclose the parameters of Audit selection.
8. Agencies including NADRA, FIA, provincial excise and taxation departments, utility companies etc. are now required to provide information to the FBR on real-time basis;
5. Extension in exemption of custom duties on import of 61 items related to COVID 19 keeping in view the continuance of pandemic.
6. Extension in exemption of 2% additional custom duty applicable on edible oils and oil seeds under PM's COVID19 Relief Package has been extended.
7. Duties and taxes to be exempted on import of Diagnostic Kits for Cancer and Corona Virus.
8. Custom duty to be exempted on import of inputs of Ready to use Supplementary Foods (RUSF) and life-saving drug Meglumine Antimonite for treatment of leishmaniasis.
9. Reduction in regulatory duty on smuggling prone to bring these items under legal imports and reduction in regulatory duty on several industrial inputs to decrease their cost of doing business.
10. Allowing the exemption on import of raw material to those Nashiran-e-Quran also who do not have their own in-house printing facility.
11. Extension upto the year 2023 on the Exemption of customs duties is proposed on the imports for setting up new industries in FATA areas.
12. Enhancing scope of concessions available to Special Economic Zones.

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## Customs

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### Revenue Measures

1. Increase in customs duty by 17% from existing 3% to proposed 20% on import of Modular clean room panels having PCT code 9406.9050.
2. Increase in customs duty by 8% from existing 3% to proposed 11% on the import of Submersible motors of stainless steel having PCT code 8501.5210.

### Relief Measures

1. Rationalization of tariff by reducing custom duty on 90 tariff lines from 11% to 3% and 0%.
2. Reduction in regulatory duty from 12.5% and 17.5% to 6% and 11%, respectively on Hot Rolled Coils (HRC) of Iron and steel falling under PCT codes 7208 and 7225 & 7226, respectively.
3. Additional custom duty is to be exempted on tariff lines which are now at 0% custom duty in tariff.
4. Reduction of custom duty on 40 raw materials of various industries.

## SECTION 4 INCOME TAX

### 1. DEFINITIONS

a. The following new definitions are proposed to be adopted:

(i) **Industrial undertaking**

[Section 2(29C)(aa)]

The definition of industrial undertakings is proposed to be amended effective from May 1, 2020 by including persons directly involved in the construction of buildings, roads, bridges and other such structures or the development of land, to the extent and for the purpose of import of plant and machinery to be utilized in such activity, subject to such conditions as may be notified by the Board.

(ii) **Integrated enterprise**

[Section 2(30A)]

Integrated enterprise means a person integrated with the Board through approved fiscal electronic device and software, and who fulfills obligations and requirements for integration as may be prescribed.

(iii) **IRIS**

[Section 2(30A)]

IRIS means a web-based computer program for operation and management of Inland Revenue taxes administered by the Board.

b. The following clauses have been renumbered:

(i) Clause (30A) proposed to be re-numbered as clause (30AA); and

(ii) Clause (30AA) proposed to be re-numbered as clause (30AB) respectively,

c. The definition for '**non-profit organization**' [2(36)] is sought to be amended by substituting the criteria "*development purposes*" with "*purposes for general public*".

### 2. CHARGE OF TAX

#### Tax on certain payments to non-residents | offshore digital services

[Section 6 | Div IV Pt I First Sch.]

The Bill seeks to tax the fee for offshore digital services received by non-residents at 5% of gross fee.

#### Tax on shipping of a resident person

[Section 7A]

It has been sought that a Pakistan resident ship owning company registered with SECP and having its own sea worthy vessel registered under Pakistan Flag shall pay tonnage tax of US Cents 75 per ton of gross registered tonnage per annum. The charge of tax under section 7A in all cases has also been sought to be extended to June 30, 2023.

### 3. INCOME FROM PROPERTY

[Section 15A]

The Bill seeks to reduce the admissible ceiling in case of individuals and AOPs for administration and collection charges from existing 6% to 2%. Moreover, the minimum rental income threshold of Rs. 4M is proposed to be abolished for the purpose of opting to be taxed under the normal tax rates applicable to individuals and AOPs.

## 4. INCOME FROM BUSINESS

### Deductions not allowed

[Section 21]

It has been sought to amend various ceilings for admissibility for deductible expenses:

Transaction type	Admissible deduction	
	Existing	Proposed
1. Aggregate expenditure from the business bank account of the taxpayer for transaction under a single account head made other than by crossed banking instrument	Rs. 50,000	Rs. 250,000
2. Minimum per transaction size for above aggregation	Rs. 10,000	Rs. 25,000
3. Salary paid in cash	Rs. 15,000	Rs. 25,000

The following new conditions admissibility are sought to be adopted:

- Expenditure on account of utility bill in excess of such limits and in violation of such conditions as may be prescribed;
- Expenditure attributable to sales made to persons required to be registered but not registered under the Sales Tax Act, 1990 by an industrial undertaking computed according to the following formula:

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

Where:

- A** is the total amount of deductions claimed as admissible business expenditure;
- B** is the turnover for the tax year; and
- C** is the total amount of sales, excluding sales tax & FED, to persons required to be registered but not registered under the Sales Tax Act, 1990 where such sales are Rs. 100M or more per person:

The disallowance of such expenditure is proposed to be limited at 20% of total deductions/ business expenditure claimed. Moreover, it has been sought to empower the Board to exempt persons or classes of persons from this clause on the basis of hardship.

### Depreciation

[Section 22]

The Bill seeks to make the following amendments for allowability of depreciation in case of depreciable assets used for business for the first time in a tax year commencing on or after July 1 2020:

- Normal depreciation deduction under Part I of the Third Schedule to be reduced by 50%; and
- 50% normal depreciation deduction to be allowed in the year of disposal.

### Profit on debt, financial costs and lease payments

[Section 28]

It has been sought to place a ceiling on principal of Rs. 2.5M for lease rental deductions on passenger transport vehicles not plying for hire.

## 5. CAPITAL GAINS

### Capital gains on immoveable property

[Section 37 | Div VIII Pt I First Sch.]

It has been proposed to reduce the taxation on capital gains on sale of immoveable property and to adopt uniform criteria for holding period in case of open land and constructed properties as under:

Sr. No.	Holding Period	Taxable Gain
1.	Up to 1 year	Full amount of gain
2.	Exceeding 1 year and up to 2 years	75% of gain
3.	Exceeding 2 years and up to 3 years	50% of gain
4.	Exceeding 3 years and up to 4 years	25% of gain
5.	Exceeding 4 years	NIL

The Bill proposes the following reduction in tax rates for taxing capital gains on disposal of immovable property:

Amount of Gain	Rate of Tax	
	Existing	Proposed
Up to Rs. 5M	5%	2.5%
Above Rs. 5M and up to Rs. 10M	10%	5%
Above Rs. 10M and up to Rs. 15M	15%	7.5%
Above Rs. 15M	20%	10%

#### Capital gains on disposal of securities

[Section 37A | Div VII Pt I First Sch.]

It has been sought to continue the rates for taxing capital gains on disposal of securities for onward years at the same rates applicable to tax years 2018 to 2020.

## 6. TAX CREDITS

#### Charitable donations

[Section 61]

The ceiling applicable to income of the donor for any donations to eligible associates are proposed to be further reduced to 50%.

#### Tax credit for enlistment

[Section 65C]

Presently a tax credit of 25% for enlistment is available in the year of listing and 10% in subsequent two years. The Bill now seeks that no such credit to be allowed for enlistments after June 30, 2022.

#### Tax credit on the income of NPOs, trusts or welfare institutions

[Section 100C]

A requirement for furnishing a statement of voluntary contributions & donations received in the immediately preceding tax year is sought to be adopted for eligibility for 100% tax credit of the tax payable.

Moreover, surplus funds are currently being taxed at 10% with an existing relaxation that such funds are not to be taxed in case there is restriction placed by the donors. The Bill now intends to disregard the restriction in case the donor is an associate.

## 7. SPECIAL PROVISIONS RELATING TO BUILDERS AND DEVELOPERS

[Section 100D]

The Bill seeks to enact the provisions of the Tax Laws (Amendment) Ordinance No. 1 of 2020, applicable to builders and developers. The proposed section 100D is reproduced as under:

(1) For tax year 2020 and onwards, the tax payable by a builder or a developer, as defined in sub-section (9), who opts to pay tax under this section shall be computed and paid in accordance with



the rules in the Eleventh Schedule on a project by project basis on the income, profits and gains derived from the sale of buildings or sale of plots, as the case may be, from—

- (a) a new project to be completed by the 30th day of September, 2022; or
- (b) an incomplete existing project to be completed by the 30th day of September, 2022:

Provided that any income, profits and gains of a builder or developer of an incomplete existing project earned up to tax year 2019 shall be subject to the provisions of this Ordinance as were in force prior to the commencement of the Tax Laws (Amendment) Ordinance, 2020 (Ordinance I of 2020):

Provided further that any income of a builder or developer other than income, profits and gains subject to this section shall be subject to tax as per the provisions of this Ordinance.

(2) Where sub-section (1) applies, —

- (a) the income shall not be chargeable to tax under any head of income in computing the taxable income of the person;
- (b) no deduction shall be allowed under this Ordinance for any expenditure incurred in deriving the income;
- (c) the amount of the income shall not be reduced by —
  - (i) any deductible allowance under Part IX of Chapter III; or
  - (ii) the set off of any loss;
- (d) no tax credit shall be allowed against the tax payable under sub-section (1) except credit for tax under section 236K collected from the builder or developer after the commencement of the Tax Laws (Amendment) Ordinance, 2020 (I of 2020) on purchase of immovable property utilized in a project;
- (e) there shall be no refund of any tax collected or deducted under this Ordinance;
- (f) if the tax payable has not been paid or short paid, the said amount of tax may be recovered and all the provisions of this Ordinance shall apply accordingly; and
- (g) sections 113 and 113C shall not apply on the turnover, income, profits and gains of a builder or developer from a project.

(3) The provisions of section 111 shall not apply to capital investment made in a new project under clause (a) of sub-section (1) in the form of money

or land, subject to the following conditions, namely:

- (a) if the investment is made by a builder or developer being an individual:
  - (i) in the form of money, such builder or developer shall open a new bank account and deposit such amount in it on or before the 31st day of December, 2020; or
  - (ii) in the form of land, such builder or developer shall have the ownership title of the land at the time of commencement of the Tax Laws (Amendment) Ordinance, 2020 (I of 2020);
- (b) if the investment is made by a person in a project through a company or an association of persons:
  - (i) such company or association of person shall be a single object (builder or developer) company or association of persons registered under the Companies Act, 2017 (XIX of 2017) or the Partnership Act, 1932 (IX of 1932), as the case may be, after the date of commencement of the Tax Laws (Amendment) Ordinance, 2020 (I of 2020) and on or before the 31st day of December, 2020; and
  - (ii) the person shall be a member or shareholder of such association of persons or company, as the case may be;

and if the capital investment is made,—

- (i) in the form of money, such amount shall be invested through a crossed banking instrument deposited in the bank account of such association of persons or company, as the case may be, on or before the 31st day of December, 2020; or
- (ii) in the form of land, such land shall be transferred to such association of persons or company, as the case may be, on or before the 31st day of December, 2020:

Provided that the person shall have the ownership title of the land at the time of commencement of the Tax Laws (Amendment) Ordinance, 2020 (I of 2020);

- (c) a person making an investment under clause (a) or (b) shall submit a prescribed form on IRIS web portal;
- (d) the money or land invested under clause (a) or (b) shall be wholly utilized in a project; and
- (e) completion of the project shall be certified in the following manner, namely:-
  - (i) in case of a builder, the map approving authority or NESPAK shall certify that

- grey structure as per the approved map has been completed by the builder on or before the 30th day of September, 2022; and
- (ii) in case of a developer,—
- (A) the map approving authority or NESPAK shall certify that landscaping has been completed on or before the 30th day of September, 2022;
- (B) a firm of chartered accountants having an ICAP QCR rating of 'satisfactory', notified by the Board for this purpose, shall certify that at least 50% of the plots have been booked for sale and at least 40% of the sale proceeds have been received by the 30th day of September, 2022; and
- (C) at least 50% of the roads have been laid up to sub-grade level as certified by the approving authority or NESPAK.
- (4) The provisions of section 111 shall also not apply to.—
- (a) the first purchaser of a building or a unit of the building purchased from the builder in respect of purchase price of the building or unit of the building subject to the following conditions, namely:
- (i) full payment is made through a crossed banking instrument to the builder during a period starting from the date of registration of the project with the Board under this section and ending on the 30th day of September, 2022, in case the purchase is from a new project; and
- (ii) full or balance amount of payment is made through a crossed banking instrument to the builder during a period starting from the date of registration of the project with the Board under this section and ending on the 30th day of September, 2022, in case the purchase is from an existing incomplete project; and
- (b) the purchaser of a plot who intends to construct a building thereon, if:
- (i) the purchase is made on or before the 31st day of December, 2020;
- (ii) the full payment is made on or before the 31st day of December, 2020 through a crossed banking instrument;
- (iii) construction on such plot is commenced on or before the 31st day of December, 2020;
- (iv) such construction is completed on or before the 30<sup>th</sup> day of September, 2022; and
- (v) the person registers himself with the Board on the online IRIS web portal.
- (5) Where sub-section (3) or (4) apply, the value or price of land or building, as the case may be, shall be the higher of clause (a) or (b) below:—
- (a) 130% of the fair market value as determined by the Board under sub-section (4) of section 68; or
- (b) at the option of the person making investment, the lower of the values as determined by at least two independent valuers from the list of valuers approved by the State Bank of Pakistan.
- (6) Sub-sections (3) and (4) shall not apply to —
- (a) holder of any public office as defined in the Voluntary Declaration of Domestic Assets Act, 2018 or his benamidar as defined in the Benami Transactions (Prohibition) Act, 2017 (V of 2017) or his spouse or dependents;
- (b) a public listed company, a real estate investment trust or a company whose income is exempt under any provision of this Ordinance; or
- (c) any proceeds derived from the commission of a criminal offence including the crimes of money laundering, extortion or terror financing but excluding the offences under this Ordinance.
- (7) Dividend income paid to a person by a builder or developer being a company out of the profits and gains derived from a project shall be exempt from tax.
- (8) Notwithstanding anything contained in this section or the Eleventh Schedule, where a return or declaration has been made through misrepresentation or suppression of facts, such return or declaration shall be void and all the provisions of this Ordinance shall apply: Provided that no action under this sub-section shall be taken if such misrepresentation has been made on account of a bona fide mistake: Provided further that no action under this sub-section shall be taken without providing an opportunity of being heard and without prior approval of the Board.
- (9) In this section,—
- (a) "builder" means a person who is registered as a builder with the Board and is engaged

- in the construction and disposal of residential or commercial buildings;
- (b) “capital investment” means investment as equity resources and does not include borrowed funds;
- (c) “developer” means a person who is registered as a developer with the Board and is engaged in the development of land in the form of plots of any kind either for itself or otherwise;
- (d) “existing project” means a construction or development project, which:
- (i) has commenced before the date of commencement of the Tax Laws (Amendment) Ordinance, 2020;
  - (ii) is incomplete;
  - (iii) is completed on or before the 30th day of September, 2022; and
  - (iv) a declaration is provided in the registration form under Eleventh Schedule to the effect of percentage of the project completed up to the last day of the accounting period pertaining to tax year 2019;
- (e) “first purchaser” means a person who purchases a building or a unit, as the case may be, directly from the builder and does not include a subsequent or a substituted purchaser;
- (f) “new project” means a construction or development project, which –
- (i) is commenced during the period starting from the date of commencement of the Tax Laws (Amendment) Ordinance, 2020 and ending on the 31st day of December, 2020; and
  - (ii) is completed on or before the 30th day of September, 2022;
- (g) “project” means a project for construction of a building with the object of disposal, or a project for development of land into plots with the object of disposal or otherwise;
- (h) “registered with the Board” means registered after submission of form on project-by-project basis on the online IRIS web portal;
- (10) The provisions of the Ordinance not specifically dealt with in this section or the rules made thereunder shall apply *mutatis mutandis* to builders and developers in so far as they are not inconsistent with this section or the rules made thereunder.

## 8. TAXATION OF COMPANIES

### Restriction on deduction of profit on debt payable to associated enterprise [Section 106A]

In case of foreign-controlled resident companies (other than insurance companies, or banking companies), where profit on foreign debt claimed during a tax year is Rs. 10M and above, it has been proposed to disallow a portion of such expenditure according to the following formula:

$$[B] - [(A + B) \times 0.15]$$

Where:

**A** is the taxable income before depreciation and amortization; and

**B** is the foreign profit on debt claimed as deduction

Where in computing the taxable income for a tax year, full effect could not be given to a deduction for foreign profit on debt, the excessive amount shall be added to the amount of foreign profit on debt for the following tax year and shall be treated to be part of that deduction, or if there is no such deduction for that tax year, be treated to be the deduction for that tax year and so on for three tax years.

Although the wordings in this regard as per the Bill are incomplete, it appears that the deduction, where applicable, under the proposed section will be in addition to the profit on debt disallowed under section 106 (i.e., in case of thin capitalization).

The proposed treatment shall apply in respect of foreign profit on debt accrued with effect from July 1, 2020, even if debts were contracted before this date.

For the purpose of the proposed section:

- a. **foreign-controlled resident company** means a resident company in which fifty per cent or more of the underlying ownership of the company is held by a non-resident person either alone or together with an associate or associates; and

- b. **foreign profit on debt** means interest paid or payable to a non-resident person or an associate of the foreign-controlled resident company and includes-
- (i) interest on all forms of debt;
  - (ii) payments made which are economically equivalent to interest;
  - (iii) expenses incurred in connection with the raising of finance;
  - (iv) payments under profit participating loans;
  - (v) imputed interest on instruments such as convertible bonds and zero-coupon bonds;
  - (vi) amounts under alternative financing arrangements such as Islamic finance;
  - (vii) the finance cost element of finance lease payments;
  - (viii) capitalized interest included in the balance sheet value of related asset, or the amortization of capitalized interest;
  - (ix) amounts measured by reference to a funding return under transfer pricing rules;
  - (x) where applicable, notional interest amounts under derivative instruments or hedging arrangements related to an entity's borrowings;
  - (xi) certain foreign exchange gains and losses on borrowings and instruments connected with the raising of finance;
  - (xii) guarantee fees with respect to financing arrangements; and
  - (xiii) arrangement fee and similar cost related to the borrowing funds.

## 9. UNEXPLAINED INCOME OR ASSETS [Section 111]

It has been sought to classify and tax suppressed amount of production, sales or any amount chargeable to tax or of any item of receipt under the head 'income from business' instead of 'income from other sources'.

## 10. MINIMUM TAX

### Minimum tax on income of certain persons [Section 113]

The Bill seeks to impose the provisions of minimum tax under section 113 to permanent establishment of a non-resident companies.

### Payment to residents for use of machinery and equipment [Section 236Q]

Advance tax is collectible at 10% on payments for use of machinery and equipment made to residents. The Bill now seeks to change the mode of this tax to minimum tax.

## 11. RETURN OF INCOME [Section 114 & 115]

Presently taxpayers covered under final tax regime file a statement of final tax under section 115 that doesn't require submission of information on actual result of operations as well as assets and liabilities. It has been proposed these taxpayers will be required to file return under section 114. However, the Board may prescribe the format of such returns as well as being empowered to prescribe different returns for different classes of income or persons. Corresponding amendments have also been proposed to section 115.

Moreover, the Commissioner is to be empowered to approve filing of revised return in case of a bonafide omission or wrong statement.

## 12. TAXPAYER'S PROFILE [Section 114A]

A new section 114A is proposed to be inserted, whereby the following persons shall be required to furnish a profile in the prescribed form and shall be accompanied by such annexures, statements or documents as may be prescribed:

- a. every person applying for registration under section 181;

- b. every person deriving income chargeable to tax under the head, “income from business”;
- c. every person whose income is subject to final taxation;
- d. any non-profit organization as defined in clause (36) of section 2;
- e. any trust or welfare institution; or
- f. any other person prescribed by the Board.

Contents of the proposed profile include:

- a. bank accounts;
- b. utility connections;
- c. business premises including all manufacturing, storage or retail outlets operated or leased by the taxpayer;
- d. types of businesses; and
- e. such other information as may be prescribed.

The profile shall be signed by the person being an individual, or the person’s representative where section 172 applies and shall be filed electronically on the web as prescribed by the Board. A taxpayer’s profile shall be furnished:

- a. on or before the December 31, 2020 in case of a person registered under section 181 before the September 30, 2020; and
- b. within 90 days of registration in case of a person not registered under section 181 before the September 30, 2020.

Any changes to the profile need to be updated within 90 days of change.

### 13. WEALTH STATEMENT

[Section 116]

No approval is required presently to revise wealth statements filed. The Bill now seeks to subject the revision to the approval of Commissioner, who may also allow such revisions for bonafide omissions or wrong statements. Moreover, no revisions are to be allowed after 5 years from the due date of filing of return of income for the given tax year.

### 14. ASSESSMENTS

[Section 120]

A sub-section (2) is proposed to be inserted to provide for automated validation of returns, returns filed under section 114 shall be processed through automated system to arrive at correct amounts of total income, taxable income and tax payable by making adjustments for:

- a. any arithmetical error in the return;
- b. any incorrect claim, if such incorrect claim is apparent from any information in the return;
- c. disallowance of any loss, deductible allowance or tax credit under Parts VIII, IX and X respectively of Chapter III; and
- d. disallowance of carry forward of any loss under clause (b) of sub-section (1) of section 182A:

However, no such adjustments shall be made unless a system generated notice is given to the taxpayer specifying the adjustments intended to be made. Moreover, the response received from the taxpayer, if any, shall be considered before making any adjustment, and in a case where no response is received within 30 days of the issue of such notice, adjustments shall be made.

Furthermore, where no such adjustments have been made within 6 months of filing of return, the amounts specified in the return field by the taxpayer shall be deemed to have been taken as adjusted amounts on the day the return was filed and the taxpayer shall be intimated automatically through IRIS.

For the purposes of this section:

- a. **arithmetical error** includes any wrong or incorrect calculation of tax payable including any minimum or final tax payable.
- b. **an incorrect claim apparent from any information in the return** shall mean a claim, on the basis of an entry, in the return:
  - (i) of an item, which is inconsistent with another entry of the same or some other item in such return;
  - (ii) regarding any tax payment which is not verified from the collection system; or
  - (iii) in respect of a deduction, where such deduction exceeds specified statutory limit which may have been expressed as monetary amount or percentage or ratio or fraction.

## 15. AGREED ASSESSMENT IN CERTAIN CASES

[Section 122D]

A new section 122D is proposed to be adopted whereby a taxpayer has been given an opportunity to 'deal' with the scenario amicably in case he receives a notice under section 122(9) by way of filing an offer of settlement in the prescribed form before the Assessment Oversight Committee (the Committee) in addition to filing reply to the Commissioner.

Agreed assessments shall not apply:

- a. in cases involving concealment of income; or
- b. where interpretation of question of law is involved having effect on other cases.

After examining the offer, the Committee may call for the record of the case and after affording opportunity of being heard to the taxpayer, may decide to accept or modify the offer of the taxpayer through consensus and communicate its decision to the taxpayer.

Where the taxpayer is satisfied with the decision of the Committee:

- a. the taxpayer shall deposit the amount of tax payable including any amount of penalty and default surcharge as per decision of the Committee;
- b. the Commissioner shall amend assessment in accordance with the decision of the Committee after tax payable including any amount of penalty and default surcharge as per decision of the Committee has been paid;
- c. the taxpayer shall waive the right to prefer appeal against such amended assessment; and
- d. no further proceedings shall be undertaken under this Ordinance in respect of issues decided by the Committee unless the tax as per clause 'c.' has not been deposited by the taxpayer.

In case the Committee has not been able to arrive at a consensus or where the taxpayer is not satisfied with the decision of the Committee, the case shall be referred back to the Commissioner for decision on the basis of reply of the taxpayer in response to notice under sub-section (9) of section 122 notwithstanding proceedings or decision, if any, of the Committee.

The Committee shall comprise the following income tax authorities having jurisdiction over the taxpayer, namely:

- a. the Chief Commissioner Inland Revenue;
- b. the Commissioner Inland Revenue; and
- c. the Additional Commissioner Inland Revenue.

The Board may make rules regulating the procedure of the Committee and for any matter connected with, or incidental to the proceedings of the Committee.

## 16. APPEALS

### Appeal to the Commissioner (Appeals)

[Section 127]

To give effect to the right of appeal against proposed automated processing mechanism under section 120(2A), the Bill seeks to make corresponding amendment to section 127.

It has also been sought to increase the fee for appeals as under:

Transaction type	Appellant Type	Appeal Fee	
		Existing	Proposed
Appeal against an assessment	Companies	Rs. 1,000	Rs. 5,000
	Others	Rs. 1,000	Rs. 2,500
Other appeals	Companies	Rs. 1,000	Rs. 5,000
	Others	Rs. 200	Rs. 1,000

### Decision in appeal before Commissioner (Appeals)

[Section 129]

The Commissioner (Appeals) is required to serve his order on the appellant and the Commissioner. It has now been sought that the order shall also specify the amount of tax upheld.

### Appeal to the Appellate Tribunal

[Section 131]

The Bill seeks to make it mandatory to pay 10% of the amount of tax upheld by the Commissioner (Appeals) for preferring an appeal before the Appellate Tribunal.

It has also been sought to increase the fee for appeals as under:

Appellant Type	Appeal Fee	
	Existing	Proposed
Companies	Rs. 2,000	Rs. 5,000
Others	Rs. 2,000	Rs. 2,500

## 17. ALTERNATIVE DISPUTE RESOLUTION

[Section 134A]

It has been sought to substitute the provisions for alternate dispute resolution, whereby an aggrieved person may apply to the Board for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application, which is under litigation in any court of law or an appellate authority, except where criminal proceedings have been initiated or where interpretation of question of law having effect on identical cases is involved having effect on other cases in connection with any dispute pending before a court of law or an appellate authority pertaining to:

- a. the liability of tax against the aggrieved person, or admissibility of refunds;
- b. the extent of waiver of default surcharge and penalty; or
- c. any other specific relief required to resolve the dispute, may apply to the Board for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application, which is under litigation in any court of law or an appellate authority, except where:
  - (i) criminal proceedings have been initiated; or
  - (ii) where interpretation of question of law having effect on identical cases is involved having effect on other cases.

The Board may, after examination of the application of an aggrieved person, appoint a committee, within 60 days of receipt of such application in the Board, comprising:

- a. Chief Commissioner Inland Revenue having jurisdiction over the case;
- b. two persons from a panel notified by the Board comprising of chartered accountants, cost and management accountants, advocates, having minimum of 10 years' experience in the field of taxation and reputable businessmen.

The Board shall communicate the order of appointment of committee to the court of law or the appellate authority where the dispute is pending and the Commissioner. The Committee shall examine the issue and may, if it deemed necessary, conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and shall decide the dispute through consensus, within 120 days of its appointment.

The Committee may, in case of hardship, stay recovery of tax payable in respect of dispute pending before it to a time earlier of:

- a. for a period not exceeding 120 days in aggregate; or
- b. till the decision of the committee or its dissolution.

The decision of the committee shall be binding on the Commissioner when the aggrieved person, being satisfied with the decision, has withdrawn the appeal pending before the court of law or any appellate authority and has communicated the order of withdrawal to the Commissioner. However, if the order of withdrawal is not communicated to the Commissioner within 60 days of the service of decision of the committee upon the aggrieved person, the decision of the committee shall not be binding on the Commissioner.

If the Committee fails to decide within the period of 120 days, the Board shall dissolve the committee by an order in writing and the matter shall be decided by the court of law or the appellate authority where the dispute is pending.

The Board shall communicate the order of dissolution to the court of law or the appellate authority and the Commissioner.

Upon receipt of the order of dissolution, the aggrieved person shall communicate it to the court of law or the appellate authority, where the dispute is pending and may make the payment of income tax and other taxes as decided by the Committee and all decisions and orders made or passed shall stand modified to that extent.

The Board may prescribe the amount to be paid as remuneration for the services of the members of the Committee, other than the member appointed under clause (i) of sub-section (2) and may notify the rules for carrying out the purposes of this section.

## **18. RECOVERY OF TAX OUT OF PROPERTY AND THROUGH ARREST OF TAXPAYER**

### **[Section 134A]**

In case of the failure of the taxpayer to pay the amount of tax under a notice of demand within the specified time, it has been sought to empower the Commissioner to take the below measures in addition to exercising the already specified powers in this regard:

- a. deduct the amount from any money owing to person from whom such amount is recoverable and which may be at the disposal or in the control of such officer or any officer of Customs or Central Excise Department;
- b. require by a notice in writing any person to stop clearance of imported goods or manufactured goods or attach bank accounts;
- c. seal the business premises till such time the amount of tax is paid or- recovered in full.



## 19. ADVANCE TAX

### Advance tax paid by the taxpayer

[Section 147]

It has been sought to empower the Board to prescribe procedure for filing and calculation of turnover for the quarter for the purpose of computing quarterly advance tax through an automated system.

## 20. IMPORTS

[Section 148 | Pt First Sch. | Twelfth Sch]

The Bill seeks to tax imports by *large import houses* and import of *motor vehicles in CBU condition* by manufacturers of motor vehicles under minimum tax regime. Moreover, it has been sought to adopt a new schedule (*Twelfth Schedule* | refer Page 4.26), classifying tax rates on imports under three major categories as under, while doing away with different rates applicable for companies and other type of importers:

Part	Description	Tax Rate
Part I	Materials & machinery	1%
Part II	Parts & components	2%
Part III	All other	5.5%

Tax collected under Part I & Part II of Twelfth Schedule shall be in the nature of advance tax for *industrial undertakings* if imported for own use.

Moreover, the reduced rate of advance tax of 1% shall continue to apply for *imports by manufacturers covered under the rescinded SRO No. 1125(I)/2011* dated December 31, 2011 as it stood on June 28, 2019 on items covered under the said SRO.

Minimum tax rate on import stage of 4% for *finished pharmaceutical products* that are certified by DRAP as not manufactured otherwise in Pakistan also to continue.

Moreover, the following rates for minimum tax at import stage are proposed for *mobile phones*:

C & F Value	Tax	
	<i>In CBU condition</i> (PCT Heading 8517.1219)	<i>In CKD/ SKD condition</i> (PCT Heading 8517.1211)
Bar phones up to USD 30	Rs. 70	NIL
Bar phones exceeding USD 30 and up to USD 100	Rs. 100	NIL
Smart phones up to USD 100	Rs. 100	NIL
Mobile phones exceeding USD 100 and up to USD 200	Rs. 930	NIL
Mobile phones exceeding USD 200 and up to USD 350	Rs. 970	NIL
Mobile phones exceeding USD 350 and up to USD 500	Rs. 3,000	Rs. 5,000
Mobile phones exceeding USD 500	Rs. 5,200	Rs. 11,500

The Bill also seeks to propose that the value of goods in case of *goods chargeable to tax at retail price under the Third Schedule of the Sales Tax Act, 1990*, shall be the retail price of such goods increased by sales tax payable in respect of the import and taxable supply of the goods.

## 21. TAX ON LOCAL PURCHASE OF COOKING OIL OR VEGETABLE GHEE BY CERTAIN PERSONS [Section 148A]

The manufacturers of cooking oil and/ or vegetable ghee are presently chargeable to final tax at the rate of 2% on purchase of locally produced edible oil. The Bill seeks to abolish this concept.

## 22. PAYMENTS TO NON-RESIDENTS

### Advertisement services [Section 152 (1AAA) | Division II Pt III First Schedule]

Payments for advertisement services to non-resident media persons relaying from outside Pakistan are subject to deduction of tax at 10% from the gross amount. It has been sought to treat this tax deducted as minimum tax.

### Payments to PE of non-residents [Section 152 (2A) | Division II Pt III First Schedule]

A uniform rate of 3% has been proposed for payment against services provided by PE of non-residents. Services in this regard comprise transport services, freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, IT services and IT enabled services as defined in clause (133) of Part I of the Second Schedule, tracking services, advertising services (other than by print or electronic media), share registrar services, car rental services, building maintenance services, inspection and certification, testing and training services. Apparently certain services (viz. services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited) have also been included erroneously in this list.

### Cohesive business operation [Section 152(4B)]

For payments that form part of a cohesive arrangement, the Commissioner currently allows tax to be deducted at 30% rate, being adjustable from the tax liability of the PE of non-resident. This rate is proposed to be reduced to 20%.

### Payments under agreement for avoidance of double taxation [Section 152(5)]

The name & address of the non-resident person and the nature and amount of the payment are required to be furnished to the Commissioner for payment to non-residents under agreement for avoidance of double taxation without deduction of tax. It has been sought to empower the Board to prescribe such other particulars required to be furnished in this regard.

## 23. COLLECTION OR DEDUCTION OF WITHHOLDING TAX

### Dividends [Section 150 | Div I Pt III First Sch.]

The Bill seeks to align the tax rate of 25% for withholding provisions with the existing charging provisions of the Ordinance in respect of tax on dividends from persons receiving dividend from companies where no tax is payable by such companies, due to exemption of income, carry forward of business losses or claim of tax credits.

### Profit on debt [Section 151 | Div IA Pt III First Sch.]

The rate of collection of tax is 10% instead of 15% in cases where yield or profit paid is up to Rs.500,000. The Bill seeks to link this relaxation in tax rate with furnishing of certificate to this effect by the taxpayer to the payer of profit.

### Return on Investment in Sukuks for companies [Section 150A | Div IB Pt III First Sch.]

It has been sought to increase the existing rate of 15% to 25% where the Sukuk-holder is a company.

### **Payments for goods, services and contracts** [Section 153 | Div III Pt III First Sch.]

The Bill seeks to make amendments to do away with various redundancies as well as to propose that no advance tax to be collected on supplies by public listed companies (including those not being manufacturers) if they discharge their quarterly advance tax liability under section 147.

Toll manufacturing is proposed to be treated as supply of goods instead of services.

The benefit of lower rate of 3% withholding tax on engineering services is proposed to be abolished.

Moreover, it has been proposed to increase the turnover threshold for AOPs and individuals from existing Rs. 50M to Rs. 100M for the obligation to withhold taxes under section 153. Likewise, the same threshold of Rs. 100M has been proposed for persons registered under the Sales Tax Act, 1990.

### **Withdrawal of balance under Pension Fund** [Section 156B | Clause (23A) Pt I Second Sch.]

Withholding tax is deductible on withdrawals from pension fund before the age of retirement or in case of more than 50% withdrawal at the age of retirement. The Bill proposes to transpose this withholding obligation to a new proviso to Clause (23A) of Part I of Second Schedule.

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

It has been sought to insert an explanation that for the purpose of collection of advance tax on private motor vehicles a motor vehicle does not include a rickshaw, motorcycle-rickshaw and any other motor vehicle having engine capacity up to 200cc.

### **Electricity consumption** [Section 235]

For cases of commercial and industrial consumers, it has been sought not to collect advance tax on electricity consumption where the tax payers has discharged the obligation for advance tax under section 147.

### **Tax on steel melters and composite units** [Section 235B | Clause (9A) Pt IV Second Sch.]

Tax at Rs. 1 per unit of electricity consumed is collectible from steel melters and composite units registered under Chapter XI of Sales Tax Special Procedure Rules, 2007. The Bill seeks to abolish this tax. A corresponding amendment is proposed to Part IV of Second Schedule by omitting Clause (9A) in respect of tax deductible under section 153(1)(a) of the Ordinance. Thereby, it has been proposed that tax withheld from supplies by such units shall be treated as minimum tax unless the supplier is a company.

### **Sale by public auction** [Section 236A | Div VIII Pt IV First Sch.]

It has been sought to clarify that clarified for the purpose of collection of advance tax:

- a. the expression “sale by public auction or auction by a tender” includes renewal of a license previously sold by public auction or auction by a tender; and
- b. where payment is received in installments, advance tax is to be collected with each installment.

Moreover, it has been proposed to reduce the rate for collection of advance tax on sale of immovable property from existing rate of 10% to a lower rate of 5%.

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

Advance tax is collectible at 1% on sale or transfer of immovable property held for up to five years. It has now been sought to reduce the holding period from five to four years.

### **Advance tax on functions and gatherings** [Section 236D | Div XI Pt IV First Sch.]

The Bill seeks to abolish collection of advance tax on functions and gatherings.

### Advance tax on cable operators and other electronic media

[Section 236F | Div XIII Pt IV First Sch.]

It has been sought to abolish tax collectible by PEMRA at the license renewal from cable operators and certain other electronic media.

### Collection of advance tax by educational institutions

[Section 236I]

Advance tax at 5% is collectible on fee exceeding Rs. 200,000 per year paid to education institution. The Bill seeks to relax this requirement in case of a taxpayer borne on active taxpayers list.

### Advance tax on dealers, commission agents and arhatis etc.

[Section 236J | Div XVII Pt IV First Sch.]

Market committees collect advance tax from dealers, commission agents or arhatis, etc. It has been proposed to abolish this collection of advance tax.

### Advance tax on education related expenses remitted abroad

[Section 236R | Div XXIV Pt IV First Sch.]

Advance tax collectible at 5% from educational expenses remitted abroad is proposed to be abolished.

### Advance tax on insurance premium

[Section 236U | Div XXV Pt IV First Sch.]

Advance tax currently collectible from general life and life insurance premia paid by non-filers. The Bill now seeks to abolish this collection.

### Advance tax on extraction of minerals

[Section 236V | Div XXVI Pt IV First Sch.]

Advance tax is currently collectible at 5% of value of the minerals in case of non-filers only. It has now been sought to collect this tax from all cases.

### Advance tax on tobacco

[Section 236X]

5% advance tax is collectible by Pakistan Tobacco Board, at the time of collecting cess on tobacco from persons purchasing tobacco. It has now been sought to withdraw this collection.

## 24. STATEMENTS

### Withholding statements

[Section 165(1) & (1A)]

It has been sought to require furnishing of *quarterly withholding statements* instead of furnishing the same on bi-annual basis. The Bill also seeks to empower the Board to require furnishing of quarterly statements by such *persons involved or engaged in economic transactions* as it may prescribe in this regard. The filing dates for quarterly statements has been proposed to be set as on or before 20<sup>th</sup> day of the month succeeding each quarter.

### Furnishing of information by banks

[Section 165A(1)(d)]

The banks are obliged to furnish a list of persons receiving profit on debt exceeding Rs. 500,000 and tax deductions thereon during preceding financial year. It has been sought to omit this monetary limit, thereby requiring this list to be submitted in all cases receiving profit on debt.

## 25. REFUNDS

[Section 170(6)]

The Bill seeks to empower the Board to make rules regulating procedure for expeditious processing and automatic payment of refunds through centralized processing system with effect from a date to be notified by the Board.

## 26. RECORDS, INFORMATION COLLECTION AND AUDIT

### Power to enter and search premises | real-time electronic access [Section 175]

In order to enforce any provision of the Ordinance (including for the purpose of making an audit of a taxpayer or a survey of persons liable to tax), the Commissioner or any officer authorized in writing by the Commissioner for the purposes in this regard is empowered at all times and without prior notice, to have full and free access to any premises, place, accounts, documents or computer. It has been sought to legally grant real-time electronic access to the Commissioner or such authorized officers under rules as may be prescribed in this regard for audit or a survey of persons liable to tax.

### Real-time access to information and databases [Section 175A]

It has been sought to introduce the below new section for real-time access to information and databases maintained by government/ regulatory authorities and other institutions:

- (1) Notwithstanding anything contained in any law for the time being in force, including but not limited to the National Database and Registration Authority Ordinance, 2000 (Ordinance VIII of 2000), and the Emigration Ordinance, 1979 (Ordinance XVIII of 1979), arrangements shall be made to provide real-time access of information and database to the Board in the prescribed form and manner by:
  - (a) the National Database and Registration Authority with respect to information pertaining to National Identity Card, Pakistan Origin Card, Overseas Identity Card, Alien Registration Card, and other particulars contained in the Citizen Database;
  - (b) the Federal Investigation Agency and the Bureau of Emigration and Overseas Employment with respect to details of international entry and exit of all persons and information pertaining to work permits, employment visas and immigration visas;
  - (c) the Islamabad Capital Territory and provincial and local land record and development authorities with respect to record-of-rights including digitized edition of record-of-rights, periodic record, record of mutations and report of acquisition of rights;
  - (d) the Islamabad Capital Territory and provincial Excise and Taxation Departments with respect to information regarding registration of vehicles, transfer of ownership and other associated record;
  - (e) All electricity suppliers and gas transmission and distribution companies with respect to particulars of a consumer, the units consumed and the amount of bill charged or paid:  
Provided that where the connection is shared or is used by a person other than the owner, the name and CNIC of the owner and the user shall also be furnished. Provided further that all electricity suppliers and gas transmission and distribution companies shall make arrangements by January 1, 2021 for allowing consumers to update the ratio of sharing of a connection or the particulars of users, as the case may be; and
  - (f) any other agency, authority, institution or organization notified by the Board.
- (2) The Board shall make arrangements for laying the infrastructure for real-time access to information and database under sub-section (1) and aligning it with its own database in the manner as may be prescribed.
- (3) Until real-time access to information and database is made available under sub-section (1), such information and data shall be provided periodically in such form and manner as may be prescribed.
- (4) Subject to section 216, all information received under this section shall be used only for tax purposes and kept confidential.

### Audit [Section 177]

It has been sought that the Commissioner may conduct audit proceedings electronically through video links, or any other facility as prescribed by the Board.

It has further been sought that, it shall be construed that taxable income has not been correctly declared and the Commissioner shall determine taxable income on the basis of sectoral benchmark ratios prescribed by the Board, in case a taxpayer:

- a. has not furnished record or documents including books of accounts;
- b. has furnished incomplete record or books of accounts; or
- c. is unable provide sufficient explanation regarding the defects in records, documents or books of accounts.

It has also been proposed to insert an explanation that the expression “sectoral benchmark ratios” means standard business sector ratios notified by the Board on the basis of comparative cases and includes financial ratios, production ratios, gross profit ratio, net profit ratio, recovery ratio, wastage ratio and such other ratios in respect of such sectors as may be prescribed.

## 27. OFFENCES AND PENALTIES

[Section 182]

Following newly proposed offences with proposed scales:

S. No.	Event/ Offence	Penalty
4A	Any person who is required to furnish or update a taxpayer’s profile but fails to furnish or update within the due date	Higher of Rs. 2,500/ day of default from the due date or Rs. 10,000
4B	Any person who contravenes the provisions of section 181AA	Rs. 10,000 for each connection provided to an unregistered person

## 28. RETURN NOT FILED WITHIN DUE DATE | Taxpayer’s profile

[Section 182A]

It has been proposed that where a person fails to furnish or update a taxpayer’s profile within the due date or time period specified in sub-section (3) of section 114A or within the date as extended by the Board under section 214A, such person shall not be included in the active taxpayers’ list for the latest tax year ending prior to the aforesaid due date or extended date:

Moreover, without prejudice to any other liability under the Ordinance, such person shall be included in the active taxpayers’ list upon filing the taxpayer’s profile after the due date or extended date, if the person pays surcharge at the following rates:

- a. Rs. 20,000 in case of companies;
- b. Rs. 10,000 in case of AOPs; and
- c. Rs. 1,000 in case of individuals.

## 29. DEFAULT SURCHARGE

[Section 205]

It has been sought to empower the Commissioner make assessment of default surcharge for the period of default or part thereof, notwithstanding that the tax due has not actually been paid or not by the taxpayer.

## 30. EXEMPTIONS FROM TOTAL INCOME

[Second Schedule Part I]

### Exemptions proposed to be granted

#### *Deduction from income for donations*

[Clause (61)]

It has been proposed to allow direct deduction from income for any donations made to:

- a. The Prime Minister’s COVID-19 Pandemic Relief Fund-2020;
- b. Ghulam Ishaq Khan Institute of Engineering Sciences and Technology (GIKI);
- c. Lahore University of Management Sciences;

- d. Dawat-e-Hadiya, Karachi;
- e. Baitussalam Welfare Trust;
- f. Patients' Aid Foundation; and
- g. Alkhidmat Foundation.

Moreover, for admissibility as deduction from income of the donor, it has been sought that:

- a. the amount donated by associates to institutions under clause 61 shall not exceed:
  - (i) in the case of an individual or AOPs, 15% of the taxable income of the donee for the year; and
  - (ii) in the case of companies, 10% of the taxable income of the donor for the year.
- b. the donation needs to be paid by a crossed cheque drawn on a bank.

### Exemption from total income

[Clause (66)]

It has been proposed to substitute the existing clause (66) by classifying the same under two broad categories as under:

**Table 1 | Unconditional exemption**

(i)	International Islamic Trade Finance Corporation.	(xv)	Pakistan Domestic Sukuk Company Ltd.
(ii)	Islamic Corporation for Development of Private Sector.	(xvi)	ECO Trade and Development Bank.
(iii)	National Memorial Bab-e-Pakistan Trust.	(xvii)	The Islamic Chamber of Commerce and Industry under the Organization of Islamic Conference (OIC).
(iv)	Pakistan Agricultural Research Council.	(xviii)	Commission on Science and Technology for Sustainable Development in the South (COMSATS) formed under International Agreement signed on 5th October, 1994.
(v)	The corporatized entities of Pakistan Water and Power Development Authority from the date of their creation up to the date of completion of the process of corporatization i.e. till the tariff is notified.	(xix)	WAPDA on issuance of twenty billion rupees TFC's/SUKUK certificates for consideration of DiamerBhasha Dam Projects.
(vi)	The Prime Minister's Special Fund for victims of terrorism.	(xx)	Federal Board of Revenue Foundation.
(vii)	Chief Minister's (Punjab) Relief Fund for Internally Displaced Persons (IDPs) of NWFP.	(xxi)	WAPDA Second Sukuk Company Limited.
(viii)	The Institutions of the Agha Khan Development Network (Pakistan) as contained in Schedule 1 of the Accord and Protocol, dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and the Agha Khan Development Network.	(xxii)	Pakistan International Sukuk Company Limited.
(ix)	Pakistan Council of Scientific and Industrial Research.	(xxiii)	Second Pakistan International Sukuk Company Limited.
(x)	The Pakistan Water and Power Development Authority established under the Pakistan Water and Power Development Authority Act, 1958 (W. P. Act XXXI of 1958).	(xxiv)	Third Pakistan International Sukuk Company Limited.
(xi)	WAPDA First Sukuk Company Limited.	(xxv)	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 the 25th December, 2015.
(xii)	Pension of a former President of Pakistan and his widow.	(xxvi)	Supreme Court of Pakistan – DiamerBhasha & Mohmand Dams – Fund.
(xiii)	State Bank of Pakistan and State Bank of Pakistan Banking Services Corporation.	(xxvii)	National Disaster Risk Management Fund.
(xiv)	International Finance Corporation established under the International Finance Corporation Act, 1956 (XXVIII of 1956) and provided in section 9 of Article VI of Articles of Agreement 1955 as amended through April 1993.	(xxviii)	Deposit Protection Corporation established under sub-section (l) of section 3 of Deposit Protection Corporation Act, 2016 (XXXVII of 2016).
		(xxix)	SAARC Energy Centre.
		(xxx)	The Asian Development Bank established under the Asian Development Bank Ordinance, 1971 (IX of 1971).
		(xxxi)	The Prime Minister's COVID-19 Pandemic Relief Fund-2020.
		(xxxii)	Saarc Arbitration Council (SARCO).
		(xxxiii)	International Parliamentarians' Congress.

**Table 2 | Exemption subject to compliances under section 100C**

(i) Abdul Sattar Edhi Foundation.	(xxiii) The Kidney Centre Post Graduate Training Institute.
(ii) Al-Shifa Trust.	(xxiv) Pakistan Disabled Foundation.
(iii) Bilquis Edhi Foundation.	(xxv) Forman Christian College.
(iv) Fatimid Foundation.	(xxvi) Habib University Foundation.
(v) Pakistan Engineering Council.	(xxvii) Begum Akhtar Rukhsana Memorial Trust Hospital.
(vi) The Institution of Engineers.	(xxviii) Al-Khidmat Foundation.
(vii) Liaquat National Hospital Association.	(xxix) Dawat-e-Islami Trust.
(viii) The Citizens Foundation.	(xxx) Sardar Trust Eye Hospital, Lahore.
(ix) Sindh Institute of Urology and Transplantation, SIUT Trust and Society for the Welfare of SIUT.	(xxxi) Akhuwat.
(x) Greenstar Social Marketing Pakistan (Guarantee) Limited.	(xxxii) Audit Oversight Board.
(xi) Indus Hospital, Karachi.	(xxxiii) Patient's Aid Foundation.
(xii) Gulab Devi Chest Hospital.	(xxxiv) Al-Shifa Trust Eye Hospital.
(xiii) Pakistan Poverty Alleviation Fund.	(xxxv) Saylani Welfare International Trust.
(xiv) National Academy of Performing Arts.	(xxxvi) Sarmaya-e-Pakistan Limited.
(xv) Pakistan Sweet Homes Angels and Fairies Place.	(xxxvii) Lahore University of Management Sciences, Lahore.
(xvi) National Rural Support Program.	(xxxviii) Dawat-e-Hadiya, Karachi.
(xvii) Pakistan Bar Council.	(xxxix) Ghulam Ishaq Khan Institute of Engineering Sciences and Technology.
(xviii) Pakistan Centre for Philanthropy.	(xl) Society for the Promotion of Engineering Sciences and Technology in Pakistan (SOPREST).
(xix) Pakistan Mortgage Refinance Company Limited.	(xli) Businessmen Hospital Trust.
(xx) Aziz Tabba Foundation.	(xlii) Baitussalam Welfare Trust.
(xxi) Shaukat Khanum Memorial Trust.	
(xxii) Layton Rahmatullah Benevolent Trust (LRBT).	

### **Capital gains on disposal of residential property**

### **[Clause (114AA)]**

The Bill seeks to enact the exemption granted under the Tax Laws (Amendment) Ordinance No. 1 of 2020, whereby income chargeable under the head "capital gains" derived by a resident individual from the sale of constructed residential property. The exemption under this clause applies, if:

- at the time of sale, the residential property was being used for the purpose of personal accommodation by the resident individual, his spouse or dependents and for which any of the utility bills is issued in the name of such individual;
- the land area of the property does not exceed 500 square yards in case of a house and 4000 square feet in case of a flat; and
- exemption under this clause has not previously been availed by the individual, his spouse or dependents.

### **Income from Gawadar Port & Gawadar Free Zone**

### **[Clause (126A)]**

Income derived by China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gawadar International Terminal Limited, Gawadar Marine Services Limited and Gawadar Free Zone Company Limited from Gawadar Port operations is exempt from tax for a period of 23 years, with effect from February 6, 2007. It has now been sought to enact this exemption in case of income earned by these companies with effect from June 2020 Gawadar Free Zone. This exemption was earlier already adopted under the Tax Laws (Amendment) Ordinance, 2019.

### **Profit on debt from lendings to companies engaged in Gawadar port & free zones**

### **[Clause (126AB)]**

Profit on debt derived by any foreign lender or any local bank, having more than 75% shareholding of the Government or the State Bank of Pakistan, under a Financing Agreement with the China Overseas Ports Holding Company Limited is exempt from tax for a period of 23 years with effect from the July,



2016. It has now been sought to enact a similar exemption, earlier granted vide the Tax Laws (Amendment) Ordinance, 2019, to income on such lendings to the following:

- a. China Overseas Port Holding Company Pakistan (Private) Limited;
- b. Gwadar International Terminals Limited; and
- c. Gwadar Marine Services Limited and Gwadar Free Zone Company Limited.

**Contractors/ sub-contractors for Gawadar Port & Gawadar Free Zone [Clause (126AC)]**

Income derived by contractors and sub-contractors of China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gawadar International Terminal Limited, Gawadar Marine Services Limited and Gawadar Free Zone Company Limited from Gawadar Port operations is exempt from tax for a period of 20 years, with effect from July 1, 2016. It has now been sought to enact this exemption in case of income earned by contractors/ sub-contractors of Gwadar Free Zone with effect from June 2020 as this exemption was earlier already adopted under the Tax Laws (Amendment) Ordinance, 2019.

**Income of co-developers as per Special Economic Zone Rules, 2013 [Clause (126E)]**

Income derived by a zone enterprise as defined in the Special Economic Zones Act, 2012 (XX of 2012) is exempt for a period of 10 years starting from the date the developer certifies that the zone enterprise has commenced commercial operation and for a period of ten years to a developer of zone starting from the date of signing of the development agreement in the special economic zone as announced by the Federal Government. It has now been proposed to grant a similar exemption to co-developers as defined in Special Economic Zone Rules, 2013 subject to the condition that a certificate has been furnished:

- a. by the developer that he has not claimed exemption under this clause and has relinquished his claim in favor of the co-developer; and
- b. by the Special Economic Zone Authority validating that the developer has not claimed exemption under this clause and has relinquished claim in favor of the co-developer.

**Income of Federal Government Employees Housing Authority [Clause (147)]**

It has been proposed to exempt income derived by the Federal Government Employees Housing Authority for the tax year 2020 and the following 4 tax years.

**Extension in period for exemption**

**Sale of immovable property to a Developmental REIT Scheme [Clause (99A)]**

Profit and gains on sale of immovable property to a Developmental REIT Scheme with the object of development and construction of residential buildings are exempt up to June 30, 2020. It has been proposed to extend this exemption till June 30, 2021.

**31. REDUCTION IN TAX RATES**

**[Second Schedule Part II]**

**Exemptions proposed to be granted**

**Profit on debt to non-resident individuals [Clause (5AA) | Section 152(2)]**

The Bill seeks to tax the following payments on account of profit on debt to non-resident individuals at 10% of the gross amount:

- a. On debt instruments, whether conventional or shariah compliant, issued by the Federal Government under the Public Debt Act, 1944 and purchased exclusively through a bank account maintained abroad;
- b. On a non-resident Rupee accounts repatriable (NRAR); or
- c. On foreign currency accounts maintained with a banking company in Pakistan.

### **Supplies to Utility Stores Corporation**

**[Clause (24CA) | Section 153(1)(a)]**

The Bill seeks to enact the reduced rates of 1.5% for withholding income tax on certain supplies by persons other than companies to the Utility Stores Corporation. This reduced rate was earlier adopted vide SRO 287(I)/2020 dated April 7, 2020 and cover the supply of tea, spices, salt, dry milk, sugar, pulses wheat flour and ghee from April 7, 2020 to September 30 2020.

## **32. REDUCTION IN TAX LIABILITY**

**[Second Schedule Part III]**

### **Enactment of exemption granted vide the Tax (Amendment) Ordinance, 2020**

#### **Low cost housing projects**

**[Clause (9B)]**

The tax payable on the income, profits and gains of projects of 'low cost housing' developed or approved by Naya Pakistan Housing and Development Authority (NAPHDA) or under the Ehsaas Program to be reduced by 90%.

## **33. EXEMPTIONS FROM SPECIFIC PROVISIONS**

**[Second Schedule Part IV]**

### **Conditional exemption**

#### **Modarabas**

**[Clause (11A)(xiii)]**

The requirement to distribute at least 90% of its profits under Clause (100) of Part 1 of Second Schedule is proposed to be adopted for the purpose of granted exemption from applicability of minimum tax under section 113 of the Ordinance.

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

#### **Exemptions from minimum tax under section 113**

The Bill seeks to grant these exemptions to the following cases:

- a. The Prime Minister's COVID-19 Pandemic Relief Fund-2020 **[Clause (11A)(xxxv)]**
- b. The Federal Government Employees Housing Authority for the tax year 2020 and the following 4 tax years **[Clause (11A)(xxxvi)]**

#### **Exemptions from collection of tax at import stage under section 148**

- a. The Bill seeks to adopt the exemption from collection of tax under section 148 on import already available under SRO 316(I)/2020 dated April 16, 2020 on following goods imported under respective headings during March 20, 2020 and September 30,2020 on import of **items related to COVID-19 Relief**: **[Clause (12B)]**

- |  |   |   |
|--|---|---|
| 1. Real-time PCR system (standard 96-well plate and 0.2ml tubes format, 5 channel) | 8. Micro Centrifuge (Non-refrigerated, Rotor capacity: 12 x 1.5 / 2.0 ml vessels, 2 x PCR strip, Max. speed: 12,100 x g (13,400 rpm)) | 12. VTM (Viral Transport Medium)  |
| 2. Biosafety Cabinet   | 9. PCR Cabinet (HEPA filter system, UV and white light)   | 13. Dr Oligo Synthesizer  |
| 3. Auto Clave 50 Liter Capacity  | 10. Real-time PCR kit for the detection of Coronavirus (SARS-CoV-2)   | 14. Refrigerator/freezer (-20 °C)   |
| 4. Multi-channel pipette (0.5-10 µl)   | 11. Viral RNA Extraction Kit and machine (Automatic Extractors)   | 15. Vortex Machine  |
| 5. Single channel pipette 2 µl b) 10 µl c) 200 µl d) 1000 µl                       |   | 16. Refrigerated Centrifuge Machine (Rotor capacity 1.5ml x 24, max. speed 14000 rpm) |
| 6. Mute channel pipette 20-200 ml  |   | 17. UPS (6 KVA)   |
| 7. Vacuum fold   |   | 18. Tyvek Suits   |
|  |   | 19. N-95  |
|  |   | 20. Biohazard Bags (18 Liters)  |

- |  |                                   |   |
|--|-----------------------------------|---|
| 21. PAPR (Powdered Air Purifying respirators)                      | 34. Pulse Oximeters               | 49. ETT Tube (Endotracheal Tubes) All sizes |
| 22. Multimode ventilator with air compressor                       | 35. Ripple mattress               | 50. Humidifier Disposable Flexible          |
| 23. Vital sign monitor with 2IBP and ETco2 two Temp.               | 36. Blood gas analyzer            | 51. IV Cannula all sizes                    |
| 24. ICU motorized patient bed with side cabinet and over bed table | 37. AMBU Bag                      | 52. IV Chambers                             |
| 25. Syringe infusion pump  | 38. Nitrile Gloves                | 53. Oxygen Recovery Kit                     |
| 26. Infusion pump  | 39. Latex Gloves                  | 54. Padded Sheets                           |
| 27. Electric suction machine                                       | 40. Goggles                       | 55. Stomach Tube                            |
| 28. Defibrillator  | 41. Face Shields                  | 56. Stylet for Endotracheal Tube            |
| 29. X-Ray Mobile Machine   | 42. Gum Boots                     | 57. Suction Tube control valve              |
| 30. Simple Nebulizer   | 43. Mackintosh bed sheets         | 58. Tracheostomy Tube 7, 7.5, 8             |
| 31. Ultrasound machine   | 44. Surgical Masks                | 59. Ventilator Circuit                      |
| 32. Noninvasive BIPAP  | 45. Air Ways                      | 60. Ventury Masks                           |
| 33. ECG Machine  | 46. Diaflow                       | 61. Disposable shoes cover (water proof)    |
|  | 47. Disposable Nebulizer Mask Kit |   |
|  | 48. ECG Electrodes                |   |

- b. It has also been sought to enact the relief provisions under SRO 287(I)/2020 dated April 7, 2020, that the provision of section 148 shall not apply to persons importing **pulses** for a period commencing during April 7, 2020 September 30, 2020. **[Clause (12C)]**
- c. It has also been sought to provide exemption from tax under section 148 on imports in the following cases: **[Clause (56)(vi) to (xii)]**
- (i) the Federal Government;
  - (ii) a Provincial Government;
  - (iii) a Local Government;
  - (iv) a foreign company and its associations whose majority share capital is held by a foreign government;
  - (v) a person who imports plant and machinery for execution of a contract with the Federal Government or a provincial government or a local government and produces a certificate from that government;
  - (vi) companies importing high speed diesel oil, light diesel oil, high octane blending component or kerosene oil, crude oil for refining and chemical used in refining thereof in respect of such imports; and
  - (vii) Petroleum (E&P) companies covered under the Customs and Sales Tax Notification No. SRO 678(I)/2004, dated the 7th August, 2004, except motor vehicles imported by such companies.

#### **Exemptions from deduction of tax under section 153**

**[Clause (46AA)]**

It has been sought to principally adopt the relief already available under SRO 586(I)/91 from applicability of provisions of section 153 to the following persons as recipients of payment:

- a. a Provincial Government;
- b. a local authority;
- c. persons who are residents of Azad Kashmir and execute contracts in Azad Kashmir only and produce a certificate to this effect from the concerned income tax authority;
- d. persons receiving payments from a company or an association of persons having turnover of Rs. 50M or more or from an individual having turnover of Rs. 50M or more exclusively for the supply of agriculture produce including fresh milk, fish by any person engaged in fish farming, live chicken, birds and eggs by any person engaged in poultry farming and by an industrial undertaking engaged in poultry processing which has not been subjected to any process other than that which is ordinarily performed to render such produce fit to be taken to market;
- e. companies receiving payments for the supply of electricity and gas;

- f. companies receiving payments for the supply of crude oil;
- g. hotels and restaurants receiving payments in cash for providing accommodation or food or both, as the case may be; and
- h. shipping companies and air carriers receiving payments for the supply of passenger tickets and for the cargo charges of goods transported.

**Payments to non-residents by Hajj Group Operators**

**[Clause (72AA)]**

It has been proposed to relieve Hajj Group Operators to withhold taxes on payments to non-residents in respect of Hajj Operation.

**Tax on funds from foreign remittances**

**[Clause (101AA)]**

It has been sought to immune Pak Rupee Account in a tax year to the extent of foreign remittances credited into such account during that tax year from collection of advance tax in the following cases:

- a. Section 231A | Cash withdrawals
- b. Section 231AA | Transactions via banking instruments made against cash
- c. Section 236P | All other payments through bank accounts

**Commission received by a retail branchless banking agent**

**[Clause (102A)]**

The Bill seeks to enact the immunity available to commission under section 233 of the Ordinance received by retail branchless banking agent on any amount disbursed by the Ehsaas Emergency Cash Transfer Program for the period commencing on 16th April, 2020 and ending on 30th day of September, 2020.

**Dividends to non-residents**

**[Clause (111A)]**

It has been sought to immune non-resident recipients of dividends from provisions of law related persons not borne on active taxpayers list, viz. section 100BA and rule 1 of the Tenth Schedule.

**Tax in banking transactions in banking accounts of non-residents**

**[Clause (112A)]**

The Bill seeks to provide immunity from collection of advance tax on banking transactions in non-resident rupee account repatriable (NRAR) and foreign currency account maintained with banks Pakistan of a non-resident individual investing in a debt instruments issued by the Federal Government under the Public Debt Act, 1944.

**Non-residents investing in debt instruments issued by Federal Government**

**[Clause (114A)]**

It has been sought to exempt non-resident individuals from the requirement of registration and filing of return under section 114 where such individuals solely earn profit on a debt instruments issued by the Federal Government under the Public Debt Act, 1944, where such instruments are:

- a. purchased exclusively through a bank account maintained abroad;
- b. a non-resident rupee account repatriable (NRAR); or
- c. a foreign currency account maintained with a banking company in Pakistan.

**The Prime Minister's COVID-19 Pandemic Relief Fund- 2020**

**[Clause (116) | (117)]**

It has been sought to grant following immunities from collection of advance tax to the Prime Minister's COVID-19 Pandemic Relief Fund- 2020:

- a. Section 151 | Profit on debt
- b. Section 231A | Cash withdrawal from banks
- c. Section 231AA | Transactions via banking instruments made against cash
- d. Section 236P | All other payments through bank accounts

## 34. BANKING COMPANIES

[Seventh Schedule]

### Super tax

The Bills seeks extend the applicability of super tax under section 4B of the Ordinance to the tax year 2021.

## 35. RULES FOR PERSONS NOT APPEARING IN THE ACTIVE TAXPAYERS' LIST

[Tenth Schedule]

- a. The cases for following types of payments to non-residents now proposed not to be treated under Tenth Schedule:
  - (i) Payments covered u/s 152(1) | Royalty & fee for technical services
  - (ii) Payments covered u/s 152(1AA) | Insurance and re-insurance premia
  - (iii) Payments covered u/s 152(2) | Cases other than to which sub-sections (1), (1A), (1AA), (1AAA), (1C or (2A) apply
- b. The cases for following types of payments to non-residents now proposed to be treated under Tenth Schedule:
  - (i) Payments covered u/s 152(2A)(a) | Payments against supply of goods by PE of non-residents
  - (ii) Payments covered u/s 152(2) | Payments against profit of debt to the extent of the extent of clause (5AA) of Part II (i.e. 10%)
- c. Pursuant to corresponding proposed changes vide the Bill, it has been sought to omit the following from applicability of Rule (10):

Section	Description
235B	Tax on steel melters and composite units
236D	Advance tax on functions and gatherings
236F	Advance tax on cable operators and other electronic media
236J	Advance tax on dealers, commission agents and arhatis etc.
236R	Collection of advance tax on education related expenses remitted abroad
236U	Advance tax on insurance premium
236V	Advance tax on extraction of minerals
236X	Advance tax on tobacco

## 36. RULES FOR COMPUTATION OF PROFITS AND GAINS OF BUILDERS AND DEVELOPERS AND TAX PAYABLE THEREON

[Eleventh Schedule]

### 1. Eligibility

These rules shall apply to projects undertaken by builders and developers under section 100D.

### Tax liability as per the rates in rule 10

#### Estimated project life in years

(b) The estimated project life for tax purposes shall not exceed two and a half years:

### 2. Scope and payment of tax

(1) Income computed and tax payable thereon shall be on Project-by-Project basis which shall be computed and paid at the rates provided in rule 10.

(2) (a) The above-referred rates shall be applicable for computing tax liability for the project on annual basis. The annual tax liability shall be worked out as under:

Provided that in case of existing incomplete projects, the estimated project life shall be treated as three years from tax year 2020 through tax year 2022, and the tax payable shall be reduced by the percentage of completion up to the last day of the accounting period pertaining to tax year 2019 as declared in registration form:

Provided further that tax liability of tax year 2020 shall be paid along with return.

- (b) Year shall include fraction of a year; and
- (c) The tax liability so calculated and paid shall be final tax.

### 3. Registration and filing of return

(1) A builder or developer shall electronically register a project on IRIS through FBR website on or before the 31st day of December, 2020 through submission of:

- (a) registration form as may be prescribed which shall include, inter alia, details of a member or shareholder of a builder or developer, as the case may be:

Provided that a developer who is also a builder in case of a project shall submit two separate forms for registration as a developer and as a builder; and

- (b) an irrevocable option to be assessed under this Schedule in respect of each project.

(2) A builder or developer availing this scheme shall electronically file a return of income and wealth statement as may be prescribed accompanied with evidence of payment of due tax which shall be taken for all purposes of this Ordinance to be an assessment order issued to the taxpayer by the Commissioner to the extent of income computed under these rules.

### 4. Certification

Every builder or developer shall be required to obtain and provide to the Board in the prescribed manner a certificate from approving authority or map approving authority or NESPAK, as the case may be, to the following effect, namely:-

- (a) 'total land area' in square yards;
- (b) 'covered area' in square feet;
- (c) 'saleable area' in square feet; and
- (d) type (commercial, residential or industrial) of saleable area or the total land area, as the case may be.

### 5. Advance tax

A builder or developer falling under this scheme shall pay advance tax equal to one-fourth of the tax liability for the year as determined in accordance with sub-rule (1) of rule 2 in four equal installments in the manner laid down in section 147.

### 6. Incorporation of profits and gains for computation of income

A builder or developer opting for taxation under section 100D shall not be allowed to incorporate profits and gains accruing from such projects in excess of ten times of the tax paid under rule 2:

Provided that such builder or developer shall not be allowed to incorporate profits and gains accruing from a low-cost housing project as defined in clause (f) of rule 9 in excess of ten times of the tax liability under rule 2.

### 7. Exemption from withholding of tax under sections 150 and 153

(1) The provisions of section 153 shall not apply to builders and developers on –

- (a) the purchase of building material except steel and cement;
- (b) services of plumbing, electrification, shuttering and other similar services other than those provided by companies.

(2) The provisions of section 150 shall not apply to payment of dividend exempt under sub-section (7) of section 100D.

### 8. Restriction on change in pattern of ownership of a builder or developer before completion of a project

Where exemption from the provisions of section 111 has been claimed under sub-section (3) of section 100D, the following restrictions shall apply, namely:-

- (a) a shareholder or a partner of a builder or developer shall not be allowed a change in ownership of an incomplete project except where at least fifty percent of the total project cost, as certified by a firm of chartered accountants having an ICAP QCR rating of 'satisfactory', notified by the Board for this purpose, has been incurred up to the date of change of ownership;
- (b) The succession to legal heirs in case of deceased shareholder or a partner shall be allowed;
- (c) The additional partners or shareholders in a builder or developer after the 31st day of December, 2020 may join but additional partners or shareholders shall not be eligible for exemption provided under sub-section (3) of section 100D.

### 9. Definitions

(1) In these rules, unless there is anything repugnant in the subject or context:

- (a) "area" means
  - (i) in case of a builder, –

- (a) in case of a commercial or a residential building excluding a house, the saleable area of the building; and
- (b) in case of a house, the covered area of house;
- (ii) in case of a developer, the total land area of the project;
- (b) “building” means a residential or commercial building or unit thereof;
- (c) “commercial building” includes any building or part thereof which is to be used for commercial purposes in accordance with the relevant laws;

- (d) “commencement of project” means,—
- (i) in case of a construction project, when layout plan is approved by the concerned authority; and
- (ii) in case of a development project, when the development plan is approved by the concerned authority:

Provided that where the builder or developer has taken all actions and done all things which are required and necessary to procure any approvals but any such approval is delayed beyond a period of 30 days from date of relevant application and the cutoff date of 31st day of December, 2020 is not adhered to by the builder or developer, the Board may provisionally accept commencement of such project on a case to case basis;

- (e) “completion of project” means. -
- (i) in the case of a builder, the date on which the grey structure is completed:
- Provided that such grey structure shall only be considered as completed when the roof of the top floor has been laid as per the approved plan;
- (ii) in the case of a developer, the date on which –
- (A) at least 50% of the total plots have been booked in name of buyers;
- (B) at least 40% of the sale proceeds have been received;
- (C) landscaping has been completed; and
- (D) at least 50% of the roads have been laid up to sub-grade level as certified by the approving authority or NESPAK;

- (f) ‘low cost housing’ means a housing scheme as developed or approved by NAPHDA or under the ‘Ehsaas Program’;

- (g) “NAPHDA” means Naya Pakistan Housing and Development Authority;
- (h) “NESPAK” means National Engineering Services Pakistan (Private) Limited;
- (i) “residential building” means a building which is not a commercial building but does not include buildings used for industrial purposes;
- (j) “saleable area” in case of buildings, means saleable area as determined by the approving authority or map approving authority or NESPAK under the relevant laws;
- (k) “unit” means a self-contained or independent building or part thereof including houses, apartments, shops, offices, etc.

- (2) All other expressions used but not defined in these rules shall have the same meaning as assigned to them under this Ordinance.

#### 10. Rate and computation of tax liability

- (1) The rate of tax under section 100D shall be computed in accordance with the Table below, namely:

**TABLE**

Rate in respect of			
(1)	(2)	(3)	(4)
Area in	Karachi, Lahore and Islamabad	Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbottabad, Quetta	Urban Areas not specified in columns (2) and (3)
<b>TAX ON BUILDERS</b>			
<b>FOR COMMERCIAL BUILDINGS</b>			
Any size	Rs. 250 per Sq. ft	Rs. 230 per Sq. ft	Rs. 210 per Sq. ft
<b>FOR RESIDENTIAL BUILDINGS</b>			
Up to 3,000 sq. ft.	Rs. 80 per Sq. ft.	Rs. 65 per Sq. ft.	Rs. 50 per Sq. ft.
3,000 sq. ft. and above	Rs. 125 per Sq. ft.	Rs. 110 per Sq. ft.	Rs. 100 per Sq. ft.
<b>TAX ON DEVELOPERS (ENTIRE PROJECT)</b>			
Any size	Rs. 150 per Sq. ft.	Rs. 130 per Sq. ft.	Rs. 100 per Sq. ft.
<b>FOR DEVELOPMENT OF INDUSTRIAL AREA</b>			
Any size	Rs. 20 per Sq. ft.	Rs. 20 per Sq. ft.	Rs. 10 per Sq. ft.

- (2) In case of mixed-use buildings having both commercial and residential areas, respective rates mentioned above shall apply.
- (3) In case of development of plots and constructing buildings on the same plots as one project, both rates shall apply:

Provided that in the case of ‘low cost housing’ and all projects developed by NAPHDA, the higher rates shall apply.

37. THE TWELFTH SCHEDULE | WRT Section 148

PART I	
PCT Code	Description
(1)	(2)
2711.1100	Natural Gas
3102.1000	Urea, Whether or Not in Aqueous Solution
31.04	Mineral or chemical fertilizers, potassic.
52.01	Cotton, not carded or combed.
52.02	Cotton waste (including yarn waste and garneted stock).
5203.0000	Cotton, carded or combed.
71.08	Gold (including gold plated with platinum) unwrought or in semi manufactured forms, or in powder form.
72.04	Ferrous waste and scrap; re-melting scrap ingots of iron or steel.
84.01	Nuclear reactors; fuel elements (cartridges), non- irradiated, for nuclear reactors; machinery and apparatus for isotopic separation.
84.02	Steam or other vapor generating boilers (other than central heating hot water boilers capable also of producing low pressure steam); super-heated water boilers.
84.03	Central heating boilers other than those of heading 84.02.
84.04	Auxiliary plant for use with boilers of heading 84.02 or 84.03 (for example, economizers, super- heaters, soot removers, gas recoverers); condensers for steam or other vapor power units.
84.05	Producer gas or water gas generators, with or without their purifiers; acetylene gas generators and similar water process gas generators, with or without their purifiers.
84.06	Steam turbines and other vapor turbines.
84.10	Hydraulic turbines, water wheels, and regulators therefor.
84.11	Turbo- jets, turbo- propellers and other gas turbines.
84.12	Other engines and motors.
84.16	Furnace burners for liquid fuel, for pulverized solid fuel or for gas; mechanical stokers, including their mechanical grates, mechanical ash dischargers and similar appliances.
84.17	Industrial or laboratory furnaces and ovens, including incinerators, non- electric.
84.19	Machinery, plant or laboratory equipment, whether or not electrically heated (excluding furnaces, ovens and other equipment of heading 85.14), for the treatment of materials by a process involving a change of temperature such as heating, cooking, roasting, distilling, rectifying, sterilizing, pasteurizing, steaming, drying, evaporating, vaporizing, condensing or cooling, other than machinery or plant of a kind used for domestic purposes; instantaneous or storage water heaters, non- electric.
84.20	Calendaring or other rolling machines, other than for metals or glass, and cylinders therefor.
84.21	Centrifuges, including centrifugal dryers; filtering or purifying machinery and apparatus, for liquids or gases.
8422.3000	Machinery for filling, closing, sealing, or labelling bottles, cans, boxes, bags or other containers; machinery for capsuling bottles, jars, tubes and similar containers; machinery for aerating beverages

PART I	
PCT Code	Description
(1)	(2)
8422.4000	Other packing or wrapping machinery (including heat- shrink wrapping machinery)
84.23 (Except 8423.1000)	Weighing machinery (excluding balances of a sensitivity of 5 cg o better), including weight operated counting or checking machines; weighing machine weights of all kinds.
84.26	Ships' derricks; cranes, including cable cranes; mobile lifting frames, straddle carriers and works trucks fitted with a crane.
84.27	Fork- lift trucks; other works trucks fitted with lifting or handling equipment.
84.28 (Except 8428.1010 and 8428.4000)	Other lifting, handling, loading or unloading machinery (for example, lifts, escalators, conveyors, teleferics).
84.29	Self- propelled bulldozers, angledozers, graders, levelers, scrapers, mechanical shovels, excavators, shovel loaders, tamping machines and road rollers.
84.30	Other moving.
84.31	Parts suitable for use solely or principally with the machinery of headings 84.25 to 84.30.
84.32	Agricultural, horticultural or forestry machinery for soil preparation or cultivation; lawn or sports-ground rollers.
84.33 (Except 8433.1100 and 8433.1900)	Harvesting or threshing machinery, including straw or fodder balers; grass or hay mowers; machines for cleaning, sorting or grading eggs, fruit or other agricultural produce, other than machinery of heading 84.37.
84.34	Milking machines and dairy machinery.
84.35	Presses, crushers and similar machinery used in the manufacture of wine, cider, fruit juices or similar beverages.
84.36	Other agricultural, horticultural, forestry, poultry-keeping or bee- keeping machinery, including germination plant fitted with mechanical or thermal equipment; poultry incubators and brooders.
84.37	Machines for cleaning, sorting or grading seed, grain or dried leguminous vegetables; machinery used in the milling industry or for the working of cereals or dried leguminous vegetables, other than farm- type machinery.
84.38	Machinery, not specified or included elsewhere in this Chapter, for the industrial preparation or manufacture of food or drink, other than machinery for the extraction or preparation of animal or fixed vegetable fats or oils.
84.39	Machinery for making pulp of fibrous cellulosic material or for making or finishing paper or paperboard.
84.40	Book- binding machinery, including book- sewing machines.
84.41	Other machinery for making up paper pulp, paper or paperboard, including cutting machines of all kinds.
84.42	Machinery, apparatus and equipment (other than the machines of headings 84.56 to 84.65), for preparing or making plates, cylinders or other printing components; plates, cylinders and other printing components; plates, cylinders and lithographic stones, prepared for printing purposes (for example, planed, grained or polished).



PART I	
PCT Code	Description
(1)	(2)
8443.1100	Offset printing machinery, reel-fed
8443.1200	Offset printing machinery, sheet-fed, office type (using sheets with one side not exceeding 22 cm and the other side not exceeding 36 cm in the unfolded state)
8443.1300	Other offset printing machinery
8443.1400	Letterpress printing machinery, reel fed, excluding flexographic printing
8443.1500	Letterpress printing machinery, other than reel fed, excluding flexographic printing
8443.1600	Flexographic printing machinery
8443.1700	Gravure printing machinery
8443.1910	Hot stamping machines
8443.1920	Label printing/embossing machines
8443.1930	Flatbed printing presses
8443.1940	Proof presses
8443.1951	On cotton textile
8443.1959	Other
8443.1990	Other
8444.0000	Machines for extruding, drawing, texturing or cutting man- made textile materials.
84.45	Machines for preparing textile fibers; spinning, doubling or twisting machines and other machinery for producing textile yarns; textile reeling or winding (including weft- winding) machines and machines for preparing textile yarns for use on the machines of heading 84.46 or 84.47.
84.46	Weaving machines (looms).
84.47	Knitting machines, stitch- bonding machines and machines for making gimped yarn, tulle, lace, embroidery, trimmings, braid or net and machines for tufting.
84.48	Auxiliary machinery for use with machines of heading 84.44, 84.45, 84.46 or 84.47 (for example, dobies, Jacquards, automatic stop motions, shuttle changing mechanisms); parts and accessories suitable
	for use solely or principally with the machines of this heading or of heading 84.44, 84.45, 84.46 or 84.47 (for example, spindles and spindle flyers, card clothing, combs, extruding nipples, shuttles, healds and heald-frames, hosiery needles).
8449.0000	Machinery for the manufacture or finishing of felt or nonwovens in the piece or in shapes, including machinery for making felt hats; blocks for making hats.
84.51	Machinery (other than machines of heading 84.50) for washing, cleaning, wringing, drying, ironing, pressing (including fusing presses), bleaching, dyeing, dressing, finishing, coating or impregnating textile yarns, fabrics or made up textile articles and machines for applying the paste to the base fabric or other support used in the manufacture of floor coverings such as linoleum; machines for reeling, unreeling, folding, cutting or pinking textile fabrics.
84.53	Machinery for preparing, tanning or working hides, skins or leather or for making or repairing footwear or other articles of hides, skins or leather, other than sewing machines.
84.54	Converters, ladles, ingot moulds and casting machines, of a kind used in metallurgy or in metal foundries.
84.55	Metal- rolling mills and rolls therefor.

PART I	
PCT Code	Description
(1)	(2)
84.56	Machine- tools for working any material by removal of material, by laser or other light or photon beam, ultrasonic, electro-discharge, electro-chemical, electron beam, ionic-beam or plasma arc processes; water-jet cutting machines.
84.57	Machining centres, unit construction machines (single station) and multi- station transfer machines, for working metal.
84.58	Lathes (including turning centres) for removing metal.
84.59	Machine- tools (including way- type unit head machines) for drilling, boring, milling, threading or tapping by removing metal, other than lathes (including turning centres) of heading 84.58.
84.60	Machine- tools for deburring, sharpening, grinding, honing, lapping, polishing or otherwise finishing metal or cermets by means of grinding stones, abrasives or polishing products, other than gear cutting, gear grinding or gear finishing machines of heading 84.61.
84.61	Machine- tools for planing, shaping, slotting, broaching, gear cutting, gear grinding or gear finishing, sawing, cutting- off and other machine- tools working by removing metal or cermets, not elsewhere specified or included.
84.62	Machine- tools (including presses) for working metal by forging, hammering or die- stamping; machine- tools (including presses) for working metal by bending, folding, straightening, flattening, shearing, punching or notching; presses for working metal or metal carbides, not specified above.
84.63	Other machine- tools for working metal or cermets, without removing material.
84.64	Machine- tools for working stone, ceramics, concrete, asbestos- cement or like mineral materials or for cold working glass.
84.68	Machinery and apparatus for soldering, brazing or welding, whether or not capable of cutting, other than those of heading 85.15; gas- operated surface tempering machines and appliances.
84.74	Machinery for sorting, screening, separating, washing, crushing, grinding, mixing or kneading earth, stone, ores or other mineral substances, in solid (including powder or paste) form; machinery for agglomerating, shaping or moulding solid mineral fuels, ceramic paste, unhardened cements, plastering materials or other mineral products in powder or paste form; machines for forming foundry moulds of sand.
84.75	Machines for assembling electric or electronic lamps, tubes or valves or flashbulbs, in glass envelopes; machines for manufacturing or hot working glass or glassware.
84.77	Machinery for working rubber or plastics or for the manufacture of products from these materials, not specified or included elsewhere in this Chapter.
84.78	Machinery for preparing or making up tobacco, not specified or included elsewhere in this Chapter.
84.79 (Except 8479.8960 and 8479.8990)	Machines and mechanical appliances having individual functions, not specified or included elsewhere in this Chapter.
84.80	Moulding boxes for metal foundry; mould bases; moulding patterns; moulds for metal (other than

PART I	
PCT Code	Description
(1)	(2)
	ingot moulds), metal carbides, glass, mineral materials, rubber or plastics.
84.86	Machines and apparatus of a kind used solely or principally for the manufacture of semiconductor boules or wafers, semiconductor devices, electronic integrated circuits or flat panel displays; machines and apparatus specified in Note 9 (c) to this Chapter; parts and accessories.
8501.3300	Of an output exceeding 75 kW but not exceeding 375 kW
8501.3400	Of an output exceeding 375 kW
8502.1190	Other
8502.1200	Of an output exceeding 75 kVA but not exceeding 375 kVA
8502.3100	Wind-powered
8502.3900	Other
8503.0090	Other
8504.2100	Having a power handling capacity not exceeding 650 kVA
8504.2200	Having a power handling capacity exceeding 650 kVA but not exceeding 10,000 kVA
8504.2300	Having a power handling capacity exceeding 10,000 kVA
8504.3400	Having a power handling capacity exceeding 500 kVA
8504.5000	Other inductors
85.14	Industrial or laboratory electric furnaces and ovens (including those functioning by induction or dielectric loss); other industrial or laboratory equipment for the heat treatment of materials by induction or dielectric loss.
85.15	Electric (including electrically heated gas), laser or other light or photon beam, ultrasonic, electron beam, magnetic pulse or plasma arc soldering, brazing or welding machines and apparatus, whether or not capable of cutting; electric machines and apparatus for hot spraying of metals or cermets.
8543.3000	Machines and apparatus for electroplating, electrolysis or electrophoresis
85.45 (Except 8545.1100 and 8545.9020)	Carbon electrodes, carbon brushes, lamp carbons, battery carbons and other articles of graphite or other carbon, with or without metal, of a kind used for electrical purposes.
85.46	Electrical insulators of any material.
85.47	Insulating fittings for electrical machines, appliances or equipment, being fittings wholly of insulating material apart from any minor components of metal (for example, threaded sockets) incorporated during moulding solely for purposes of assembly, other than insulators of heading 85.46; electrical conduit tubing and joints therefor, of base metal lined with insulating material.
89052000	Floating or Submersible Drilling or Production Platforms

PART II	
PCT Code	Description
(1)	(2)
05.05	Skins and other parts of birds, with their feathers or down, feathers and parts of feathers (whether or not with trimmed edges) and down, not further worked than cleaned, disinfected or treated for preservation; powder and waste of feathers or parts of feathers.
05.06	Bones and horn-cores, unworked, defatted, simply prepared (but not cut to shape), treated with acid or degelatinised; powder and waste of these products.
05.07	Ivory, tortoise-shell, whalebone and whalebone hair, horns, antlers, hooves, nails, claws and beaks, unworked or simply prepared but not cut to shape; powder and waste of these products.
05.08	Coral and similar materials, unworked or simply prepared but not otherwise worked; shells of molluscs, crustaceans or echinoderms and cuttle-bone, unworked or simply prepared but not cut to shape, powder and waste thereof.
0510.0000	Ambergris, castoreum, civet and musk; cantharides; bile, whether or not dried; glands and other animal products used in the preparation of pharmaceutical products, fresh, chilled, frozen or otherwise provisionally preserved.
05.11	Animal products not elsewhere specified or included; dead animals of Chapter 1 or 3, unfit for human consumption.
07.01	Potatoes, fresh or chilled.
0702.0000	Tomatoes, fresh or chilled.
07.03	Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled.
07.04	Cabbages, cauliflowers, kohlrabi, kale and similar edible brassicas, fresh or chilled.
07.05	Lettuce ( <i>Lactuca sativa</i> ) and chicory ( <i>Cichorium spp.</i> ), fresh or chilled.
07.06	Carrots, turnips, salad beetroot, salsify, celeriac, radishes and similar edible roots, fresh or chilled.
0707.0000	Cucumbers and gherkins fresh or chilled.
07.08	Leguminous vegetables, shelled or unshelled, fresh or chilled.
07.11	Vegetables provisionally preserved (for example, by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption.
07.13	Dried leguminous vegetables, shelled, whether or not skinned or split.
10.02	Rye.
10.03	Barley.
10.04	Oats.
10.05	Maize (corn).
1006.1010	Seed for sowing
11.08	Starches; inulin.
12.01	Soya beans, whether or not broken.
12.05	Rape or colza seeds, whether or not broken.
1206.0000	Sunflower seeds, whether or not broken.
12.07	Other oil seeds and oleaginous fruits, whether or not broken.
12.09	Seeds, fruit and spores, of a kind used for sowing.
12.10	Hop cones, fresh or dried, whether or not ground, powdered or in the form of pellets; lupulin.

PART II	
PCT Code	Description
(1)	(2)
12.11	Plants and parts of plants (including seeds and fruits), of a kind used primarily in perfumery, in pharmacy or for insecticidal, fungicidal or similar purposes, fresh, chilled, frozen or dried, whether or not cut, crushed or powdered.
15.02	Fats of bovine animals, sheep or goats, other than those of heading 15.03.
15.07	Soya- bean oil and its fractions, whether or not refined, but not chemically modified.
15.11	Palm oil and its fractions, whether or not refined, but not chemically modified.
1518.0000	Animal or vegetable fats and oils and their fractions, boiled, oxidized, dehydrated, sulphurised, blown, polymerized by heat in vacuum or in inert gas or otherwise chemically modified, excluding those of heading 15.16; inedible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this Chapter, not elsewhere specified or included.
18.03	Cocoa paste, whether or not defatted.
23.06	Oil- cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of vegetable fats or oils, other than those of heading 23.04 or 23.05.
2502.0000	Unroasted iron pyrites.
2503.0000	Sulphur of all kinds, other than sublimed sulphur, precipitated Sulphur and colloidal sulphur.
25.04	Natural graphite.
25.05	Natural sands of all kinds, whether or not colored, other than metal bearing sands of chapter 26.
25.06	Quartz (other than natural sands); quartzite, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape.
2507.0000	Kaolin and other kaolinic clays, whether or not calcined.
25.08	Other clays (not including expanded clays of heading 68.06), andalusite, kyanite and sillimanite, whether or not calcined; mullite; chamotte or dinas earths.
2509.0000	Chalk.
25.10	Natural calcium phosphates, natural aluminum calcium phosphates and phosphatic chalk.
25.11	Natural barium sulphate (barytes); natural barium carbonate (witherite), whether or not calcined, other than barium oxide of heading 28.16.
2512.0000	Siliceous fossil meals (for example, kieselguhr, tripolite and diatomite and similar siliceous earths, whether or not calcined, of an apparent specific gravity of 1 or less.
25.13	Pumice stone; emery; natural corundum, natural garnet and other natural abrasives, whether or not heat- treated.
2514.0000	Slate, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape.
25.18	Dolomite, whether or not calcined or sintered, including dolomite roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape; dolomite ramming mix.
25.19	Natural magnesium carbonate (magnesite); fused magnesia; dead- burned (sintered) magnesia, whether or not containing small

PART II	
PCT Code	Description
(1)	(2)
	quantities of other oxides added before sintering; other magnesium oxide, whether or not pure.
25.20	Gypsum; anhydrite; plasters (consisting of calcined gypsum or calcium sulphate) whether or not colored, with or without small quantities of accelerators or retarders.
2521.0000	Limestone flux; limestone and other calcareous stone, of a kind used for the manufacture of lime or cement.
25.25	Mica, including splittings; mica waste.
2528.0000	Natural borates and concentrates thereof (whether or not calcined), but not including borates separated from natural brine; natural boric acid containing not more than 85 % of H3BO3 calculated on the dry weight.
25.29	Feldspar; leucite; nepheline and nepheline syenite; fluorspar.
25.30	Mineral substances not elsewhere specified or included.
26.01	Iron ores and concentrates, including roasted iron pyrites.
2602.0000	Manganese ores and concentrates, including ferruginous manganese ores and concentrates with a manganese content of 20 % or more, calculated on the dry weight.
2603.0000	Copper ores and concentrates.
2604.0000	Nickel ores and concentrates.
2605.0000	Cobalt ores and concentrates.
2606.0000	Aluminum ores and concentrates.
2607.0000	Lead ores and concentrates.
2608.0000	Zinc ores and concentrates.
2609.0000	Tin ores and concentrates.
2610.0000	Chromium ores and concentrates.
2611.0000	Tungsten ores and concentrates.
26.12	Uranium or thorium ores and concentrates.
26.13	Molybdenum ores and concentrates.
2614.0000	Titanium ores and concentrates.
26.15	Niobium, tantalum, vanadium or zirconium ores and concentrates.
26.16	Precious metal ores and concentrates.
26.17	Other ores and concentrates.
2618.0000	Granulated slag (slag sand) from the manufacture of iron or steel.
2619.0000	Slag, dross (other than granulated slag), scalings and other waste from the manufacture of iron or steel.
26.20	Slag, ash and residues (other than from the manufacture of iron or steel) containing metals, arsenic or their compounds.
27.01	Coal; briquettes, ovoids and similar solid fuels manufactured from coal.
27.02	Lignite, whether or not agglomerated, excluding jet.
2703.0000	Peat (including peat litter), whether or not agglomerated.
27.04	Coke and semi- coke of coal, of lignite or of peat, whether or not agglomerated; retort carbon.
2705.0000	Coal gas, water gas, producer gas and similar gases, other than petroleum gases and other gaseous hydrocarbons.
27.07	Oils and other products of the distillation of high temperature coal tar; similar products in which

PART II	
PCT Code	Description
(1)	(2)
	the weight of the aromatic constituents exceeds that of the non- aromatic constituents.
27.08	Pitch and pitch coke, obtained from coal tar or from other mineral tars.
2709.0000	Petroleum oils and oils obtained from bituminous minerals, crude
28.03	Carbon (carbon blacks and other forms of carbon not elsewhere specified or included).
28.04	Hydrogen, rare gases and other non- metals.
28.05	Alkali or alkaline- earth metals; rare- earth metals, scandium and yttrium, whether or not intermixed or inter- alloyed; mercury.
28.08	Nitric acid; sulphonitric acids.
28.09	Diphosphorus pentoxide; phosphoric acid; polyphosphoric acids, whether or not chemically defined.
28.11	Other inorganic acids and other inorganic oxygen compounds of non- metals.
28.14	Ammonia, anhydrous or in aqueous solution.
28.15	Sodium hydroxide (caustic soda); potassium hydroxide (caustic potash); peroxides of sodium or potassium.
2817.0000	Zinc oxide; zinc peroxide.
28.18	Artificial corundum, whether or not chemically defined; aluminum oxide; aluminum hydroxide.
28.19	Chromium oxides and hydroxides.
28.20	Manganese oxides.
28.21	Iron oxides and hydroxides; earth colours containing 70 % or more by weight of combined iron evaluated as Fe <sub>2</sub> O <sub>3</sub> .
2822.0000	Cobalt oxides and hydroxides; commercial cobalt oxides.
28.23	Titanium oxides.
28.24	Lead oxides; red lead and orange lead.
28.25	Hydrazine and hydroxylamine and their inorganic salts; other inorganic bases; other metal oxides, hydroxides and peroxides.
28.26	Fluorides; fluorosilicates, fluoroaluminates and other complex fluorine salts.
28.27	Chlorides, chloride oxides and chloride hydroxides; bromides and bromide oxides; iodides and iodide oxides.
28.28	Hypochlorites;
28.29	Chlorates and perchlorates; bromates and perbromates; iodates and periodates.
28.30	Sulphides; polysulphides, whether or not chemically defined.
28.31	Dithionites and sulphyoxylates.
28.32	Sulphites; thiosulphates.
28.33	Sulphates; alums; peroxosulphates (persulphates).
28.34	Nitrites; nitrates.
28.35	Phosphinates(hypophosphites),
28.36	Carbonates; peroxocarbonates (percarbonates); commercial ammonium carbonate containing ammonium carbamate.
28.39	Silicates; commercial alkali metal silicates.
28.40	Borates; peroxoborates (perborates).
28.41	Salts of oxometallic or peroxometallic acids.
28.42	Other salts of inorganic acids or peroxyacids (including aluminosilicates whether or not chemically defined), other than azides.
28.43	Colloidal precious metals; inorganic or organic compounds of precious metals, whether or not

PART II	
PCT Code	Description
(1)	(2)
	chemically defined; amalgams of precious metals.
28.44	Radioactive chemical elements and radioactive isotopes (including th fissile or fertile chemical elements and isotopes) and their compounds; mixtures and residues containing these products.
28.45	Isotopes other than those of heading 28.44; compounds, inorganic or organic, of such isotopes, whether or not chemically defined.
28.46	Compounds, inorganic or organic, of rare- earth metals, of yttrium or of scandium or of mixtures of these metals.
28.49	Carbides, whether or not chemically defined.
2850.0000	Hydrides, nitrides, azides, silicides and borides, whether or not chemically defined, other than compounds which are also carbides of heading 28.49.
28.52	Inorganic or organic compounds of mercury, whether or not chemically defined, excluding amalgams.
28.53	Phosphides, whether or not chemically defined, excluding ferrophosphorus; other inorganic compounds (including distilled or conductivity water and water of similar purity); liquid air (whether or not rare gases have been removed); compressed air; amalgams, other than amalgams of precious metals.
29.01	Acyclic hydrocarbons.
29.02	Cyclic hydrocarbons.
29.03	Halogenated derivatives of hydrocarbons.
29.04	Sulphonated, nitrated or nitrosated derivatives of hydrocarbons, whether or not halogenated.
29.05	Acyclic alcohols and their halogenated, sulphonated, nitrated or nitrosated derivatives.
29.06	Cyclic alcohols and their halogenated, sulphonated, nitrated or nitrosated derivatives.
29.07	Phenols; phenol- alcohols.
29.08	Halogenated, sulphonated, nitrated or nitrosated derivatives of phenols or phenol- alcohols.
29.09	Ethers, ether- alcohols, ether- phenols, ether- alcohol- phenols, alcohol peroxides, ether peroxides, ketone peroxides (whether or not chemically defined), and their halogenated, sulphonated, nitrated or nitrosated derivatives.
29.10	Epoxides, epoxyalcohols, epoxyphenols and epoxyethers, with a three- membered ring, and their halogenated, sulphonated, nitrated or nitrosated derivatives.
2911.0000	Acetals and hemiacetals, whether or not with other oxygen function, and their halogenated, sulphonated, nitrated or nitrosated derivatives.
29.12	Aldehydes, whether or not with other oxygen function; cyclic polymers of aldehydes; paraformaldehyde.
2913.0000	Halogenated, sulphonated, nitrated or nitrosated derivatives of products of heading 29.12.
29.14	Ketones and quinones, whether or not with other oxygen function, and their halogenated, sulphonated, nitrated or nitrosated derivatives.
29.15	Saturated acyclic monocarboxylic acids and their anhydrides, halides peroxides and peroxyacids; their halogenated, sulphonated, nitrated or nitrosated derivatives.
29.16	Unsaturated acyclic monocarboxylic acids, cyclic monocarboxylic acids, their anhydrides, halides, peroxides and peroxyacids; their

PART II	
PCT Code	Description
(1)	(2)
	halogenated, sulphonated, nitrated or nitrosated derivatives.
29.17	Polycarboxylic
29.18	Carboxylic acids with additional oxygen function and their anhydrides, halides, peroxides and peroxyacids; their halogenated, sulphonated, nitrated or nitrosated derivatives.
29.19	Phosphoric esters and their salts, including lactophosphates; their halogenated, sulphonated, nitrated or nitrosated derivatives.
29.20	Esters of other inorganic acids of non-metals (excluding esters of hydrogen halides) and their salts; their halogenated, sulphonated, nitrated or nitrosated derivatives.
29.21	Amine- function compounds.
29.22	Oxygen- function amino- compounds.
29.23	Quaternary ammonium salts and hydroxides; lecithins and other phosphoaminolipids, whether or not chemically defined.
29.24	Carboxamide- function compounds; amide- function compounds of carbonic acid.
29.25	Carboxyimide- function compounds (including saccharin and its salts) and imine- function compounds.
29.26	Nitrile- function compounds.
29.27	Diazo- , azo- or azoxy- compounds.
29.28	Organic derivatives of hydrazine or of hydroxylamine.
29.29	Compounds with other nitrogen function.
29.30	Organo- sulphur compounds.
29.31	Other organo- inorganic compounds.
29.32	Heterocyclic compounds with oxygen hetero-atom(s) only.
29.33	Heterocyclic compounds with nitrogen hetero-atom(s) only.
29.34	Nucleic acids and their salts, whether or not chemically defined; other heterocyclic compounds.
29.35	Sulphonamides.
29.36	Provitamins and vitamins, natural or reproduced by synthesis (including natural concentrates), derivatives thereof used primarily as vitamins, and intermixtures of the foregoing, whether or not in any solvent.
29.37	Hormones, prostaglandins, thromboxanes and leukotrienes, natural or reproduced by synthesis; derivatives and structural analogues thereof, including chain modified polypeptides, used primarily as hormones.
29.38	Glycosides, natural or reproduced by synthesis, and their salts, ethers, esters and other derivatives.
29.39	Alkaloids, natural or reproduced by synthesis, and their salts, ethers, esters and other derivatives.
29.41	Antibiotics.
2942.0000	Other organic compounds.
30.01	Glands and other organs for organo- therapeutic uses, dried, whether or not powdered; extracts of glands or other organs or of their secretions for organo- therapeutic uses; heparin and its salts; other human or animal substances prepared for therapeutic or prophylactic uses, not elsewhere specified or included.

PART II	
PCT Code	Description
(1)	(2)
31.02 (except 3102.1000)	Mineral or chemical fertilizers, nitrogenous.
31.03	Mineral or chemical fertilizers, phosphatic.
31.05	Mineral or chemical fertilizers containing two or three of the fertilizing elements nitrogen, phosphorus and potassium; other fertilizers; goods of this Chapter in tablets or similar forms or in packages of a gross weight not exceeding 10 kg.
32.01	Tanning extracts of vegetable origin; tannins and their salts, ethers, esters and other derivatives.
32.02	Synthetic organic tanning
32.14	Glaziers' putty, grafting putty, resin cements, caulking compounds and other mastics; painters' fillings; non- refractory surfacing preparations for facades, indoor walls, floors, ceilings or the like.
33.02	Mixtures of odoriferous substances and mixtures (including alcoholic solutions) with a basis of one or more of these substances, of a kind used as raw materials in industry; other preparations based on odoriferous substances, of a kind used for the manufacture of beverages.
34.03	Lubricating preparations (including cutting- oil preparations, bolt or nut release preparations, anti- rust or anti- corrosion preparations and mould release preparations, based on lubricants) and preparations of a kind used for the oil or grease treatment of textile materials, leather, furskins or other materials, but excluding preparations containing, as basic constituents, 70 % or more by weight of petroleum oils or of oils obtained from bituminous minerals.
3504.0000	Peptones and their derivatives; other protein substances and their derivatives, not elsewhere specified or included; hide powder, whether or not chromed.
35.05	Dextrins and other modified starches (for example, pre- gelatinised or esterified starches); glues based on starches, or on dextrins or other modified starches.
37.02	Photographic film in rolls, sensitised, unexposed, of any material other than paper, paperboard or textiles; instant print film in rolls, sensitised, unexposed.
37.03	Photographic paper, paperboard and textiles, sensitised, unexposed.
3704.0000	Photographic plates, film, paper, paperboard and textiles, exposed but not developed.
3705.0000	Photographic plates and film, exposed and developed, other than cinematographic film.
37.07	Chemical preparations for photographic uses (other than varnishes, glues, adhesives and similar preparations); unmixed products for photographic uses, put up in measured portions or put up for retail sale in a form ready for use.
38.01	Artificial graphite; colloidal or semi- colloidal graphite; preparations based on graphite or other carbon in the form of pastes, blocks, plates or other semi- manufactures.
3803.0000	Tall oil, whether or not refined.
3804.0000	Residual lyes from the manufacture of wood pulp, whether or not concentrated, desugared or chemically treated, including lignin sulphonates, but excluding tall oil of heading 38.03.

PART II	
PCT Code	Description
(1)	(2)
38.06	Rosin and resin acids, and derivatives thereof; rosin spirit and rosin oils; run gums.
38.09	Finishing agents, dye carriers to accelerate the dyeing or fixing of dyestuffs and other products and preparations (for example, dressings and mordants), of a kind used in the textile, paper, leather or like industries, not elsewhere specified or included.
38.10	Pickling preparations for metal surfaces; fluxes and other auxiliary preparations for soldering, brazing or welding; soldering, brazing or
	welding powders and pastes consisting of metal and other materials preparations of a kind used as cores or coatings for welding electrodes or rods.
38.12	Prepared rubber accelerators; compound plasticisers for rubber or plastics, not elsewhere specified or included; anti-oxidising preparations and other compound stabilisers for rubber or plastics.
38.15	Reaction initiators, reaction accelerators and catalytic preparations, not elsewhere specified or included.
3816.0000	Refractory cements, mortars, concretes and similar compositions, other than products of heading 38.01.
3817.0000	Mixed alkylbenzenes and mixed alkylnaphthalenes, other than those of heading 27.07 or 29.02.
3818.0000	Chemical elements doped for use in electronics, in the form of discs wafers or similar forms; chemical compounds doped for use in electronics.
3821.0000	Prepared culture media for the development or maintenance of micro-organisms (including viruses and the like) or of plant, human or animal cells
38.23	Industrial monocarboxylic fatty acids; acid oils from refining; industrial fatty alcohols.
38.24	Prepared binders for foundry moulds or cores; chemical products and preparations of the chemical or allied industries (including those consisting of mixtures of natural products), not elsewhere specified or included.
39.01	Polymers of ethylene, in primary forms.
39.02	Polymers of propylene or of other olefins, in primary forms.
39.03	Polymers of styrene, in primary forms.
39.04	Polymers of vinyl chloride or of other halogenated olefins, in primary forms.
39.07	Polyacetals, other polyethers and epoxide resins, in primary forms; polycarbonates, alkyd resins, polyallyl esters and other polyesters, in primary forms.
39.08	Polyamides in primary forms.
3910.0000	Silicones in primary forms.
39.14	Ion-exchangers based on polymers of headings
40.01	Natural rubber, balata, gutta-percha, guayule, chicle and similar natural gums, in primary forms or in plates, sheets or strip.
40.02	Synthetic rubber and factice derived from oils, in primary forms or in plates, sheets or strip; mixtures of any product of heading 40.01 with any product of this heading, in primary forms or in plates, sheets or strip.

PART II	
PCT Code	Description
(1)	(2)
4003.0000	Reclaimed rubber in primary forms or in plates, sheets or strip.
40.04	Waste, parings and scrap of rubber (other than hard rubber) and powders and granules obtained therefrom.
40.05	Compounded rubber, unvulcanised, in primary forms or in plates, sheets or strip.
41.01	Raw hides and skins of bovine (including buffalo) or equine animals (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split.
41.02	Raw skins of sheep or lambs (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not with wool on or split, other than those excluded by Note 1 (c) to this Chapter.
41.03	Other raw hides and skins (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split, other than those excluded by Note 1 (b) or 1 (c) to this Chapter.
41.04	Tanned or crust hides and skins of bovine (including buffalo) or equine animals, without hair on, whether or not split, but not further prepared.
41.05	Tanned or crust skins of sheep or lambs, without wool on, whether or not split, but not further prepared.
41.06	Tanned or crust hides and skins of other animals, without wool or hair on, whether or not split, but not further prepared.
41.07	Leather further prepared after tanning or crusting, including parchment-dressed leather, of bovine (including buffalo) or equine animals, without hair on, whether or not split, other than leather of heading 41.14.
4112.0000	Leather further prepared after tanning or crusting, including parchment-dressed leather, of sheep or lamb, without wool on, whether or not split, other than leather of heading 41.14.
41.13	Leather further prepared after tanning or crusting, including parchment-dressed leather, of other animals, without wool or hair on, whether or not split, other than leather of heading 41.14.
41.14	Chamois (including combination chamois) leather; patent leather and patent laminated leather; metallised leather.
41.15	Composition leather with a basis of leather or leather fibre, in slabs, sheets or strip, whether or not in rolls; parings and other waste of leather or of composition leather, not suitable for the manufacture of leather articles; leather dust, powder and flour.
42.05 (Except 4205.0090)	Other articles of leather or of composition leather.
43.01	Raw furskins (including heads, tails, paws and other pieces or cuttings, suitable for furriers' use), other than raw hides and skins of heading 41.01, 41.02 or 41.03.
43.02	Tanned or dressed furskins (including heads, tails, paws and other pieces or cuttings), unassembled, or assembled (without the addition of other materials) other than those of heading 43.03.

PART II	
PCT Code	Description
(1)	(2)
44.01	Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms; wood in chips or particles; sawdust and wood waste and scrap, whether or not agglomerated in logs, briquettes, pellets or similar forms.
44.02	Wood charcoal (including shell or nut charcoal), whether or not agglomerated.
44.03	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared.
44.04	Hoopwood; split poles; piles, pickets and stakes of wood, pointed but not sawn lengthwise; wooden sticks, roughly trimmed but not turned, bent or otherwise worked, suitable for the manufacture of walking- sticks, umbrellas, tool handles or the like; chipwood and the like.
4405.0000	Wood wool; wood flour.
44.06	Railway or tramway sleepers (cross- ties) of wood.
4701.0000	Mechanical wood pulp.
4702.0000	Chemical wood pulp, dissolving grades.
47.03	Chemical wood pulp, soda or sulphate, other than dissolving grades.
47.04	Chemical wood pulp, sulphite, other than dissolving grades.
4705.0000	Wood pulp obtained by a combination of mechanical and chemical pulping processes.
47.06	Pulps of fibers derived from recovered (waste and scrap) paper or paperboard or of other fibrous cellulosic material.
47.07	Recovered (waste and scrap) paper or paperboard.
48.04	Uncoated kraft paper and paperboard, in rolls or sheets, other than that of heading 48.02 or 48.03.
48.10	Paper and paperboard, coated on one or both sides with kaolin (China clay) or other inorganic substances, with or without a binder, and with no other coating, whether or not surface-colored, surface- decorated or printed, in rolls or rectangular (including square) sheets, of any size.
48.13	Cigarette paper, whether or not cut to size or in the form of booklets or tubes.
48.22	Bobbins, spools, cops and similar supports of paper pulp, paper or paperboard (whether or not perforated or hardened).
4823.9040	Double Side Adhesive Tapes
5001.0000	Silk- worm cocoons suitable for reeling.
5002.0000	Raw silk (not thrown).
5003.0000	Silk waste (including cocoons unsuitable for reeling, yarn waste and garneted stock).
5004.0000	Silk yarn (other than yarn spun from silk waste) not put up for retail sale.
5005.0000	Yarn spun from silk waste, not put up for retail sale.
51.01	Wool, not carded or combed.
51.02	Fine or coarse animal hair, not carded or combed.
51.03	Waste of wool or of fine or coarse animal hair, including yarn waste but excluding garneted stock.
5104.0000	Garneted stock of wool or of fine or coarse animal hair.
51.05	Wool and fine or coarse animal hair, carded or combed (including combed wool in fragments).
51.06	Yarn of carded wool, not put up for retail sale.

PART II	
PCT Code	Description
(1)	(2)
51.07	Yarn of combed wool, not put up for retail sale.
51.08	Yarn of fine animal hair (carded or combed), not put up for retail sale.
52.05	Cotton yarn (other than sewing thread), containing 85 % or more by weight of cotton, not put up for retail sale.
52.06	Cotton yarn (other than sewing thread), containing less than 85 % by weight of cotton, not put up for retail sale.
53.01	Flax, raw or processed but not spun; flax tow and waste (including yarn waste and garneted stock).
53.02	True hemp ( <i>Cannabis sativa</i> L.), raw or processed but not spun; tow and waste of true hemp (including yarn waste and garneted stock).
53.03	Jute and other textile bast fibers (excluding flax, true hemp and ramie), raw or processed but not spun; tow and wastes of these fibers (including yarn waste and garneted stock).
53.05	Coconut, abaca ( <i>Manila hemp</i> or <i>Musa textilis</i> Nee), ramie and other vegetable textile fibers, not elsewhere specified or included, raw or processed but not spun; tow, noils and waste of these fibers (including yarn waste and garneted stock).
53.06	Flax yarn.
53.07	Yarn of jute or of other textile bast fibers of heading 53.03.
54.02	Synthetic filament yarn (other than sewing thread), not put up for retail sale, including synthetic monofilament of less than 67 decitex.
55.01	Synthetic filament tow.
55.02	Artificial filament tow.
55.03	Synthetic staple fibers, not carded, combed or otherwise processed for spinning.
55.04	Artificial staple fibers, not carded, combed or otherwise processed for spinning.
55.05	Waste (including noils, yarn waste and garneted stock) of man- made fibers.
55.06	Synthetic staple fibers, carded, combed or otherwise processed for spinning.
5507.0000	Artificial staple fibers, carded, combed or otherwise processed for spinning.
55.08	Sewing thread of man- made staple fibers, whether or not put up for retail sale.
55.09	Yarn (other than sewing thread) of synthetic staple fibers, not put up for retail sale.
55.10	Yarn (other than sewing thread) of artificial staple fibers, not put up for retail sale.
55.11	Yarn (other than sewing thread) of man- made staple fibers, put up for retail sale.
55.12	Woven fabrics of synthetic staple fibers, containing 85 % or more by weight of synthetic staple fibers.
55.13	Woven fabrics of synthetic staple fibers, containing less than 85 % by weight of such fibers, mixed mainly or solely with cotton, of a weight not exceeding 170 g/m <sup>2</sup> .
55.14	Woven fabrics of synthetic staple fibers, containing less than 85 % by weight of such fibers, mixed mainly or solely with cotton, of a weight exceeding 170 g/m <sup>2</sup> .
55.15	Other woven fabrics of synthetic staple fibers.
55.16	Woven fabrics of artificial staple fibers.

PART II	
PCT Code	Description
(1)	(2)
56.01	Wadding of textile materials and articles thereof; textile fibers, not exceeding 5 mm in length (flock), textile dust and mill neps.
56.08	Knotted netting of twine, cordage or rope; made up fishing nets and other made up nets, of textile materials.
59.02	Tyre cord fabric of high tenacity yarn of nylon or other polyamides, polyesters or viscose rayon.
63.10	Used or new rags, scrap twine, cordage, rope and cables and worn out articles of twine, cordage, rope or cables, of textile materials.
68.15	Articles of stone or of other mineral substances (including carbon fibers, articles of carbon fibers and articles of peat), not elsewhere specified or included.
70.02	Glass in balls (other than microspheres of heading 70.18), rods or tubes, unworked.
71.05	Dust and powder of natural or synthetic precious or semi- precious stones.
72.01	Pig iron and, spiegeleisen in pigs, blocks or other primary form.
72.02	Ferro- alloys.
72.03	Ferrous products obtained by direct reduction of iron ore and other spongy ferrous products, in lumps, pellets or similar forms; iron having a minimum purity by weight of 99.94 %, in lumps, pellets or similar forms.
72.05	Granules and powders, of pig iron, spiegeleisen, iron or steel.
72.06	Iron and non- alloy steel in ingots or other primary forms (excluding iron of heading 72.03).
72.08	Flat- rolled products of iron or non- alloy steel, of a width of 600 mm or more, hot- rolled, not clad, plated or coated.
72.09	Flat- rolled products of iron or non- alloy steel, of a width of 600 mm or more, cold- rolled (cold-reduced), not clad, plated or coated.
72.10	Flat- rolled products of iron or non- alloy steel, of a width of 600 mm or more, clad, plated or coated.
72.11	Flat- rolled products of iron or non- alloy steel, of a width of less than 600 mm, not clad, plated or coated.
72.12	Flat- rolled products of iron or non- alloy steel, of a width of less than 600 mm, clad, plated or coated.
72173010	Of A Kind Used In Manufacture Of Pneumatic Tyres(Bead Wire)
72.18	Stainless steel in ingots or other primary forms; semi- finished products of stainless steel.
72.19	Flat- rolled products of stainless steel, of a width of 600 mm or more.
72.20	Flat- rolled products of stainless steel, of a width of less than 600 mm.
72.25	Flat- rolled products of other alloy steel, of a width of 600 mm or more.
72.26	Flat- rolled products of other alloy steel, of a width of less than 600 mm.
72.27	Bars and rods, hot- rolled, in irregularly wound coils, of other alloy steel.
7315.1920	Other For Motor Cars And Vehicles
7401.0000	Copper mattes; cement copper (precipitated copper).
7402.0000	Unrefined copper; copper anodes for electrolytic refining.
74.03	Refined copper and copper alloys, unwrought.

PART II	
PCT Code	Description
(1)	(2)
74.04	Copper waste and scrap.
7405.0000	Master alloys of copper.
74.06	Copper powders and flakes.
74.07	Copper bars, rods and profiles.
74.08	Copper wire.
74.09	Copper plates, sheets and strip, of a thickness exceeding 0.15 mm.
74.10	Copper foil (whether or not printed or backed with paper, paperboard, plastics or similar backing materials), of a thickness (excluding any backing) not exceeding 0.15 mm.
74.11	Copper tubes and pipes.
7413.0000	Stranded wire, cables, plaited bands and the like, of copper, not electrically insulated.
75.01	Nickel mattes, nickel oxide sinters and other intermediate products of nickel metallurgy.
75.02	Unwrought nickel.
7503.0000	Nickel waste and scrap.
7504.0000	Nickel powders and flakes.
75.05	Nickel bars, rods, profiles and wire.
75.06	Nickel plates, sheets, strip and foil.
76.01	Unwrought aluminum.
76.02	Aluminum waste or scrap.
76.03	Aluminum powders and flakes.
76.06	Aluminum plates, sheets and strip, of a thickness exceeding 0.2 mm.
76071100	Rolled But Not Further Worked
76.08	Aluminum tubes and pipes.
78.01	Unwrought lead.
7802.0000	Lead waste and scrap.
78.04	Lead plates, sheets, strip and foil; lead powders and flakes.
79.01	Unwrought zinc.
7902.0000	Zinc waste and scrap.
79.03	Zinc dust, powders and flakes.
79.04	Zinc bars, rods, profiles and wire.
79.07	Other articles of zinc.
80.01	Unwrought tin.
8002.0000	Tin waste and scrap.
8003.0000	Tin bars, rods, profiles and wire
81.01	Tungsten (wolfram) and articles thereof, including waste and scrap.
81.02	Molybdenum and articles thereof, including waste and scrap.
81.03	Tantalum and articles thereof, including waste and scrap.
81.04	Magnesium and articles thereof, including waste and scrap.
81.05	Cobalt mattes and other intermediate products of cobalt metallurgy; cobalt and articles thereof, including waste and scrap.
8106.0000	Bismuth and articles thereof, including waste and scrap.
81.07	Cadmium and articles thereof, including waste and scrap.
81.08	Titanium and articles thereof, including waste and scrap.
81.09	Zirconium and articles thereof, including waste and scrap.
81.10	Antimony and articles thereof, including waste and scrap.



PART II	
PCT Code	Description
(1)	(2)
8111.0000	Manganese and articles thereof, including waste and scrap.
81.12	Beryllium, chromium, germanium, vanadium, gallium, hafnium, indium, niobium (columbium), rhenium and thallium, and articles of these metals, including waste and scrap.
8113.0000	Cermets and articles thereof, including waste and scrap.
83.09	Stoppers, caps and lids (including crown corks, screw caps and pouring stoppers), capsules for bottles, threaded bungs, bung covers, seals and other packing accessories, of base metal.
83.11	Wire, rods, tubes, plates, electrodes and similar products, of base metal or of metal carbides, coated or cored with flux material, of a kind used for soldering, brazing, welding or deposition of metal or of metal carbides; wire and rods, of agglomerated base metal powder, used for metal spraying.
84.07	Spark- ignition reciprocating or rotary internal combustion piston engines.
84.08	Compression- ignition internal combustion piston engines (diesel or semi- diesel engines).
84.09	Parts suitable for use solely or principally with the engines of heading 84.07 or 84.08.
8414.1000	Vacuum pumps
8414.3010	Used with HCFC and non-CFC gases
8414.9010	Of machines of heading 8414.1000 and 8414.3010
84.65	Machine- tools (including machines for nailing, stapling, glueing or otherwise assembling) for working wood, cork, bone, hard rubber, hard plastics or similar hard materials.
84.66	Parts and accessories suitable for use solely or principally with the machines of headings 84.56 to 84.65, including work or tool holders, self-opening dieheads, dividing heads and other special attachments for the machines; tool holders for any type of tool for working in the hand.
84.67	Tools for working in the hand, pneumatic, hydraulic or with self- contained electric or non- electric motor.
8479.8990	Other
84.82	Ball or roller bearings.
84.84	Gaskets and similar joints of metal sheeting combined with other material or of two or more layers of metal; sets or assortments of gaskets and similar joints, dissimilar in composition, put up in pouches, envelopes or similar packings; mechanical seals.
8501.1000	Motors of an output not exceeding 37.5 W
8501.2000	Universal AC/DC motors of an output exceeding 37.5 W
8501.3110	Photovoltaic generators consisting of panels of photocells combined with other apparatus
8501.4010	Of an output not exceeding 60 watts
8501.4090	Other
8501.5120	AC clutch motors for industrial sewing machine
8501.5310	Of an output exceeding 75 kW but not exceeding 375 kW (500 HP)
85.03 (except 8503.0090)	Parts suitable for use solely or principally with the machines of heading 85.01 or 85.02.
8504.9010	On load-tape changer for power transformers
8504.9020	Bushings for power transformers

PART II	
PCT Code	Description
(1)	(2)
8504.9030	Of machines of heading 8504.4090
8504.9040	Toroidal cores and strips
8504.9090	Other
85.05	Electro- magnets; permanent magnets and articles intended to become permanent magnets after magnetisation; electro- magnetic or permanent magnet chucks, clamps and similar holding devices; electro- magnetic couplings, clutches and brakes; electro- magnetic lifting heads.
85.11	Electrical ignition or starting equipment of a kind used for spark- ignition or compression- ignition internal combustion engines (for example, ignition magnetos, magneto- dynamos, ignition coils, sparking plugs and glow plugs, starter motors); generators (for example, dynamos, alternators) and cut- outs of a kind used in conjunction with such engines.
85.12	Electrical lighting or signalling equipment (excluding articles of heading 85.39), windscreen wipers, defrosters and demisters, of a kind used for cycles or motor vehicles.
8528.7213	In CKD/SKD condition
85.29	Parts suitable for use solely or principally with the apparatus of headings 85.25 to 85.28.
85.33	Electrical resistors (including rheostats and potentiometers), other than heating resistors.
8534.0000	Printed circuits.
85.35	Electrical apparatus for switching or protecting electrical circuits, or for making connections to or in electrical circuits (for example, switches, fuses, lightning arresters, voltage limiters, surge suppressors, plugs and other connectors, junction boxes), for a voltage exceeding 1,000 volts.
85.37	Boards, panels, consoles, desks, cabinets and other bases, equipped with two or more apparatus of heading 85.35 or 85.36, for electric control or the distribution of electricity, including those incorporating instruments or apparatus of Chapter 90, and numerical control apparatus, other than switching apparatus of heading 85.17.
85.38	Parts suitable for use solely or principally with the apparatus of heading 85.35, 85.36 or 85.37.
85.40	Thermionic, cold cathode or photo- cathode valves and tubes (for example, vacuum or vapor or gas filled valves and tubes, mercury arc rectifying valves and tubes, cathode- ray tubes, television camera tubes).
85.41	Diodes, transistors and similar semi- conductor devices; photosensitive semiconductor devices, including photovoltaic cells whether or not assembled in modules or made up into panels; light-emitting diodes(LED); mounted piezo- electric crystals.
85.42	Electronic integrated circuits.
8545.1100	Of A Kind Used For Furnaces
8545.9020	For dry battery cells
85.48	Waste and scrap of primary cells, primary batteries and electric accumulators; spent primary cells, spent primary batteries and spent electric accumulators; electrical parts of machinery or apparatus, not specified or included elsewhere in this Chapter.
8701.2010	Components For The Assembly / Manufacture Of Road Tractors For Semi-Trailers (Prime Movers), In Any Kit Form, Of Less Than 280 Hp

PART II	
PCT Code	Description
(1)	(2)
8701.2030	Components For The Assembly / Manufacture Of Road Tractors For Semi-Trailers (Prime Movers), In Any Kit Form, Of 280 Hp And Above
8702.1010	Components For Assembly / Manufacture Of Vehicles, In Any Kit Form
8703.2111	Components For The Assembly/ Manufacture Of Vehicles, In Any Kit Form Excluding Those Of Headings 8703.2113 And 8703.2115
8703.2112	Components For The Assembly / Manufacture Of Mini Van Type Vehicles, In Any Kit Form
8703.2114	Components For The Assembly/ Manufacture Of Auto Rickshaws, In Any Kit Form
8703.2191	Components For The Assembly / Manufacture Of Vehicles, In Any Kit Form Excluding Those Of Heading 8703.2193 And 8703.2195
8703.2194	Components For The Assembly / Manufacture Of Mini Van, In Any Kit Form
8703.2210	Components For The Assembly / Manufacture Of Vehicles, In Any Kit Form Excluding Those Of Heading 8703.2240
8703.2311	Components For The Assembly / Manufacture Of Vehicles, In Any Kit Form
8703.2321	Components For The Assembly / Manufacture Of Vehicles, In Any Kit Form Excluding Of Heading 8703.2323
8703.2322	Components For The Assembly / Manufacture Of Sport Utility Vehicles 4X4, In Any Kit Form
8703.3310	Components For The Industrial Assembly/ Manufacture Of Vehicles, In Any Kit Form
8704.1010	Components For Assembly/ Manufacture Of Dump Trucks Designed For Off-Highway Use
8704.2110	Components For The Assembly / Manufacture Of Vehicles, In Any Kit Form
8704.2211	Components For The Assembly / Manufacture Of Vehicles, In Any Kit Form
8704.2291	Components For The Assembly / Manufacture Of Vehicles, In Any Kit Form
8704.2310	Components For The Assembly / Manufacture Of Vehicles, In Any Kit Form
8704.3110	Components For The Assembly / Manufacture, In Any Kit Form Excluding Those Of Heading 8704.3130 And 8704.3150
8704.3120	Components For The Assembly / Manufacture Of Mini Cargo Van, In Any Kit Form
8704.3140	Components For The Assembly / Manufacture Of 3-Wheeler Cargo Loader, In Any Kit Form
8711.2010	Components For The Assembly / Manufacture Of Vehicles, In Any Kit Form
8908.0000	Vessels and other floating structures for breaking up.
90.32	Automatic regulating or controlling instruments and apparatus.
91.04	Instrument panel clocks and clocks of a similar type for vehicles, aircraft, spacecraft or vessels.
9107.0000	Time switches with clock or watch movement or with synchronous motor.
9401.9010	Seat Parts Made Of Foam, Head/Arm Rests And Seat Frames For Motor Cars Of Heading 87.03 And Vehicles Of Sub-Headings 8703.2113, 8703.2115, 8703.2193, 8703.2195, 8703.2240,
9401.9030	Other For Motor Cars And Vehicles
96.06	Buttons, press- fasteners, snap- fasteners and press- studs, button moulds and other parts of these articles; button blanks.
96.07	Slide fasteners and parts thereof.

PART III	
PCT Code	Description
(1)	(2)
Respective headings	Goods not specifically mentioned in Part I or II.

## SECTION 5 SALES TAX & FEDERAL EXCISE DUTY

### 1. SALES TAX ACT, 1990

#### Definitions

##### **Active Taxpayer**

[Section 2(1a)(1d)]

The Bill seeks to modify the conditions for a tax payer by proposing to include the person whose registration is “blocked” in the definition of active tax payer. It is proposed that now only the black listed or person whose registration is suspended shall not be considered as an active tax payer.

A registered person who fails to file two consecutive monthly returns or an annual withholding tax statement under section 165 of the Income Tax Ordinance, 2001 shall not fall under definition of an active tax payer. It has been sought to enhance the period to quarter instead of two consecutive months.

##### **Output tax**

[Section 2(20c)]

The Bill seeks to remove the anomaly by streamlining the definition of output tax in respect of sales tax levied on the services rendered or provided by the person under Islamabad Capital Territory (Tax on Services) Ordinance, 2001 (XLII of 2001) as after the eighteenth amendment, the Provinces have already enacted their respective Acts and are charging and collecting sales tax on the services rendered in their respective jurisdiction.

##### **Value of supply**

[Section 2(46h) | Section 2(46j)]

The Bill proposes to extend scope of definition by including WAPDA along with independent power producer for supply of electricity. The amendment shall be effective from 1<sup>st</sup> July, 2019.

It has also been sought to propose a new definition for supply of used vehicle, where a person is engaged in purchasing used vehicles from general public on which sales tax had already been paid at the time of import or manufacturing, and which are later on sold in the open market after making certain value addition, value of supply shall be the difference between sales and purchase price of the said vehicle.

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

[Section 3(7)]

It has been proposed to insert that tax shall be withheld at the rate as specified in the Eleventh Schedule, by any person or class of persons being purchaser of goods or services as withholding agent for the purpose of depositing the same, in such manner and subject to such conditions or restrictions as the Board may prescribe in this behalf through a notification in the official Gazette.

##### **Determination of tax liability**

[Section 7(5)]

The Bill seeks to empower the Board, by notification in the official Gazette, to impose restrictions on wastage of material on which input tax has been claimed in respect of the goods or class of goods.

##### **Tax credit not allowed**

[Section 8(m)]

The Bill seeks to enhance the scope of this clause now by extending the restriction on claim of input tax to services also that previously included only goods, in respect of supplies made to un-registered person, on pro-rata basis, for which sale invoices do not bear the NIC number or NTN as the case may be, of the recipient.

##### **Power of tax authorities to modify orders, etc.**

[Section 11(C)]

The Bill seeks to insert a new section, Section 11C to the ST Act, whereby the Commissioner or the Officer Inland Revenue, notwithstanding whether any appeal is filed before the Supreme Court of

Pakistan, or a reference is filed before any High Court, may follow the decision of the Appellate Tribunal or the High Court, decided on or after the first day of July, 1990, in case of any pending assessment of a taxpayer, which applies the same question of law, until the decision of the High Court or the Appellate Tribunal is reversed or modified.

In case the decision of High Court or the Appellate Tribunal, referred to in sub-section (1), is reversed or modified, the Commissioner or an officer of Inland Revenue may, despite the expiry of period of limitation prescribed for making any assessment or order, within a period of one year from the date of receipt of decision, modify the assessment or order in which the said decision was applied so that it conforms to the final decision.

### Tax Invoices

[Section 23(1b)]

The Bill seeks to enhance transaction value from rupees fifty thousand to rupees one hundred thousand. Currently, it is mandatory for a buyer to submit his or her Computerized National Identity Card (CNIC) in case he/she wanted to buy a product of over Rs. 50,000 from a sales tax-registered person. The threshold has now been proposed to increase to one hundred thousand, if sale is being made to an ordinary consumer.

### Access to record, documents etc.

[Section 25(2a)]

The officer of Inland Revenue authorized by the Commissioner, on the basis of the record may, once in a year, conduct audit. The Bill proposes to authorize the Commissioner to conduct audit proceedings electronically through video links, or any other facility as prescribed by the Board.

### Return

[Section (26)]

The Bill seeks, every registered person to furnish a true, correct and complete return in the prescribed form indicating the purchases and the supplies made during a tax period, the tax due and paid and such other information, as may be prescribed.

### Offences and penalties

[Section (33)]

The bill seeks to amend serial # 25 as under;

S. No.	Offence	Penalty	Section of the Act to which offence has reference
25.	Any person, who is required to integrate his business for monitoring, tracking, reporting or recording of sales, production and similar business transactions with the Board or its computerized system, fails to get himself registered under the Act, and if registered, fails to integrate in the manner as required under law.	Such person shall be liable to pay a penalty up to one million rupees, and if continues to commit the same offence after a period of two months after imposition of penalty as aforesaid, his business premises shall be sealed till such time he integrates his business in the manner as stipulated under sub section (9A) of section 3 or section 40 (c), as the case may be	Sub-section (9A) of section 3 and section 40C.

The bill seeks to insert serial # 28 as under;

S. No.	Offence	Penalty	Section of the Act to which offence has reference
28.	Any person who is required to share information under section 56AB, fails to do so in the manner as required under the law	Such person shall pay a penalty of twenty five thousand rupees for first default and fifty thousand rupees for each subsequent default	56AB

### **Authorized officers to have access to premises, stocks, accounts and records [Section (38)(1)]**

The Bill seeks to empower authorized officer or the Commissioner to access including real time electronic access to business or manufacturing premises, registered office or any other place where any stocks, business records or documents required under this Act are kept or maintained belonging to any registered person or a person liable for registration or whose business activities are covered under this Act or who may be required for any inquiry or investigation in any tax fraud committed by him or his agent or any other person.

### **Appeals**

### **[Section 45]**

It has been proposed that any person, other than the Sales Tax Department, aggrieved by any decision or order passed by an officer of Inland Revenue may, prefer appeal to the Commissioner Inland Revenue (Appeals). An appeal shall:

- (a) be in the prescribed form;
- (b) be verified in the prescribed manner;
- (c) state precisely the grounds upon which the appeal is made;
- (d) be accompanied by the prescribed fee specified in subsection
- (e) be lodged with the Commissioner (Appeals) within thirty days of the date of receipt of such decision or order.

The Bill also seeks to propose the increase in fees for different classes of registered persons. The prescribed fee is proposed as under:

- (a) in the case of an appeal against an assessment–
  - (i) where the appellant is a company, five thousand rupees; or
  - (ii) where the appellant is not a company, two thousand and five hundred rupees; and
- (b) in any other case–
  - (i) where appellant is a company, five thousand rupees; or
  - (ii) where the appellant is not a company, one thousand rupees.

It has further been sought to restrict the Commissioner (Appeals) not to admit any documentary material or evidence which was not produced before the Officer Inland Revenue unless the Commissioner (Appeals) is satisfied that the appellant was prevented by sufficient cause from producing such material or evidence before the Officer Inland Revenue.

### **Alternative dispute resolution**

### **[Section 47A]**

The bill has proposed some changed in provisions related to ADR as follows:

- (a) The committee previously comprising an officer of Inland Revenue not below the rank of a Commissioner, now will comprise of Chief Commissioner Inland Revenue.
- (b) Currently the taxpayer was allowed to nominate a person from panel notified by the FBR. Now FBR will nominate these persons.
- (c) Currently Retired Judge was also part of committee now proposed to be removed.
- (d) The FBR shall communicate the order of appointment of committee to the court of law or forum where dispute is pending and the Commissioner.
- (e) Currently automatic stay of recovery was granted up to the date of decision by committee when application was made to ADR committee. Now stay has to be given by committee on application which may give maximum stay up to 120 days in aggregate.
- (f) If the aggrieved person has not communicated the order of withdrawal to Commissioner within 60 days of the service of decision of the committee, the decision shall not be binding on the Commissioner.

### Real-time access to information and databases

### [Section 56AB]

With a view to increase tax base, it has been proposed that the following agencies/ departments are now required to provide information, in the prescribed form and manner, to the FBR on real-time basis:

- (a) the National Database and Registration Authority (NADRA);
- (b) the Federal Investigation Agency and the Bureau of Emigration and Overseas Employment;
- (c) The Islamabad Capital Territory and Provincial and local land record and development authorities;
- (d) the Islamabad Capital Territory and Provincial Excise and Taxation Departments;
- (e) all electricity suppliers and gas transmission and distribution companies with respect to particulars of a consumer;
- (f) any other agency, authority, institution or organization, notified by the Board.
- (g) Until real-time access to information and database is made available, such information and data shall be provided periodically and all information received under this section shall be used only for tax purposes and kept confidential.

### Zero rating

### [Fifth Schedule]

The Bill proposes to insert following new items in the Fifth Schedule of the Sales Tax Act 1990 with effect from 1<sup>st</sup> June, 2020

Sr.	Description
13.	Supplies of raw materials, components and goods for further manufacture of goods in the Gwadar Free Zone and export thereof, provided that in case of supply to tariff area of Pakistan, tax shall be charged on the value assessed on the Goods Declaration for import
14.	Supplies of locally manufactured plant and machinery of the following specifications, to manufacturers in the Gwadar Free Zone, subject to the conditions, restrictions and procedure given below, namely:- <ol style="list-style-type: none"> <li>(i) plant and machinery, operated by power of any description, as is used for the manufacture or production of goods by that manufacturer.</li> <li>(ii) apparatus, appliances and equipment specifically meant or adapted for use in conjunction with the machinery specified in clause (i).</li> <li>(iii) mechanical and electrical control and transmission gear, meant or adapted for use in conjunction with machinery specified in clause (i).</li> <li>(iv) parts of machinery as specified in clauses (i), (ii) and (iii), identifiable for use in or with such machinery.</li> </ol> Conditions, restrictions and procedures:- <ol style="list-style-type: none"> <li>(a) the supplier of the machinery is registered under the Act;</li> <li>(b) proper bill of export is filed showing registration number;</li> <li>(c) the purchaser of the machinery is an established manufacturer located in the Gwadar Free Zone and holds a certificate from the Gwadar Port Authority to that effect;</li> <li>(d) the purchaser submits an indemnity bond in proper form to the satisfaction of the concerned Commissioner Inland Revenue that the machinery shall, without prior permission from the said Commissioner, not be sold, transferred or otherwise moved out of the Gwadar Free Zone before a period of five years from the date of entry into the Zone;</li> <li>(e) if the machinery is brought to tariff area of Pakistan outside Gwadar Free Zone, sales tax shall be charged on the value assessed on the Goods Declaration for import; and</li> <li>(f) breach of any of the conditions specified herein shall attract legal action under the relevant provisions of the Act, besides recovery of the amount of sales tax along with default surcharge and penalties involved.”;</li> </ol>

## Exemptions

## [Sixth Schedule]

### [Table I | Imports or Supplies]

The Bill proposes to make following amendment in the Sixth Schedule of the Sales Tax Act 1990 with effect from 1<sup>st</sup> June, 2020:

Sr.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969
100A.	<p>Materials and equipment (plant, machinery, equipment, appliances and accessories) for construction and operation of Gwadar Port and development of Free Zone for Gwadar Port as imported by or supplied to China Overseas Ports Holding Company Limited (COPHCL) and its operating companies namely (i) China Overseas Ports Holding Company Pakistan (Private) Limited (ii) Gwadar International Terminal Limited, (iii) Gwadar Marin Services Limited and (iv) Gwadar Free Zone Company Limited, their contractors and sub-contractors; and Ship Bunker Oils bought and sold to the ships calling on/visiting Gwadar Port <b>by the aforesaid operating companies</b>, having Concession Agreement with the Gwadar Port Authority, for a period of forty year, subject to the following conditions and procedure, namely,—</p> <p>(A). Conditions and procedure for imports.—</p> <p>(i) This exemption shall be admissible only to China Overseas Ports Holding Company Limited (COPHCL) and its operating companies, their contractors and sub-contractors which hold the Concession Agreement;</p> <p>(ii) Ministry of Ports and Shipping shall certify in the prescribed manner and format as per Annex-I that the imported materials and equipments are bonafide requirement for construction and operation of Gwadar Port and development of Free Zone for Gwadar Port. The authorized officer of that Ministry shall furnish all relevant information online to Pakistan Customs against a specific user ID and password obtained under section 155D of the Customs Act, 1969 (IV of 1969). In already computerized Collectorate or Customs station, where the computerized system is not operational, the Project Director or any other person authorized by the Collector in this behalf shall enter the requisite information in the Customs Computerized System on daily basis, whereas entry of the data obtained from the customs stations which have not yet been computerized shall be made on weekly basis, provided that this condition shall not apply to ship bunker oils; and</p> <p>(iii) The goods so imported <b>and also those already imported under notification no SRO. 115(1)/2008, dated the 6<sup>th</sup> February, 2008</b> shall not be sold or disposed of without prior approval of the FBR and payment of sales tax leviable at the time of import <b>applicable rate on residual value</b>, provided that this condition shall not apply to ship bunker oils.</p> <p>(B). Conditions and procedure for local supply.—</p> <p>(i) This exemption shall be admissible only to China Overseas Ports Holding Company Limited (COPHCL) and its operating companies, their contractors and sub-contractors which hold Concession Agreement;</p> <p>(ii) for claiming exemption on goods which are otherwise taxable in Pakistan, the operating companies will purchase the materials and equipment for the construction of Gwadar Port and development of Free Zone for Gwadar Port from the sales tax registered persons only;</p> <p>(iii) invoice of the exempt supply, containing the particulars required under section 23 of the aforesaid Act, shall for each supply be issued by the registered person to the operating company mentioning thereon that the said invoice is being issued under this notification;</p> <p>(iv) a monthly statement summarizing all the particulars of the supplies made in the month against invoices issued to the operating companies shall be prepared in triplicate by the registered persons making the exempt supplies and shall be signed by the authorized person of the registered person. All three copies of the said signed monthly statement shall be got verified by the registered person from the person authorized to receive the supplies in the office of operating company, confirming that supplies mentioned in the monthly statement have been duly received;</p> <p>(v) after verification from the operating company, original copy of the monthly statement will be retained by the registered person, duplicate by the operating company and the triplicate provided by the registered person to the Collector of Sales Tax having jurisdiction, by twentieth day of the month following the month in which exempt supplies to the operating companies were made; and</p> <p>(vi) the registered person making the exempt supplies shall keep the aforesaid record for presentation to the sales tax department as and when required to do so.</p>	Respective Headings
103.	<p>Import and supply thereof, up to the year <b>2023</b>, of ships and all floating crafts including tugs, dredgers, survey vessels and other specialized crafts purchased or bare-boat chartered by a Pakistan entity and flying the Pakistan flag, except ships or crafts acquired for demolition purposes or are designed or adapted for use for recreation or pleasure purposes, subject to the condition that such ships or crafts are used only for the purpose for which they were procured and in case such ships or crafts are used only for the purpose for which they were procured, and in case such ships or crafts are used for demolition purposes within a period of five years of their acquisition, sales tax applicable to such ships purchased for demolition purposes shall be chargeable.</p>	Respective headings

The bill proposes to insert following new serial number in the Sixth Schedule of the Sales Tax Act 1990 with effect from 1<sup>st</sup> June, 2020:

Sr.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969
100D	Machinery, equipment, materials and goods imported either for exclusive use within the limits of Gwadar Free Zone, or for making exports therefrom, subject to the conditions that such machinery, equipment, materials and goods, are imported by investors of Gwadar Free Zone, and all the procedures, limitations and restrictions as are applicable on such goods under the Customs Act, 1969 (Act IV of 1969) and rules made thereunder shall, mutatis mutandis, apply provided that if any of such goods is taken out of the Zone for purpose other than the export, the tax on the same shall be paid by the importer.	Respective headings
154.	Dietetic foods intended for consumption by children suffering from inherent metabolic disorder subject to the conditions that the importer shall acquire approval and quota from Ministry of National Health Services, Regulations and Coordination.	Respective headings

**[Table III]**

The bill proposes to make following amendment in Table III of Sixth Schedule of the S.Tax Act 1990:

Sr.	Description	PCT heading	Conditions
5.	<p>1. Machinery, equipment and spares meant for initial installation, balancing, modernization, replacement or expansion of projects for power generation through oil, gas, coal, wind and wave energy including under construction projects, which entered into an implementation agreement with the Government of Pakistan.</p> <p>2. Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of project.</p>	Respective Headings	<p>(i) This concession shall also be available to primary contractors of the project upon fulfilment of the following conditions, namely:-</p> <p>(a) the contractor shall submit a copy of the contract or agreement under which he intends to import the goods for the project;</p> <p>(b) the Chief Executive or head of the contracting company shall certify in the prescribed manner and format as per Annex-A that the imported goods are the projects bona fide requirement; and</p> <p>(c) the goods shall not be sold or otherwise disposed of without prior approval of the FBR on payment of sales tax leviable at the time of import;</p> <p>(ii) temporarily imported goods shall be cleared against a security in the form of a post-dated cheque for the differential amount between the statutory rate of sales tax and the amount payable, along with an undertaking to pay the sales tax at the statutory rates in case such goods are not re-exported on conclusion of the project.</p>
15A.	<p>Parts and Components for manufacturing LED lights:-</p> <p>(i) Housing /shell. Shell cover and base cap for all kinds of LED lights and bulbs</p> <p>(ii) Bare and stuffed Metal Clad Printed Circuit Boards (MCPCB) for LED</p> <p>(iii) Constant Current Power Supply for of LED Lights and Bulbs (1-300W)</p> <p>(iv) Lenses for LED lights and bulbs</p>	<p>Respective heading</p> <p>8534. 0000</p> <p>8504.4090</p> <p>9001.9000</p>	<p>If imported by LED light manufacturers registered under the Sales Tax Act, 1990 subject to annual Quota determination by the Input Output Co- efficient Organization (IOCO)";</p>

**Eighth Schedule**

**[Table I]**

The Bill seeks to adopt enhancement and reduction in rate of Sales tax from the existing on the following items in Table I vide Eight Schedule of the Sales Tax Act, 1990:

S. #	Description	Rate of Sales Tax	
		Existing	Proposed
56.	Potassium chlorate (KClO <sub>3</sub> )	17% along with Rs. 70 per kg	17% along with Rs. 80 per kg
66.	Supplies as made from retail outlets as are integrated with Board's computerized system for real-time reporting of sales	14%	12%



### Ninth schedule

The Bill seeks to make few changes in description as under:

Description / Specification of Goods	
Existing	Proposed
Cellular mobile phones or satellite phones to be charged on the basis of import value per set, or equivalent value in rupees in case of supply by the manufacturer, at the rate as indicated against each category:	Cellular mobile phones or satellite phones to be charged on the basis of import value per set, or equivalent value in rupees in case of supply by the manufacturer, at the rate as indicated against each category:
A. Not exceeding US\$ 30	Not exceeding US\$ 30 (excluding smart phones)
B. Exceeding US\$ 30 but not exceeding US\$ 100	Exceeding US\$ 30 but not exceeding US\$ 100 (including smart phones valuing up to US \$ 30)
C. Exceeding US\$ 100 but not exceeding US\$ 200	Exceeding US\$ 100 but not exceeding US\$ 200
D. Exceeding US\$ 200 but not exceeding US\$ 350	Exceeding US\$ 200 but not exceeding US\$ 350
E. Exceeding US\$ 350 but not exceeding US\$ 500	Exceeding US\$ 350 but not exceeding US\$ 500
F. Exceeding US\$ 500	Exceeding US\$ 500

### Eleventh Schedule

The Bill seeks to propose the change in narration before the schedule in terms of its clarification and further change in Colum 3 (Supplier category) from “persons” to “Active tax payers” and “un-registered persons” to “person other than Active tax payers” as mentioned as under:

The rates for withholding or deduction by the withholding agents “are specified as below provided that withholding tax shall not be applicable to the goods and supplies specified vide clauses (i) to (viii) after the Table”.

S. #	Withholding Agent	Supplier Category	Rate or extent of deduction
1.	(a) Federal and provincial government departments; autonomous bodies; and public sector organizations (b) Companies as defined in the Income Tax Ordinance, 2001 (XLIX of 2001)	Active tax payers	1/5th of Sales Tax as shown on invoice
2.	(a) Federal and provincial government departments; autonomous bodies; and public sector organizations (b) Companies as defined in the Income Tax Ordinance, 2001 (XLIX of 2001)	Active tax payer registered as a wholesaler, dealer or distributor	1/10th of Sales Tax as shown on invoice
3.	Federal and provincial government departments; autonomous bodies; and public sector organizations	Persons other than active tax payers	Whole of the tax involved or as applicable to supplies on the basis of gross value of supplies
4.	Companies as defined in the Income Tax Ordinance, 2001 (XLIX of 2001)	Persons other than active tax payers	5% of gross value of supplies
6.	Registered persons purchasing cane molasses	Persons other than active tax payers	Whole of sales tax applicable

### Twelfth Schedule

The Bill seeks to relax no value additional tax on raw material and intermediately goods for manufacturing for in-house consumption which was earlier restricted to customs duty at a rate less than 16% ad valorem under First Schedule to the Customs Act, 1969.

## 2. FEDERAL EXCISE ACT, 2005

### Adjustment of duties of excise

[Section 6(2ab)]

It has been proposed to empower the Board that may through gazette notification shall be allowed to restrict wastage claim on material as specified in the first schedule of Federal Excise Act, 2005 on which input tax has been claimed in respect of the goods, this is for the purpose of determining net liability of duty calculated on such manufactured or produced goods.

### Power of tax authorities to modify orders, etc.

[Section 14C]

The Bill seeks to empower to tax authorities to modify orders, etc. where a question of law has been decided by a High Court or the Appellate Tribunal in the case of a registered person, on or after first day of July, 1990, the Commissioner or an officer of Inland Revenue may, despite preferring an appeal against the decision of the High Court or made an application for reference against the order of the Appellate Tribunal, as the case may be, follow the said decision in the case of the said taxpayer in so far as it applies to said question of law arising in any assessment pending before the Commissioner or an officer of Inland Revenue, until the decision of the High Court or of the Appellate Tribunal is reversed or modified.

In case the decision of High Court or the Appellate Tribunal, referred to in sub-section (1), is reversed or modified, the Commissioner or an officer of Inland Revenue may, despite the expiry of period of limitation prescribed for making any assessment or order, within a period of one year from the date of receipt of decision, modify the assessment or order in which the said decision was applied so that it conforms to the final decision.

### Power to seize

[Section 26(1)]

It has been sought to empower the officer Inland Revenue to seize counterfeited cigarettes or beverages which have been manufactured or produced unlawfully and other dutiable goods on which duty of excise has not been paid in the manner as required under this Act and the rules made thereunder, shall be liable to seizure along with the conveyance, which has been used for the movement, carriage or transportation of such goods.

### Confiscation of goods subject to Federal Excise Duty

[Section 27]

It has been proposed to broaden the scope of confiscation of all dutiable goods specified under first schedule of Federal Excise Act, 2005 by Officer Inland Revenue including cigarettes, un-manufactured tobacco or beverages.

### Appeals to commissioner appeals

[Section 33(1b)]

The Bill seeks to propose the specific mode, manner and procedure of filing Appeal before Commissioner Appeal forum along with its fees for different classes of registered persons. An appeal requires to:

- a) be in the prescribed form;
- b) be verified in the prescribed manner;
- c) state precisely the grounds upon which the appeal is made;
- d) be accompanied by the prescribed fee specified in subsection (1C); and
- e) be filed with the Commissioner (Appeals) within the time set out in sub-section (1).

It has also been sought to propose the increase in fees for different classes of registered persons. The prescribed fee shall be:

- a) in the case of an appeal against an assessment—
  - i. where the appellant is a company, five thousand rupees; or
  - ii. where the appellant is not a company, two thousand and five hundred rupees; and

b) in any other case:

- i. where appellant is a company, five thousand rupees; or
- ii. where the appellant is not a company, one thousand rupees.”; and

It has further been sought to restrict the Commissioner (Appeals) not to admit any documentary material or evidence which was not produced before the Officer Inland Revenue unless the Commissioner (Appeals) is satisfied that the appellant was prevented by sufficient cause from producing such material or evidence before the Officer Inland Revenue.

### **Appeals to Appellate Tribunals**

**[Section 34(3)]**

The bill seeks to propose the specific mode, manner, fees and procedure of filling Appeal before The Appellate Tribunal forum, and disposal of appeal as per section 131 and 132 of Income Tax Ordinance, 2001.

### **Alternative Dispute Resolution**

**[Section 38]**

The bill has proposed some changes in provisions related to ADR as follows:

- a) The committee previously comprising an officer of Inland Revenue not below the rank of a Commissioner, now will comprise of Chief Commissioner Inland Revenue.
- b) Currently the taxpayer was allowed to nominate a person from panel notified by the FBR. Now FBR will nominate these persons.
- c) Currently Retired Judge was also part of committee now proposed to be removed.
- d) The FBR shall communicate the order of appointment of committee to the court of law or forum where dispute is pending and the Commissioner.
- e) Currently automatic stay of recovery was granted up to the date of decision by committee when application was made to ADR committee. Now stay has to be given by committee on application which may give maximum stay up to 120 days in aggregate.
- f) If the aggrieved person has not communicated the order of withdrawal to Commissioner within 60 days of the service of decision of the committee, the decision shall not be binding on the Commissioner.

### **Selection for Audit by the Board**

**[Section 42b]**

The Bill seeks to propose that Board shall not disclose the parameters of Audit selection.

### **Audit**

**[Section 46(10)]**

The Bill seeks to propose that the restriction of Audit once in every three years by the officer of Inland Revenue authorized by the Board or Chief Commissioner shall be omitted.

### **Service of notices and other documents**

**[Section 47(1d), (2d)]**

The Bill proposes to use the word registered person for broadening the extend of coverage for this section from public and private limited companies to all type of registered persons.

### **Real-time access to information and database**

**[Section 47(AB)]**

With a view to increase tax base, it has been proposed that the following agencies/ departments are now required to provide information, in the prescribed form and manner, to the FBR on real-time basis:

- (1) the National Database and Registration Authority (NADRA);
- (2) the Federal Investigation Agency and the Bureau of Emigration and Overseas Employment;
- (3) The Islamabad Capital Territory and Provincial and local land record and development authorities;
- (4) the Islamabad Capital Territory and Provincial Excise and Taxation Departments;

- (5) all electricity suppliers and gas transmission and distribution companies with respect to particulars of a consumer;
- (6) any other agency, authority, institution or organization, notified by the Board.
- (7) Until real-time access to information and database is made available, such information and data shall be provided periodically and all information received under this section shall be used only for tax purposes and kept confidential.

### Excisable goods

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

The Bill seeks to modify duties as under:

Sr.	Existing			Sr.	Proposed		
	Description of goods	Heading/ sub- heading No.	Rate of FED		Description of goods	Heading/ sub- heading Number	Rate of FED
8.	Cigars, cheroots, cigarillos and cigarettes, of tobacco substitutes.	24.02	Sixty Five per cent of retail price	8.	Cigars, cheroots, cigarillos and cigarettes, of tobacco substitutes.	24.02	Hundred per cent of retail price
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	two rupees per kilogram	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 seventy five paise
56	Filter rod for cigarettes	5502.0090	Rupee 0.75 per filter rod	56	a. Filter rod for cigarettes	5502.0090	Rupee one per filter rod

It has been sought to insert the following new entries in First Schedule of the Federal Excise Act.

S No.	Description	PCT Heading	Rate
6a	Caffeinated energy drinks	2202.1010 2202.9900	25% of the retail Price
8a	E-liquids by whatsoever name called, for electric cigarette kits	Respective heading	Rupees ten per ml
55c	Imported double cabin (4x4) pick-up vehicles	8704.2190 8704.3190	25% ad val
55D	Locally manufactured double cabin (4x4) pickup vehicles	8704.2190 8704.3190	7.5% ad val

## SECTION 6 CUSTOMS DUTY

### 1. DEFINITIONS

#### Advance ruling

[Section 2(ai)]

The bill seeks to enhance the assessment criteria of goods for valuation by considering classification, adding origin of goods and time period for a specific relief or exemption, based on an application for intended import and export.

#### Smuggle

[Section 2(s)]

The bill proposes to broaden the definition of smuggling by including carrying, transporting, removing, depositing, harbouring, keeping and concealing of smuggled goods.

### 2. ASSISTANCE TO THE OFFICERS OF CUSTOMS

[Section 7]

It has been proposed to also include and empowered Border Military Police (BMP) for the assistance of officers of Pakistan Customs to discharge their official functions.

### 3. DETENTION, SEIZURE AND CONFISCATION OF GOODS IMPORTED IN VIOLATION OF SECTION 15 OR 16

[Section 17]

The Bill seeks to state a time period of fifteen (15) days for detention of prohibited goods which may only be further extended by Chief Collector or Director General for no more than fifteen (15) days. This has been proposed with an intention to speed up and avoid unnecessary delays for decisions on genuine cases.

### 4. GENERAL POWER TO EXEMPT FROM CUSTOMS-DUTIES

[Section 19]

The Bill seeks to restore powers of Federal Government to exempt customs duty and to provide legal cover to notifications by making them operative till June 30, 2021 issued under emergent and other related situations specified in this section.

### 5. MINIMAL DUTIES NOT TO BE DEMANDED

[Section 19C]

The Bill seeks to enhance the monetary value of duty-free goods from existing One Hundred Rupees to the value of imported goods not exceeding Five Thousand Rupees.

### 6. POWER TO DELIVER CERTAIN GOODS WITH-OUT PAYMENT OF DUTY AND TO REPAY DUTY ON CERTAIN GOODS

[Section 21]

The Bill proposed to amend and not restrict repayment of duties on certain goods to customs duty only but also seeks to clarify by including all the duties as levied, in order to include additional customs duty, regulatory duty and any other special duty wherever applicable.

### 7. ALLOWING MUTILATION OR SCRAPPING OF GOODS

[Section 27A]

The Bill proposes not to allow the mutilation or scrapping of goods which are imported in new condition and that such goods shall be classified and charged to duties and taxes as applicable on new goods.

### 8. FISCAL FRAUD

[Section 32A]

Sub-section (1) Clause (ca) | The Bill seeks to include a new clause (ca) to classify the under or over invoicing of goods also as fiscal fraud. The clause also allows for the legal proceedings under this section subject to the conditions or limitations as may be prescribed by the board.

**Sub-section 1 Clause (e)** | It has also been sought to insert the expression “(ca),” in clause (e) of section 32A for referral purpose.

**Sub-section (2)** | The Bill further seeks to provide to empower authorities to take penal action against any listed fiscal fraud even if there’s no revenue implication, subject to issuance of show cause notice within a time period of 180 days of detection of such fraud under relevant provisions of law.

## **9. CHECKING OF GOODS DECLARATION BY THE CUSTOMS [Section 80(3)]**

The Bill proposes to insert a new proviso to allow the importer the opportunity of being heard through a notice before initiating for reassessment of the cargo after its release.

## **10. DECLARATION BY PASSENGER OR CREW OF BAGGAGE [Section 139]**

The Bill proposes to substitute sub-section (2) which states that where a passenger or a member of crew does not disclose or makes a false declaration regarding a baggage, he shall be considered guilty of an offence under the Act.

The Bill also seeks to insert a new sub-section (3) stating that where a person attempt to bring into or takes out of Pakistan currency, gold, precious metals or stones, in any form, through concealment in baggage or circumventing customs controls at airports, sea-ports and land border custom-stations, he shall be guilty of an offence of smuggling.

## **11. PUNISHMENT FOR OFFENCES [Section 156(1)]**

**Table | Serial 8(i)** | The Bill seeks to amend and introduce a slab wise penalty and imprisonment term (based upon conviction by special Judge) for smuggling of goods into or outside Pakistan as follows:

- a. Where the value of goods exceeds PKR 150,000 but does not exceed PKR 3,000,000, a penalty not exceeding the value of goods and an imprisonment term not exceeding two years.
- b. Where the value of goods exceeds PKR 3,000,000 but does not exceed PKR 5,000,000, a penalty not exceeding two times the value of goods and an imprisonment term not exceeding three years and shall not be less than two years.
- c. Where the value of goods exceeds PKR 5,000,000 but does not exceed PKR 7,500,000, a penalty not exceeding three times the value of goods and an imprisonment term not exceeding five years and shall not be less than two and half years.
- d. Where the value of goods exceeds PKR 7,500,000 but does not exceed PKR 10,000,000, a penalty not exceeding four times the value of goods and an imprisonment term not exceeding ten years and shall not be less than three years.
- e. Where the value of goods exceeds PKR 10,000,000, a penalty not exceeding five times the value of goods and an imprisonment term not exceeding fourteen years. Provided that the period of imprisonment shall not be less than five years along with the forfeiture of whole or any part of his movable or immovable assets and property.

In addition to the above penalties and imprisonment terms, subject smuggled goods shall also be liable to confiscation.

**Table | Serial 8(iii)** | The Bill seeks to amend the penalty and imprisonment term (based upon conviction by special Judge) on smuggling of currency, gold, silver, platinum or precious stones in any form, as follows:

- a. Where the value of goods or currency is up to USD 10,000 (or equivalent in value), a penalty not exceeding the value of goods and imprisonment term not exceeding two years.
- b. Where the value of goods or currency exceeds USD 10,000 and does not exceed USD 20,000 (or equivalent in value), a penalty not exceeding two times value of the goods and imprisonment term not exceeding three years and shall not be less than two years.

- c. Where the value of goods or currency exceeds USD 20,000 and does not exceed USD 50,000 (or equivalent in value), a penalty not exceeding three times value of the goods and imprisonment term not exceeding five years and shall not be less than two and half years.
- d. Where the value of goods or currency exceeds USD 50,000 and does not exceed USD 100,000 (or equivalent in value), a penalty not exceeding four times value of the goods and imprisonment term not exceeding ten years and shall not be less than three years.
- e. Where the value of goods or currency exceeds USD 100,000 (or equivalent in value), a penalty not exceeding five times value of the goods and imprisonment term not exceeding fourteen years. Provided that the period of imprisonment shall not be less than five years along with the forfeiture of whole or any part of his movable or immovable assets and property.

In addition to the above penalties and imprisonment terms, subject smuggled currency or goods shall also be liable to confiscation.

## 12. POWER OF ADJUDICATION

[Section 179(3)]

It has been sought to add a new proviso for awarding decision over cases pertaining to smuggling within a period of thirty days from the date of issuance of show cause notice.

## 13. BURDEN OF PROOF AS TO LAWFUL AUTHORITY ETC.

[Section 187]

The Bill seeks to add a new proviso that allows customs officials to proceed against the properties acquired by committing an offence under the Customs Act, 1969. Further, this proviso also makes such person liable to give evidence that such property is not acquired via proceeds of such crime. Further provided that the procedure of forfeiture of such property shall be in accordance with the Rules prescribed by the Board.

## 14. ORDERS OF APPELLATE TRIBUNAL

[Section 194B(1)]

The Bill seeks to include a proviso for deciding appeals in cases of smuggling within thirty days.

## 15. ALTERNATIVE DISPUTE RESOLUTION (ADR)

[Section 195C]

**Sub-section 2 Clause (c)** | The Bill seeks to substitute sub-section 2(c) of section 195C for nomination of member of the ADR Committee by FBR.

**Sub-section 3** | The Bill proposes to authorize the Board to communicate the order of appointment of ADR committee to the court of law or appellate authority and the collector.

**Sub-section 6** | The Bill seeks to amend this sub-section to give right to the aggrieved party to have stay over the disputed recovery after the formation of ADR committee and such stay will continue until the decision is made by the ADR committee or the ADR committee is dissolved.

**Sub-section 7** | The Bill proposes to substitute sub-section (7) of section 195C related to the binding effect of the decision of ADR Committee on the Collector.

**Sub-section 8** | The Bill seeks to substitute the sub-section stating that where the committee fails to make decision within ninety days, the Board is authorized to dissolve the committee by an order in writing and the dispute shall then be decided by appellate authority.

## 16. PROCEDURE FOR SALE OF GOODS AND APPLICATION OF SALE PROCEEDS

[Section 201(3)]

The Bill seeks to amend that where the goods (other than confiscated goods) have been sold through public auction or by tender or by private offer with the consent of the owner, the right of the owner to such proceeds (if any) shall be restricted to the declared value of goods.

## 17. AUTHORIZED ECONOMIC OPERATOR PROGRAMME

[Section 212A(3)]

The Bill intends to insert a new sub-section to authorize and give legal cover to the Board to grant benefits to the Authorized Economic Operators (AEOs) subject to the rules, conditions and limitations as the Board may deem fit, in such manner as may be provided under the rules made, including:

- (a) laying down any procedure or mode for collection of customs duties, fee, surcharge, penalty or any other levy under this Act or any other law;
- (b) deferring collection of customs duties, fee, surcharge, penalty or any other levy either in whole or in part;
- (c) condoning or substituting whole or part of the bank guarantee or pay order of a scheduled bank required under this Act with any other financial instrument as deemed appropriate.

## 18. ADVANCE RULING

[Section 212B]

The Bill seeks to insert a new section '212B' to define the scope of "Advance Ruling" being one of Pakistan's Category-C Commitments under the WTO, Trade Facilitation Agreement (TFA). Wherein an applicant desirous of advance ruling shall make an application in such form and in such manner as may be prescribed under the rules, stating any of the questions as below on which the advance ruling is sought:

- (a) classification of goods under First Schedule to this Act;
- (b) determination of origin of the goods under the rules of origin notified for bilateral and multilateral agreements;
- (c) applicability of notifications issued in respect of duties under this Act or any tax or duty chargeable under any other law for the time being in force in the same manner as duty of customs leviable under this Act; or
- (d) any other matter as the Board may specify by notification in the official Gazette.

It has also been proposed that the advance ruling issued shall be binding on the applicant.

Moreover, the advance ruling issued shall be binding on the customs collectorates for the period specified by the Board in the rules, unless there is a change in law or facts or circumstances on the basis of which the advance ruling was pronounced.

## 19. FIRST SCHEDULE

1. The bill seeks to decrease customs duty from existing 11% to proposed 0% on the following:

PCT Code	Description
8901.3000	- Refrigerated vessels, other than those of subheading 8901.20
8902.0000	Fishing vessels; factory ships and other vessels for processing or preserving fishery products.

2. The bill seeks to decrease customs duty from existing 16% to proposed 3% on the following:

PCT Code	Description
3204.1710	- - - Powdered
4804.2100	- - Unbleached
4804.2900	- - Other

3. The bill seeks to decrease customs duty from existing 20% to proposed 3% on the following:

PCT Code	Description
3909.3100	- - Poly(methylene phenyl isocyanate) (crude MDI, polymeric MDI)
8535.2110	- - - Up to 17.5 Kv

4. The bill seeks to decrease customs duty from existing 20% to proposed 0% on the following:

PCT Code	Description
9028.2000	- Liquid meters

5. The bill seeks to decrease customs duty from existing 3% to proposed 0% on the following:

PCT Code	Description
2803.0030	- - - Acetylene black
2827.1000	- Ammonium chloride
2915.3200	- - Vinyl acetate
2917.1200	- - Adipic acid, its salts and esters
3806.1010	- - - Gum Rosin
3810.1000	- Pickling preparations for metal surfaces; soldering brazing or welding powders and pastes consisting of metal and other materials--- Preparations of a kind used as cores or coatings for welding electrodes or rods
3810.9010	--- Preparations of a kind used as cores or coatings for welding electrodes or rods
3903.2000	Silicones i- Styrene- acrylonitrile (SAN) copolymers
3910.0000	Silicones in primary forms.
9013.8000	- Other devices, appliances and instruments



6. The bill seeks to decrease customs from existing 20% to proposed 16% on the following:

PCT Code	Description
2707.5000	- Other aromatic hydrocarbon mixtures of which 65 % or more by volume (including losses) distils at 250oC by the ISO 3405 method (equivalent to the ASTM D 86 method)
2803.0020	--- Carbon black (other than rubber grade)
2915.1100	-- Formic acid
3202.9010	--- Tanning substances, tanning preparations based on chromium sulphate
3403.1910	--- Greases
3911.1010	--- Petroleum resins
3921.1300	-- Of polyurethanes
4007.0010	--- Single cord
4007.0090	--- Other
7616.9920	--- Aluminium slugs
8308.9020	--- Buckle
8504.3100	-- Having a power handling capacity not exceeding 1 kVA

7. The bill seeks to decrease customs duty from existing 16% to proposed 11% on the following:

PCT Code	Description
2710.1997	--- -Transformer oil
3204.1720	--- Liquid
3204.1990	--- Dyes, synthetic
3212.9010	--- Aluminium paste and powder
3506.9110	--- Shoe adhesives
6903.9010	--- Refractory products of a kind used in industrial ovens, kilns and furnaces
8481.1000	- Pressure- reducing valves

8. The bill seeks to decrease customs duty from existing 11% to proposed 3% on the following:

PCT Code	Description
2530.9030	--- Earth colours
2801.2000	- Iodine
2801.3000	- Fluorine; bromine
2811.1100	-- Hydrogen fluoride (hydrofluoric acid)
2811.1200	-- Hydrogen cyanide (hydrocyanic acid)
2811.1920	--- Phosphorous acid hypo phosphoric acid
2811.1990	--- Other
2812.1100	-- Carbonyl dichloride (phosgene)
2812.1200	-- Phosphorus oxychloride
2812.1300	-- Phosphorus trichloride;
2812.1400	-- Phosphorus pentachloride
2812.1500	-- Sulphur monochloride
2812.1600	-- Sulphur dichloride
2812.1700	-- Thionyl chloride
2812.1910	--- Arsenic trichloride
2812.1990	--- Other
2812.9000	- Other

PCT Code	Description
2813.1000	- Carbon disulphide
2813.9000	- Other
2816.1010	--- Magnesium hydroxide
2816.1090	--- Other
2821.1020	--- Iron hydroxides
2821.2000	- Earth colours
2835.3900	-- Other
2836.9930	--- Bicarbonate of ammonium
2837.1100	-- Of sodium
2902.1920	--- Limonene(Dipentene)
2902.9010	--- Naphthalene
2903.9200	-- Hexachlorobenzene (ISO) and DDT (ISO) (clofenotane (INN), 1,1,1-trichloro-2,2-bis(p-chlorophenyl)ethane)
2904.1010	--- Benzene sulphonic acid
2915.2100	-- Acetic acid
2915.7090	--- Other
2929.9020	--- N,N-Dialkyl(methyl, ethyl, n-propyl, or isopropyl) phosphoramidic dihalides
2929.9030	--- Dialkyl(methyl, ethyl, n-propyl or isopropyl)N,N-dialkyl (methyl, ethyl, n-propyl or isopropyl)phosphoramidates
2929.9090	--- Other
2933.7990	--- Other
2933.9100	-- Alprazolam (INN), camazepam (INN), chlordiazepoxide (INN), clonazepam (INN), clorazepate, delorazepam (INN), diazepam (INN), estazolam (INN), ethyl loflazepate (INN), fludiazepam (INN), flunitrazepam (INN), flurazepam (INN), halazepam (INN), lorazepam (INN), lormetazepam (INN), mazindol (INN), medazepam (INN), midazolam (INN), nimetazepam (INN), nitrazepam (INN), nordazepam (INN), oxazepam (INN), pinazepam (INN), prazepam (INN), pyrovalerone (INN), temazepam (INN), tetrazepam (INN) and triazolam (INN);salts thereof
2933.9200	-- Azinphos-methyl (ISO)
2934.1090	--- Other
2935.1000	- N-Methylperfluorooctane sulphonamide
2935.2000	- N-Ethylperfluorooctane sulphonamide
2935.3000	- N-Ethyl-N-(2-hydroxyethyl) perfluorooctane sulphonamide
2935.4000	- N-(2-Hydroxyethyl)-N-methylperfluorooctane sulphonamide
2935.5000	- Other perfluorooctane sulphonamides
2939.6900	-- Other
2939.7900	-- Other
2939.8090	--- Other
3002.3000	- Vaccines for veterinary medicine
3205.0000	Colour lakes; preparations as specified in Note 3 to this Chapter based on colour lakes.
3207.2000	- Vitriifiable enamels and glazes, engobes (slips) and similar preparations
3207.3000	- Liquid lusters and similar preparations
3802.1000	- Activated carbon
3802.9000	- Other
3807.0000	Wood tar; wood tar oils; wood creosote; wood naphtha; vegetable pitch; brewers' pitch and similar preparations based on rosin, resin acids or on vegetable pitch.
3824.8500	-- Containing 1,2,3,4,5,6-hexachlorocyclohexane (HCH (ISO)), including lindane (ISO, INN)
3824.8600	-- Containing pentachlorobenzene (ISO) or hexachlorobenzene (ISO)

PCT Code	Description
3824.8700	-- Containing perfluorooctane sulphonic acid, its salts, perfluorooctane sulphonamides, or perfluorooctane sulphonyl fluoride
3824.8800	-- Containing tetra-, penta-, hexa-, hepta- or octabromodiphenyl ethers
3824.9100	-- Mixtures and preparations consisting mainly of (5-ethyl-2-methyl-2-oxido-1,3,2-dioxaphosphinan-5-yl)methyl methyl phosphonate and bis[(5-ethyl-2-methyl-2-oxido-1,3,2-dioxaphosphinan-5-yl)methyl] methylphosphonate
3824.9920	--- Ion exchangers
3824.9930	--- Prepared binders
3824.9980	--- Chloroparaffins liquid
4005.1020	--- Sheets
4005.9100	-- Plates, sheets and strip
4805.3000	- Sulphite wrapping paper
4805.4000	- Filter paper and paperboard
4809.2000	- Self- copy paper
6903.1000	- Containing by weight more than 50 % of graphite or other carbon or of a mixture of these products
6903.2090	--- Other
7604.1010	--- Bars and rods
8007.0010	--- Tin plates, sheets and strip, of a thickness exceeding 0.2 mm.
8007.0020	--- Tin foil (whether or not printed or backed with paper, paperboard, plastics or similar backing materials), of a thickness (excluding any backing) not exceeding 0.2 mm; tin powders and flakes.
8410.1100	-- Of a power not exceeding 1,000 kW
8410.9010	--- For machines of heading 8410.1100
8412.8090	--- Other
8412.9090	--- Other

PCT Code	Description
8413.8200	-- Liquid elevators
8413.9140	--- Other parts for machines of heading 8413.1100
8414.2000	- Hand- or foot- operated air pumps
8424.2020	--- For industry
8425.4200	-- Other jacks and hoists, hydraulic
8504.9040	--- Toroidal cores and strips
8506.5000	- Lithium
8536.5010	--- Pressure switches
8539.9030	--- Base cap for tube light
8539.9090	--- Other
8543.1000	- Particle accelerators
8543.2000	- Signal generators
8901.2000	- Tankers
9402.1010	--- Dentists' chairs

9. The bill seeks to increase customs duty from existing 3% to proposed 20% on the following:

PCT Code	Description
9406.9050	--- Modular clean room panels

10. The bill seeks to increase customs duty from existing 3% to proposed 11% on the following:

PCT Code	Description
8501.5210	--- Submersible motors of stainless steel

## 20. FIFTH SCHEDULE

The bill seeks to substitute the following for sub-para (b).

Use in mining, agriculture, fisheries, animal husbandry, floriculture, horticulture, livestock, cool chain, dairy, poultry industry, IT sector, storage, communication and infrastructure development of SEZs by Zone Develop

The bill seeks to substitute the following relating to the entries for Parts and Components for manufacturing LED lights:

### [Serial No. 23 - Fifth Schedule – Part-I]

23	Parts, Components and for manufacturing LED lights:	Respective Headings	0%	If imported by LED Light and Bulbs manufacturers registered under the Sales Tax Act, 1990 subject to annual quota determination by the Input Output Coefficient Organization (IOCO).
	(i) Housing/Shell, shell cover and base cap for all kinds of LED Lights and Bulbs	Respective Headings	0%	
	(ii) Pickling preparations for metal surfaces; soldering brazing or welding powders and pastes consisting of metal and other materials	3810.9090	0%	
	(iii) Poly Butylene Terephthalate	3907.7000	0%	
	(iv) Bare or Stuffed Metal Clad Printed Circuit Board (MCPCB)	8534.0000	0%	
	(v) Constant Current Power Supply for of LED Lights and Bulbs (1-300W)	8504.4090	0%	
	(vi) Lenses for LED lights and Bulbs	9001.9000	0%	

The Bill seeks to substitute the following relating to the entries for Plant, machinery and equipment imported during the period commencing on the 1st July, 2014 and ending on the 30th June, 2020 for setting up Industries in FATA:

**[Serial No. 26 - Fifth Schedule – Part-I]**

26	Plant machinery and equipment imported during the period commencing on 1st July, 2014 and ending on 30 <sup>th</sup> June, 2023 for setting up of industries in erstwhile FATA Areas.	Respective headings	0%	The plant machinery and equipment under the said serial number shall be released on certification from Provincial Home Secretary that the goods are bonafide requirement of the unit as per Annex B. The goods shall not be sold or Otherwise disposed of without prior approval of the Board.
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The Bill proposes to add the following entries after serial No. 35:

**[Serial No. 36 & 37 - Fifth Schedule – Part-I]**

36	<b>Machinery, equipment and other Project related items for setting up of Submarine Cable Landing stations</b>			If imported by Internet Service providers registered under the Sales Tax Act 1990, duly certified by the Ministry of Information Technology and Telecommunication and Pakistan Telecommunication Authority (PTA), and subject to annual quota determination by the Input Output Co-efficient Organization (IOCO).
	(i) Tubes Pipes and hollow profiles of cast iron	7303.0000	0%	
	(ii) Articles of nonmalleable cast iron	7325.1000	0%	
	(iii) Static Converters	8504.4090	0%	
	(iv) Machines for the reception, conversion and transmission or regeneration of voice, images or other data, including switching and routing apparatus	8517.6290	0%	
	(v) Optical fiber Cables	8544.7000		
37	Other Electric Conductors exceeding 32000 V	8544.6090	11%	If imported by manufacturers of transformers, registered under the Sales Tax Act 1990.

The Bill intends to insert a new entry after Cystagon, Cysta drops and Trientine Capsules (for personal use only):

**[Serial No. 34 - Fifth Schedule – Part-II – Table C]**

34	Meglumine antimonite	3004.9099	0%
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**[Serial No. 96- Fifth Schedule – Part-III]**

The Bill proposes to exempt customs duty on Coils of aluminium alloys from existing customs duty of 5%.

**[Serial No. 105- Fifth Schedule – Part-III]**

The Bill proposes to extend extension to 2030 which was previously available till 2020.

**[Serial No. 107- Fifth Schedule – Part-III]**

The Bill seeks to substitute the following for serial No. 107.

"107	(i) Paper having specification 60 gm/m2 in 23X36 inches or 20X30 inches sheets (ii) Art paper having specification 20x30 inches, 23x30 inches, 23x33 inches, 23x36 inches and 700x1000 mm	4802.5510 4810.1310 4810.1990	0%	(1) If imported by a Federal or Provincial Government Institution or a Nashir-e-Quran approved by respective Provincial Quran Board for printing of Holy Quran; (2) In case of Nashir-e-Quran the quantity of paper to be imported would be determined by IOCO; and (3) The Nashir-e- Quran may also get printing done from another printer (vendor), duly registered under Sales Tax Act,1990 and with relevant Provincial Quran Board, having suitable in-house facility, subject to approval of the IOCO. Imports made by Nashir-e-Quran availing the facility of printing through vendors will be cleared against submission of bank guarantee or pay order. In such case, i. the vendor shall have a firm contract with the Nashir-e-Quran;
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				<ul style="list-style-type: none"> <li>ii. the Nashir-e-Quran may provide the imported paper, to the vendor;</li> <li>iii. the vendor shall not be entitled to import the paper, under this scheme for printing of Quran to be supplied to the Nashir-e-Quran;</li> <li>iv. the vendor, after completing the printing, shall supply the printed Quran to that Nashire-Quran only with whom he held the firm contract; and</li> <li>v. the vendor shall also maintain proper record of the imported paper utilized, and printed Quran supplied to the Nashire-Quran;</li> <li>vi. the security deposited by the Nashire-Quran at the time of clearance shall be released after NOC from IOCO regarding consumption of paper and supply of finished product as per the contract.</li> </ul>
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**[Serial No. 109- Fifth Schedule – Part-III]**

The Bill seeks to add other craft paper to serial No. 109 and amend the entry as follows:

109	(i) Other craft paper	4804.3900	15%	If imported by a Sales Tax registered manufacturer of Aseptic liquid food packaging material, subject to quota determination by IOCO.
	(ii) Multi-ply (clay coated paper and paper board	4810.9200		
	(iii) Aluminum foil (rolled but not further worked)	7607.1100		

**[Serial No. 116- Fifth Schedule – Part-III]**

The Bill proposes to exempt customs duty on Glass board for manufacturing TV panels (LCD, LED, OLED, HDI etc.) which was previously chargeable to customs duty at 10%.

**[Serial No. 119 to 124- Fifth Schedule – Part-III]**

The Bill seeks to add the following new entries after CNG vehicle conversion kits.

119	Organic composite solvents and thinners, not elsewhere specified or included; prepared paint or varnish removers.	3814.0000	5%	If imported by manufacturers of Butyl Acetate registered under the Sales Tax Act 1990, subject to annual quota determination by Input Output Co-efficient Organization (IOCO).
120	Semi-finished products of Iron or non-alloy steel	7207.1110 7207.1190 7207.1210 7207.1290 7207.1910 7207.1920 7207.1990 7207.2010 7207.2020 7207.2090	5%	If imported by manufacturers of Wire Rods registered under the Sales Tax Act 1990, subject to annual quota determination by Input Output Co-efficient Organization (IOCO).
121	Plasticised (Poly Vinyl Chloride)	3904.2200	0%	If imported by manufacturers of disposable syringes and saline infusion sets, registered under the Sales Tax Act 1990, subject to annual quota determination by Input Output Co-efficient Organization (IOCO).
122	Other unsaturated Polyesters	3907.9100	0%	If imported by manufacturers of buttons, registered under the Sales Tax Act 1990, subject to annual quota determination by Input Output Co-efficient Organization (IOCO).
123	Other saturated Polyesters	3907.9900	5%	If imported by manufacturers of interlining/ buckram, registered under the Sales Tax Act 1990, subject to annual quota determination

				by Input Output Coefficient Organization (IOCO).
124	(i) Skimmed milk powder	0402.1000	0%	If imported by manufacturers of Ready to Use Supplementary Foods (RUSF), duly authorized by United Nations World Food Program (UNWFP) and subject to annual quota determination by Input Output Coefficient Organization (IOCO).
	(ii) Chickpeas	0713.2010		
	(iii) Soyabean oil	1507.9000		
	(iv) Palm Olein	1511.9030		
	(v) Hydrogenated vegetable fats	1516.2010		
	(vi) Malto dextrins	1702.9030		
	(vii) Premixes of vitamins and minerals	2106.9090		
	(viii) Emulsifier	3404.9090		
	(ix) Antioxidant	3824.9999		

**[Serial No. 07- Fifth Schedule – Part-VI]**

The Bill proposes to add the following new entry after Aviation simulators.

7	Aircraft engine	8407.1000	0%	For use in aircraft and trainer aircraft.
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## **SECTION 7      PETROLEUM PRODUCTS SURCHARGE ORDINANCE, 1961**

### **POWERS TO GRANT EXEMPTION FROM PAYMENT, AUTHORISE REFUND AND PROCEDURE FOR COLLECTION AND REFUND OF PETROLEUM LEVY** **[Section 3A]**

The Bill seeks to:

- a. insert the expression “or general sales tax payable under the Sales Tax Act, 1990” after the expression “Federal Excise Act 2005” for considering the collection of petroleum levy in the same manner as a duty of excise leviable under the Federal Excises Act, 2005 or general sales tax payable under the Sales Tax Act, 1990 in respect of petroleum products produced in Pakistan.
- b. insert the expression “the Sales Tax Act, 1990” after the expression “Customs Act, 1969 (IV of 1969)” for considering the provisions in apply to the levy, collection and refund of the Petroleum Levy.

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## **SECTION 8 ANTI-DUMPING DUTIES ACT, 2015**

### **IMPOSITION AND COLLECTION OF ANTI-DUMPING DUTIES**

**[Section 51(1c)]**

It has been sought to introduce a new proviso after the clause (c) in sub section (1) of section 51 that where a competent court of law has stayed preliminary or final determination of anti-dumping duty, goods shall be provisionally released against security in shape of bank guarantee or pay order of a scheduled bank along with indemnity bond equal to the amount of anti-dumping duty imposed on subject goods. In case preliminary or final determination is upheld by the court, duty shall be paid by the importer and security with the customs department shall be released otherwise the same shall be en-cashed to settle the duty liability. If the preliminary or final determination is set aside by the court, security shall be released, if not required for recovery of any outstanding previous liability.

## SECTION 9 PUBLIC FINANCE MANAGEMENT ACT, 2019

### 1. PREAMBLE

In the third paragraph of preamble the expression “118 to 127” shall be omitted which reflects the sections under the heading of “Financial Procedure of Chapter 2 of Part IV of Constitution”.

### 2. DEFINITIONS

a. The following new definitions are proposed to be adopted:

- i. **Non-tax revenue** [Section 2(ma)]  
Non-tax revenue means revenues received by the Government in terms of clause (1) of Article 78 of the Constitution, and the recurring income of the Government from investments and provision of services but does not include that mentioned in clause (3) of Article 160 of the Constitution;
- ii. **Revenue collection office** [Section 2(ua)]  
Revenue collection office means a ministry, division or its attached department or subordinate office responsible for collection, monitoring and reporting of non-tax revenue.

b. The following definitions are proposed to be amended:

- i. **Re-appropriation** [Section 2(u)]  
Re-appropriation means transfer of funds from one head of account of appropriation to another such head of account within one grant or appropriation.
- ii. **Technical supplementary grant** [Section 2(w)]  
Technical supplementary grant means surrender of funds from one budget grant or appropriation and budget authorization in another grant or appropriation. Technical supplementary grant shall not result in increase of overall government expenditure.

### 3. BUDGET STRATEGY PAPER

- a. The Bill seeks to extend the time period from “fifteenth of March of each year” to “fifteenth of April of each year” for approval of Budget Strategy Paper containing quantified macroeconomic and fiscal projection. [Section 3(1)]
- b. The Bill seeks to amend the sub-section (2) of section 3 that the Minister for Finance shall also present the budget strategy paper before the Standing Committees for Finance and Revenue in the Senate and the National Assembly. [Section 3(2)]

### 4. ANNUAL BUDGET STATEMENT

- a. The Annual Budget Statement shall include the statement of the purpose and estimates which is further divided into the major objects for each demand for grant and appropriation instead of detailed items for each demand for grant. [Section 4(1)]
- b. The Bill seeks to insert the words “and appropriation” after the word “grant” which results that each Demand for grant and appropriation may indicate budget estimates of the ensuing year, initial budget estimates and revised estimates of outgoing year and provisional actual expenditure of year Prior to outgoing year. [Section 4(2)]

### 5. PLAN BASED GOVERNMENT'S EXPENDITURE

[Section 5]

The Bill seeks to amend the section 5 that all government expenditures, whether from a recurrent or development demand for grant, shall be based on well-defined plans and the strategic priorities approved in budget strategy paper as per section 3.



## 6. PERFORMANCE BASED BUDGET

[Section 9(1)&(2)]

The word “report” shall be added after the word “budget” which enhance the meaning of performance-based budget report.

## 7. RE-APPROPRIATION OF FUNDS

[Section 11]

- a. The Bill seeks to amend the time period from “at any time before the close of the financial year” to “thirty-first day of May each year” for re-appropriation of funds from one expenditure item to another within a budget grant in the manner as may be prescribed.
- b. It has been sought to introduce a new proviso in section 11 that in an exceptional case of exigency, the Finance Division may extend the prescribed time limit.

## 8. SURRENDER OF SAVINGS

[Section 12]

- a. The Bill seeks to amend the time period from “at least twenty-five days before the presentation of the budget in the National Assembly” to “by thirty-first day of May each year” for surrendering all anticipated savings in the grants or assignment accounts or grant-in-aid controlled by them.
- b. It has been sought to introduce a new proviso in section 12 that in an exceptional case of exigency, the Finance Division may extend the prescribed time limit.

## 9. EXPENDITURE FROM FEDERAL CONSOLIDATED FUND

[Section 23]

- a. The Bill seeks to add the word “Public Account” in the marginal heading of section 23.
- b. The Bill seek to correct the section reference number from 10 to 11 in clause (c) of sub section 1.
- c. The Bill seeks to insert the words “include the assignment accounts” after the words “government account” which enhance the restriction for transferring the funds to other bank account without the prior approval from the Federal Government.
- d. It has been sought to introduce a new proviso in sub section 2 of section 23 that the principal accounting officers in respect of all the spending units under his control shall submit a certificate to the Finance Division on half yearly basis.

## 10. CHIEF FINANCE AND ACCOUNTS OFFICER

[Section 28]

The Bill seeks to introduce a new sub section 2, after renumbered the section as sub section 1, that The Federal Government shall, within a period of six months prescribe the procedures and role and functions of the office of chief finance and accounts officer, in consultation with the Finance Division, Auditor General of Pakistan and the office of Controller General of Accounts.

## 11. CHIEF INTERNAL AUDITOR

[Section 29]

- a. The Bill seeks to enhance the period from twelve months to eighteen months for creation of position of chief internal auditor.
- b. The Bill seeks to introduce a new sub section 2, after renumbered the above section as sub section 1, that There shall be an internal audit policy board for over all policy making and setting scope and standards, approving internal audit manuals and charter of internal audit, monitoring the overall effectiveness of internal audit function for the Government institutions , comprising:
  - i. Secretary, Finance Division Chairman;
  - ii. Controller General of Accounts Member;
  - iii. Deputy Auditor General Member;
  - iv. Additional Secretary, Finance Division Member and Secretary;
  - v. one representative from a professional organization of Pakistan Member
- c. The Bill seeks to introduce a new sub section 3 which is Finance Division shall provide secretarial support to the board constituted under sub-section (2).

## 12. CASH MANAGEMENT

[Section 30]

The Bill seek to correct the section reference number from 35 to 36 in clause (f) and (g) of sub section 2 of section 30.

### 13. GOVERNMENT BANKING ARRANGEMENT

[Section 31]

The Bill seeks to insert the words “Public Account” after the words “Federal Consolidated Fund”. This change is required after being changes in section 23.

### 14. SPECIAL PURPOSE FUNDS

[Section 32]

The Bill seeks to substitute the words “to establish a fund” with “for a fund established under any law or with the approval of the Federal Government”

### 15. NON-TAX REVENUE

(CHAPTER VIII A)

The Bill seeks to add a new chapter after the section 40 as under:

**40A. | Policy and administration** | The administrative ministries and divisions shall be responsible for policy formulation and administration of non tax revenue as per the distribution of business approved by the Government.

(2) The Finance Division shall advise ministries and divisions in policy formulation as per the strategic priorities of Government’s revenue policies.

**40B. | Levy and collection** | (1) Non tax revenue shall be levied and charged in accordance with the provisions of relevant laws and such other applicable instruments.

(3) Notwithstanding anything to the contrary contained in any other law for the time being in force, public entities as defined under section 36 shall pay non tax revenue representing-

- (a) mark up on loans lent by the Government, as per the amortization schedule attached with the financing agreement;
- (b) dividend against the Government’s equity investments as declared by the respective board of directors out of accrued profits of the entity:

Provided that if public entity is wholly or substantially owned by the Government, proposals with regard to declaration of dividend and allocation for reserve fund, capital requirements etc shall be examined by the controlling Division in consultation with the Finance Division before deliberations and decision in the board of directors.

- (c) surplus profits as per the provisions of relevant laws; and
- (d) any other amount owed to the Government as accrued:

Provided that the public entities shall pay accrued amounts of non tax revenue as per clauses (a) to (d) being the first charge on their gross revenues or profits, as the case may be.

(3) Non tax revenue representing foreign grants and payments, receipts from provision of services, rents, recovery of overpayments, sale of property etc shall accrue on completion of the prescribed process.

(4) The revenue collection offices shall be responsible for collection of all the accrued amounts of non tax revenue from liable public entities, individuals, firms, companies etc as per the time specified in the relevant laws and rules. Finance Division shall prescribe procedures for monitoring and reporting of non tax revenue by the revenue collection offices.

**40C. | Deposit in Federal Consolidated Fund** | (1) Subject to section 40B, the revenue collection offices shall deposit the collected amounts in Federal Consolidated Fund promptly without delay in prescribed manner under the head of account specified by the Finance Division in consultation with the Controller General of Accounts.

(2) The revenue collection offices shall not retain or appropriate the collected amounts to meet departmental expenditures except through budgetary mechanism as provided under Articles 80 to 83 of the Constitution.

**40D. | Late payment surcharge** | (1) Notwithstanding anything to the contrary contained in any other law for the time being in force, an amount equal to monthly weighted financing cost of Government’s domestic borrowings shall be payable during the period of default, in addition to the amount due under section 40B if not paid within the stipulated time.

(2) Finance Division may prescribe procedure for levy and collection of the surcharge under sub-section (1).

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**40E. | Recovery of non tax revenue by Commissioner (Inland Revenue) |** (1) If the amounts as per sections 40B and 40D are not paid within ninety days of having been due, the Finance Division, in consultation with the concerned Division may refer any defaulter's case to the Commissioner (Inland Revenue) concerned for recovery as it were an arrear of income tax.

(2) The Commissioner (Inland Revenue) shall recover the arrear in accordance with the provisions of the Income Tax Ordinance, 2001 (XLIX of 2001) and deposit the receipt in the Federal Consolidated Fund as per section 40C.

## **16. POWER TO MAKE RULES**

### **[Section 42(2)]**

It has been sought to introduce a new proviso after sub section 2 of section 42 that existing instruments, contrary to the provisions of this Act and the rules made thereunder, shall have no legal effect.

## SECTION 10 TAX ON LUXURY HOUSES IN ISLAMABAD CAPITAL TERRITORY

The Bill seeks to introduce “Tax on luxury houses in Islamabad Capital Territory” which include the following provisions:

- (1) There shall be levied a luxury tax at the rates specified in column (3) of Table 1 below, on residential houses of different categories located within the limits of Islamabad Capital Territory as specified in column (2) of the said Table, namely:-

**TABLE 1**

Sr. No.	Category of residential house	Rate of tax in rupees
(1)	(2)	(3)
1.	Two kanal to four kanal with covered area of more than 6000 Square feet.	100,000 per kanal
2.	Five kanal or above with covered area of more than eight thousand square feet.	200,000 per kanal

- (2) There shall be levied a luxury tax at the rates specified in column (3) of Table 2 below, on farm houses of different categories located within the limits of Islamabad Capital Territory as specified in column (2) of the said Table, namely:-

**TABLE 2**

Sr. No.	Category of residential house	Rate of tax in rupees
(1)	(2)	(3)
1.	Four Kanal including area under farming	
	i. A farm house with covered area between 5000 to 7000 square feet	25 per square foot of the covered area per annum
	ii. A farm house with covered area between 7001 to 10,000 square feet	40 per square foot of the covered area per annum
	iii. A farm house with covered area of more than 10,000 square feet	50 per square foot of the covered area per annum
2.	More than Four Kanal including area under farming	
	i. A farm house with covered area between 5000 to 7000 square feet	60 per square foot of the covered area per annum
	ii. A farm house with covered area between 7001 to 10,000 square feet	70 per square foot of the covered area per annum
	iii. A farm house with covered area of more than 10,000 square feet	80 per square foot of the covered area per annum

- (3) The taxes mentioned in sub-section (1) and sub-section (2) shall not be applicable on the self-occupied houses of widows.
- (4) Ministry of Interior shall be responsible for collection of tax through its attached departments and deposit in the Federal Consolidated Fund.

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