



**ASIF ASSOCIATES
CHARTERED ACCOUNTANTS**

**TAX COMMENTARY ON BUDGET
2020-2021**

PREAMBLE

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The amendments introduced by the bill are effective from July 01, 2020, unless otherwise stated, after having been passed by the parliament.

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Islamabad

June 19, 2020

AMENDMENTS IN INCOME TAX ORDINANCE, 2001

Sr. No	Description	Section	Page
1	Definitions	2	6
2	Tax on certain payments to non-residents	6	6
3	Tax on shipping of a resident person	7A	6
4	Deductions against Income from Property	15A	6
5	Deductions not allowed in computation of Income from Business	21	7
6	Depreciation Deduction	22	7
7	Profit on debt, financial cost and lease payments	28	7
8	Tax on Capital Gain on immovable Property	37	8
9	Tax Credit on Charitable Donations	61	8-9
10	Tax Credit for enlistment	65C	9
11	Tax Credit for enlistment	65C	9
12	Incentives relating to Builders & Developers	100D	9
13	Restriction on deduction of profit on debt payable to associated enterprise	106A	9-10
14	Unexplained income or assets	111	10
15	Minimum tax on the income of certain persons	113	10
16	Taxpayer's Profile not filed within due date	114A	10-11
17	Return of Income for Persons subject to Final Taxation	114 & 115	11
18	Wealth Statement	116	11

19	Assessments	120	11-12
20	Amendment of assessment	122	12
21	Agreed Assessment in Certain Cases	122D	12-13
22	Appeal to the appellate authorities	127	13
23	Appeal to the appellate authorities	131	14
24	Recovery of tax out of property and through arrest of taxpayer	138	15
25	Advance Tax	147	15
26	Tax on local purchase of cooking oil or vegetable ghee by certain persons	148	15-16
27	Advance tax at import stage	148(1)	16
28	Adjustable Tax Regime in case of certain goods imported by industrial undertaking for its own use	148(7)	16
29	Abolishment of Final Tax Regime for advertisement services rendered by a non-resident media	152(1AAA)	16
30	Introducing parity between resident person and PE of a non-resident person	152(2B)	16-17
31	Exemption Certificate for non-deduction of withholding tax on payment made to non-resident	152	17
32	Withholding tax on receipts of resident persons	159	17
33	Threshold for becoming a Withholding agent	153	18
34	Withdrawal of balance under Pension Fund Section 156B and Clause (23A)	156	18-19
35	Furnishing of information by banks	165A	19
36	Withholding Statements	165	19
37	Refunds	170	19
38	Power to enter and search premises	175	19
39	Real-time access to information and databases	175A	19-20
40	Electronic Audit	177	20

41	Offences and penalties	182	21
42	Default Surcharge	205	21
43	Jurisdiction of income tax authorities	209	21
44	Delegation	210	21-22
45	Advance Tax on private Motor Vehicle	231B	22
46	Advance tax on electricity consumptions	235	22
47	Advance tax at the time of sale by auction	236A	22
48	Advance tax on sale or transfer of immovable property	236C	22
49	Collection of advance tax by educational institutions	236I	22
50	Advance tax on payment made to residents for use of machinery and equipment	236Q	22
51	Withdrawal of advance tax provisions	Multiple Provisions	23
52	First Schedule	Multiple Provisions	24-26
53	Second Schedule	Multiple Provisions	26-31
54	Seventh Schedule	Multiple Provisions	32
55	Tenth Schedule	Multiple Provisions	32

1. Definitions – Section 2:

The bill seeks to introduce the following terms as under:

“**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.

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

“**Local Government**” shall have the same meaning for respective provisions and Islamabad Capital Territory as contained in the Baluchistan Local Government Act, 2010 (V of 2010), the Khyber Pakhtunkhwa Local Government Act, 2013 (XXVIII of 2013), the Sindh Local Government Act, 2013 (XLII of 2013), the Islamabad Capital Territory Local Government Act, 2015 (X of 2015) and the Punjab Local Government Act, 2019 (XIII of 2019).

2. Tax on certain payments to non-residents -- Sections 6:

As per existing provision, fee for offshore digital services is subject to tax under section 6 to the Ordinance at the rate of 15% as prescribed under the Division IV of Part I of the First Schedule.

However, sub section 2 of section 6 of the Ordinance, which provides that payment is liable to tax on the gross amount does not cover fee for offshore digital services. The Bill proposes to include fee for offshore digital services under sub-section 2.

The above insertion is an editorial change as the fee for offshore digital services is taxable on the gross amount under the Final Tax Regime as per section 8 of the Ordinance. However, at the time of insertion of “fee for offshore digital services” through the Finance Act, 2018, necessary amendments under sub-section 2 to the Ordinance inadvertently were not made.

3. Tax on shipping of a resident person -- Sections 7A:

The Bill proposes to introduce new clause, whereby Pakistan resident shipping company registered with the Securities and Exchange Commission of Pakistan after the November 15th, 2019 and having its own sea worthy vessel registered under Pakistan Flag shall pay tonnage tax of an amount equivalent to US 75 cent per ton of gross registered tonnage per annum.

The Bill further proposes to extend the existing presumptive tax regime for resident shipping companies from June 30, 2020 to June 30, 2023.

4. Deductions against Income from Property – Section 15:

Section 15A provides for deductions in computing income chargeable under the head Income from Property.

Presently, expenses incurred to the extent of 6% of rent chargeable wholly and exclusively for deriving rent are admissible as deduction against rental income. The Bill now proposes to reduce the said threshold to 2%.

Presently, individuals or AOPs whose income from property exceeds Rs 4 million per annum can opt to claim deductions under section 15A of the Ordinance and pay tax at normal rates specified in Division I of Part I of the First Schedule.

The Bill proposes to abolish such limit of Rs. 4 million and therefore an individual or AOP can now opt for claiming tax deductions and pay tax at normal rates irrespective of amount of income derived from property.

5. Deductions not allowed in computation of Income from Business – Section 21:

The threshold limit for disallowance of expenditure for a transaction, paid or payable under single account head, made other than crossed cheque, bank draft or pay order or any other crossed banking instrument is enhanced from Rs 50,000 to Rs 250,000. Further, this condition will not apply for expenditures not exceeding Rs 25,000 as compared to current limit of Rs 10,000.

The disallowance threshold for salary payments if paid other than by a crossed bank draft or crossed pay order or any other crossed banking instrument is enhanced from Rs 10,000 to Rs 25,000.

The Bill also proposes to insert following new clauses:

- Clause (p), whereby any expenditure of utility bill in excess of limits and in violation of condition as may be prescribed shall be disallowed.
- Clause (q), an expense claimed by an industrial undertaking against the sales made to the person who is required to register under Sales Tax Act, 1990 but not registered.

The expense under the said head shall be disallowed as per following formula.

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

where—

A is the total amount of deductions claimed under this Part;

B is the turnover for the tax year; and

C is the total amount of sales exclusive of sales tax and federal excise duty to persons required to be registered but not registered under the Sales Tax Act, 1990 where sales equal or exceed rupees one hundred million per person.

6. Depreciation Deduction – Section 22:

Under the existing law, a tax payer can claim full years depreciation in respect of an asset acquired during the year and no depreciation is allowed in the year of disposal.

The bill now seeks to restrict the claim of depreciation to 50% of full year depreciation in the year of acquisition. Similarly, in relation to disposal of an asset, depreciation would be available to the extent of 50% of full year depreciation in the year of disposal.

7. Profit on debt, financial cost and lease payments -- Section 28:

Under existing law, a deduction is allowed for any lease rental incurred by a person in the tax year to a scheduled bank, financial institution, an approved modaraba, an approved leasing company or a Special Purpose Vehicle on behalf of the Originator for an asset used by the person for the purposes of business. The Bill proposes to limit the claim of lease rentals upto Rs 2.5 million on account of a passenger transport vehicle not plying for hire.

However, it appears that the language of the proposed amendment is not properly worded as it gives an impression that only the deduction on account of principal payment would be restricted up to a maximum of PKR 2.5 million.

8. Tax on Capital Gain on immovable Property – Section 37:

Under the proposed bill, Bifurcation of plots and constructed property for determining holding period of capital gains is being done away with i.e. the holding period for taxation of capital gains on disposal of immovable property is being restricted to 4 years.

Sr. No.	Holding Period	Taxable Capital Gains
1	Where the holding period of an immovable property does not exceed one year	100% Gains
2	Where the holding period of an immovable property exceeds one year but does not exceed two years	75% of the Gains
3	Where the holding period of an immovable property exceeds two years but does not exceed three years	50% of the Gains
4	Where the holding period of an immovable property exceeds three years but does not exceed four years	25% of the Gains
5	Where the holding period of an immovable property exceeds four years	0%

Further the bill seeks to reduce the rate of capital gain tax on disposal of immovable property. This is in line with the Government's vision to promote construction industry and to provide stimulus for the growth in economy as construction sector provide employment to a number of subsectors.

Sr. No.	Amount of Gain	Existing Rate	Proposed Rate
1	Where the gain does not exceed Rs.5 million	5%	2.5%
2	Where the gain exceeds Rs.5 million but does not exceed Rs.10 million	10%	5%
3	Where the gain exceeds Rs.10 million but does not exceed Rs.15 million	15%	7.5%
4	Where the gain exceeds Rs.15 million	20%	10%

9. Tax Credit on Charitable Donations – Section 61:

Under the existing law, donation paid to any board of education, university, educational institution, hospital or an NPO is entitled to tax credit under Section 61 of the Ordinance based on the following formula:

$$(A/B)*C$$

Where

A is the amount of tax assessed

B is the person's taxable income for the tax year

C is the lesser of

- Total amount of donation including the fair market of property

- Thirty percent of the taxable income of the person for the year in case of an individual and association of persons.

Twenty percent of the taxable income of the person for the year in case of Company

In case where the donation is given by an associate, the Bill proposes to reduce the limits provided in component C of the formula as follows:

Fifteen percent of the taxable income of the person for the year in case of an individual and association of persons

Ten percent of the taxable income of the person for the year in case of Company.

10. Tax Credit for enlistment -- Section 65C:

Under the existing law, tax credit equal to 20% of the tax payable for the tax year, is allowed to companies opting for enlistment on a stock exchange in Pakistan for the year in which the Company is listed, and for the following three years. The Bill now proposes to restrict the tax credit to companies that opt for enlistment till the 30th day of June, 2022.

11. Tax Credit for enlistment -- Section 100C:

The Bill propose to add certain amendment in Section 100C;

- Requirement for filing of statement of voluntary contributions and donations received in the immediately preceding tax year in the prescribed form and manner to claim tax credit under section 100C of the Ordinance.
- Surplus funds of NPO will be taxed @ 10 %. The scope of such taxation is proposed to be extended to the surplus funds of 'trusts and welfare institutions as well.

Surplus funds exclude the amounts or monies that form part of restricted funds. The Bill now proposes that such donor should not be an associate of the organization. Accordingly, any funds received from associated entities and could not be spent due to obligations placed by the associated donor will not be treated as restricted fund and therefore will be treated as taxable surplus fund.

12. Relief Package relating to Builders & Developers Section 100D:

The Covid – 19 has affected the economy of Pakistan and has greater impact on all the sectors of Business. Therefore, a relief package has been introduced for the revival of construction Sector by insertion of Section 100D along with the Eleventh Schedule to the ordinance through the Tax Laws (Amendment) Ordinance, 2020.

The bill introduced a separate tax regime for builders and developers who get themselves registered with the FBR for the purposes of the above scheme by 31 December 2020.

Definition of Industrial Undertaking has been amended to include Builders and Developers for the purpose of import of plant and machinery for development works.

13. Restriction on deduction of profit on debt payable to associated enterprise – Section 106A:

The Bill proposes to introduce a new section which imposes a restriction on deduction of profit on debt payable to associated enterprise. The salient features of the new section are:

- Deduction of foreign profit on debt in excess of fifteen percent of taxable income before depreciation, amortization and foreign profit on debt shall be disallowed to a foreign controlled resident company (other than an insurance or banking company);
- The section shall not apply if the total foreign profit on debt claimed as a deduction is less than PKR 10 million for a tax year;
- Where the foreign profit on debt cannot be fully adjusted against the taxable income for a tax year, the excess 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 as the deduction for that tax year and so on for three tax years following the year in which the foreign profit on debt was claimed as an expense;
- This section shall apply in respect of foreign profit on debt accrued with effect from the first day of July, 2020, even if debts were contracted before the first day of July, 2020;
- Foreign-controlled resident company means a resident company in which fifty percent 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
- Foreign profit on debt means interest paid or payable to a non-resident person or an associate of a foreign controlled resident company, and includes a wide variety of financial instruments, including instruments which in substance are in the nature of financial instruments, and also includes fees, expenses and exchange gains / losses related to such instruments.

14. Unexplained income or assets – Section 111:

As per existing law, suppressed amount of production, sales or any amount chargeable to tax or of any item of receipt liable to tax shall be included in the person's income chargeable to tax under head "Income from Other Sources" to the extent it is not adequately explained.

The Bill proposes to tax such amount under head of "Income from Business". Since, such items pertain to business activities of a person, therefore, the same should be liable to tax under head of Income from Business. Consequent to proposed amendments, the relevant expenses incurred would then be allowable.

However, the amount credited, value of the investment, money, value of the article, or amount of expenditure shall still be included in the person's income chargeable to tax under the head "Income from Other Sources" to the extent it is not adequately explained.

15. Minimum tax on the income of certain persons Section 113:

Currently minimum tax under section 113 is not applicable to permanent establishment of a non-resident company. The Bill proposes to enhance the scope of section 113 to such permanent establishment to streamline the provisions with resident persons.

16. Taxpayer's Profile not filed within due date – Section 114A:

The bill proposes to introduce requirement of filing a profile by following taxpayers electronically:

- every person applying for registration under Section 181;

- every person deriving income under the head “Income from Business”
- every person whose income is subject to final taxation
- any non-profit organization as per Clause (36) of Section 2
- any trust or welfare institution
- any other person prescribed by the Board

The profile:

- Shall be in the prescribed form and shall be accompanied by such annexures, statements or documents as may be prescribed;
- Shall fully state, in the specified form and manner, the relevant particulars of— Bank accounts; Utility connections; Business premises including all manufacturing, storage or retail outlets operated or leased by the taxpayer; Types of businesses; and Such other information as may be prescribed.

The deadline for furnishing the aforesaid profile is as follows:

- On or before the 31st day of December 2020 in case of a person registered under section 181 before the 30th day of September 2020;
- Within ninety days registration in case of a person not registered under section 181 before the 30th day of September 2020.

17. Return of Income for Persons subject to Final Taxation -- Section 114 & 115:

Section 115 prescribe that Persons whose entire income is governed under the FTR are required to file a statement in lieu of return of income pursuant to Section 115(4) of the Ordinance.

In order to streamline the return filing process, this statement is proposed to be deleted and incorporated with the normal return of income to be filed under section 114.

The Bill now proposes to empower the FBR to prescribe different forms of return for different classes of income or persons including persons subject to final taxation.

18. Wealth Statement – 116:

The Bill proposes that wealth statement shall be revised after approval from the concerned Commissioner. The Bill also propose that Concerned Commissioner shall compulsorily grant approval in cases of bona fide omission or wrong Statement. The bill restricts revision of wealth statement of a particular tax year up to the expiry of five years from the due date of filing of the return of income for that tax year.

19. Assessments -- Section 120 (1) & (2A):

Currently, where a taxpayer has furnished a return of income, the Commissioner shall be treated to have made an assessment of taxable income and tax due thereon equal to amounts specified in the return. Further, such return shall be taken for all purposes to be an assessment order issued by the Commissioner.

The bill proposes to amend the concept of Self-assessment mechanism. Under this mechanism, the return filed shall be subject to an automatic review and adjustment within six months of filing of return for rectification of any numerical errors or incorrect claims, losses, deductible allowances or tax credit, or wrongful carry forward of losses that are apparent from the return of income.

No adjustment shall be made unless the taxpayer has been provided with an opportunity of being heard which is required to be responded within 30 days of the date of notice.

Further, where no such adjustments are made within the specified period of six months, the return filed shall be deemed to have been automatically adjusted on the day the return is filed and automatic intimation through IRIS shall be forwarded to the taxpayer.

The existing provisions as to deemed assessment order will now apply to adjusted return rather than the original return filed by the taxpayer.

For the purposes of this section, the following definition are proposed to be introduced vide Finance Bill 2021:

“Arithmetical Error” includes any wrong or incorrect calculation of tax payable including any minimum or final tax payable

“An incorrect claim apparent from any information in the return” shall mean a claim, based on an entry, in the return

- i) 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.

The amended provision does not cater for situations where the tax payers have to make adjustments in the return due to inability of the online return form to cater to unique circumstances of the business of the taxpayer.

20. Amendment of assessment – Section 122:

Currently, the commissioner is empowered to amend an assessment under section 122(5) where, on the basis of definite information acquired through audit or otherwise, he is satisfied that:

- Any income chargeable to tax has escaped assessment;
- Total income has been under assessed, or assessed at too low a rate, or has been subject to excessive relief or refund; or
- Any amount under a head of income is misclassified.

Apparently, this amendment is to counter the plethora of decisions of the courts on the necessity of “definite information” for amending a completed assessment.

Thus, the Tax Officer would now be at liberty to amend an assessment without having to prove that such amendment is being made on the basis of definite information available with him

21. Agreed Assessment in Certain Cases – Section 122D:

The bill proposes to insert a new section to the Ordinance under section 122D for settlement of assessment proceedings.

The salient Features of the mechanism is as under:

- a) The Taxpayer after issuance of a notice for amendment of assessment may file an offer of settlement in the prescribed form before the Assessment Oversight Committee (AOC) in addition to filing a reply to the Commissioner.
- b) The AOC after examining the offer made by the taxpayer as aforesaid, may call for the record of the case and after affording opportunity of being heard to the taxpayer, may decide to accept or modify such offer through consensus and communicate its decision to the taxpayer;
- c) Where the taxpayer is satisfied with the decision of the AOC, he shall —
 - i) Deposit the amount of tax payable including any amount of penalty and default surcharge as per decision of the AOC;
 - ii) the CIR shall amend assessment in accordance with the decision of the AOC after having satisfied that the tax as determined by the AOC has been paid by the taxpayer;
 - iii) the taxpayer shall waive the right to prefer appeal against such amended assessment; and
 - iv) no further proceedings shall be undertaken under the Ordinance in respect of the issues decided by the AOC unless the tax as per clause (i) above has not been deposited by the taxpayer.
- d) Where the AOC has not been able to arrive at a consensus or where the taxpayer is not satisfied with the decision of the AOC, the case shall be referred back to the CIR for decision on the basis of reply of the taxpayer made by him to the CIR notwithstanding proceedings or decision, if any, of the AOC;
- e) The AOC shall comprise of the following income tax authorities having jurisdiction over the taxpayer:
 - i) the Chief Commissioner;
 - ii) the Commissioner; and
 - iii) the Additional Commissioner.
- f) The provisions of this section shall not apply where concealment of income or where interpretation of question of law is involved having effect on other cases.

22. Appeal to the appellate authorities -- Section 127, 129 &131:

The Bill also proposes the following revision in fee for filing of appeal before the Commissioner Appeals:

Authority	Individual/AOP		Company	
	Appeal against assessment Order	Other order	Appeal against assessment Order	Other order
Filing of Appeal before CIR(Appeals)				
Existing	1,000	200	1,000	1,000
Proposed	2,500	1,000	5,000	5,000

	Filing of Appeal before ATIR			
Existing	2,000	2,000	2,000	2,000
Proposed	2,500	2,500	5,000	2,500

The Bill has proposed to amend Section 131 of the Ordinance which deals with the procedure of filing of appeals with the ATIR. The proposed amendments suggest that in order for an appeal with the ATIR to be admitted, the taxpayer would be required to deposit ten percent of the tax as upheld by the CIR (Appeals), the proof whereof has to be provided at the time of filing the appeal by the taxpayer. A related amendment has also been proposed in Section 127 of the Ordinance requiring the CIR (Appeals) to specify in his order, the amount of tax upheld by him. This amendment is against the principal of natural justice and depriving the taxpayers of the right of appeal.

23. Alternative Dispute Resolution – Section 134:

The bill proposes to restore the Alternative Dispute Resolution revamped by the Finance Act, 2018.

The Bill proposes that in Alternate Dispute Resolution process 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. This is not applicable in case 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.

The Board, after examination of application will appoint a committee within sixty days of receipt of application.

The Bill also proposes change in the composition of the Alternate Dispute Resolution Committee (the Committee). It will now comprise of Chief Commissioner Inland Revenue, having jurisdiction over the case and two persons from a panel notified by the Board comprising of chartered accountants, cost and management accountants, advocates, having minimum of ten years' experience in the field of taxation and reputable businessmen.

Under the proposed Bill, the Board is also required to communicate the appointment of the Committee to the Commissioner and court of law or the appellate authority where the dispute is pending.

The Committee will examine the issue and if it deemed necessary, will conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and decide the dispute through consensus, within 120 days of its appointment.

The Committee in case of hardship, stay recovery of tax payable in respect of dispute pending before it for a period not exceeding 120 days in aggregate or till the decision of the committee or its dissolution, whichever is earlier.

Further, the Bill also proposes a condition for making the decision of the Committee binding on the Commissioner. It requires the aggrieved person to withdraw the appeal pending before the court of law or any appellate authority and communicates the order of withdrawal to the Commissioner within 60 days of the service of decision of the Committee upon the aggrieved person, otherwise decision of the Committee shall not be binding on the Commissioner. The Committee will be dissolved by the Board if it fails to decide the dispute within the period of one hundred and twenty days by an order in writing and the matter will be decided by the court of law or the appellate authority where the dispute was pending.

The Board is required to communicate the order of dissolution to the court of law or the appellate authority and the Commissioner. The aggrieved person, on receipt of the order of dissolution, shall communicate it to the court of law or the appellate authority, where the dispute is pending.

The aggrieved person 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 will have the power to prescribe the amount to be paid as remuneration for the services of the members of the committee, except for Chief Commissioner Inland Revenue.

24. Recovery of tax out of property and through arrest of taxpayer -- Section 138:

Section 138 empowers the CIR to recover any tax due by a taxpayer, if the taxpayer fails to pay such tax within the time allowed by the CIR in the notice, through the following modes:

- attachment and sale of any movable or immovable property of the taxpayer;
- appointment of a receiver for the management of the movable or immovable property of the taxpayer; and
- arrest of the taxpayer and his detention in prison for a period not exceeding six months.

In order to make recovery of taxes more efficient and effective, the Bill proposes to empower the CIR to also exercise the powers provided in Section 48 of the ST Act for recovery of the outstanding tax liability. Such powers include the following:

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

25. Advance Tax – Section 147:

Currently Section 147 provides that every taxpayer shall be liable to pay quarterly advance tax based on the basis of the turnover of the quarter.

The Finance Act, 2018 inserted a proviso to sub-section (4) where advance tax liability in the case of a company or AOP, where it fails to provide the turnover for the quarter, or it is not known, the liability shall be worked out by taking the value of turnover for the quarter as being $\frac{1}{4}$ th of 110% of the turnover of the latest tax year, for which a return has been filed.

The Bill now seeks to insert another proviso in sub-section (4) where in the FBR may prescribe procedure for filing and calculation of turnover for the quarter through an automated system.

26. Tax on local purchase of cooking oil or vegetable ghee by certain persons – Section 148:

Under the Existing law, manufacturers of cooking oil or vegetable ghee or both are chargeable to tax at 2% on purchase of locally produced edible oil. Tax charged on purchase of locally produced edible oil is final tax in respect of income accruing from locally produced edible oil.

The Bill seeks to omit Section 148A of the Ordinance, which means that the income of such persons will subsequently be taxed at the normal tax rates.

27. Advance tax at import stage -- Section 148(1):

The Bill proposes to rationalize tax on imports by shifting from person-specific rates to goods specific rates cascaded according to the type of goods. The Bill proposes to collect advance tax at rate of 1% for capital goods, 2% for raw materials and 5.5% for finished goods irrespective of status of the importer. Twelfth Schedule to the Ordinance is proposed to be introduced providing for the list of goods under each category.

The Bill also proposes to empower the Board to add, omit or amend any entry in the Twelfth Schedule.

Through the proposed amendments, prevailing concessional rates on certain items such as remeltable scrap of iron and steel, potassic and urea fertilizers, LNG, Gold, Cotton, goods that were importable by manufacturers under the rescinded SRO 1125(I)/2011 dated 31.12.2011, mobile phones etc. are being maintained.

28. Adjustable Tax Regime in case of certain goods imported by industrial undertaking for its own use -- Section 148(7):

The Bill proposes to abolish minimum tax on goods on which tax is required to be collected at the rate of 1% or 2% and are imported by an industrial undertaking for its own use. Advance tax collected at the rate of 1% or 2% on import of specified goods by an industrial undertaking for its own use would be adjustable.

29. Abolishment of Final Tax Regime for advertisement services rendered by a non-resident media person relaying from outside Pakistan -- Section 152(IAAA):

Under the existing law, tax deducted from a payment made for advertisement services to a non-resident media person relaying from outside Pakistan is final tax.

The Bill proposes to add a new sub-section (1BBB) under section 152 to change the final tax regime to minimum tax regime in case of payments made for advertisement services to non-resident media person.

By virtue of insertion of new sub-section, the tax deductible from payment made for advertisement services to a non-resident person shall be minimum tax on the income of non-resident person arising out of such payment.

30. Introducing parity between resident person and PE of a non-resident person -- Section 152(2B):

Under the provisions of current law, every prescribed person making a payment in full or part including a payment by way of advance to a permanent establishment (PE) in Pakistan of a non-resident person is required to withhold tax from the payment on account of goods purchased, services received and execution of contract. Tax is deducted on the same lines as for payment made to a resident person for purchase of goods, services received and execution of contract.

Currently, tax deducted from payment to a resident person is minimum tax. Exception is only provided where sale or supply of goods is made by a company being a manufacturer or company being listed on a registered stock exchange in Pakistan.

Whereas, in case of PE of a non-resident person, tax deductible from payments made on account of services received only is minimum tax.

The Bill proposes to create parity between resident person and PE of a non-resident person and by virtue of proposed amendment, tax deductible from payment made to a PE of non-resident person on account of purchase of goods, services received and execution of contract will be minimum tax. Exception has been proposed for payments received on account of sale of goods by the PE of non-resident company, being a manufacturer of such goods, which would be liable to tax under normal tax regime.

31. Exemption Certificate for non-deduction of withholding tax on payment made to non-resident – Section 152(5):

Currently, the taxpayer is required to submit following particulars along with application to obtain exemption certificate from the commissioner:

- a) the name and address of the nonresident person; and
- b) the nature and amount of the payment.

The Bill now propose to authorize Commissioner to ask for any such particulars as it deem appropriate for issuing exemption Certificate.

32. Withholding tax on receipts of resident persons -- Section 153:

i) Toll Manufacturing:

In a **toll manufacturing** arrangement, a company provides its raw materials or semi-finished goods to a third-party service provider. The service provider, who often has specialized equipment or infrastructure, provides a subset of **manufacturing** processes on behalf of the company using those materials or goods for a fee. Receipts under agreement of toll manufacturing represents services receipts and subject to withholding tax under section 153(1)(c) of the Income Tax Ordinance, 2001.

The bill has proposed that receipts on account of toll manufacturing would be treated as sales of goods to align the amendment made in the STA, 1990. The STA, 1990 has considered toll manufacturing under the definition of supply and subject to sales Tax under the Capital Territory.

ii) Minimum tax on receipts:

Through the Finance Act, 2019, withholding tax on entire receipts of resident companies was made minimum tax on such receipts except in the following cases –

- a) Where payments are received on account of sale or supply of goods by a —
 - company being a manufacturer of such goods; or
 - public company listed on a registered stock exchange in Pakistan

Payments received by a public company listed on a registered stock exchange in Pakistan on account of execution of contracts.

This was done by way of insertion/ change in specific Clauses in relation to each category of withholding of tax under sub-section (3) of Section 153 of the Ordinance. To streamline and simplify the above, the Bill has now proposed that tax deductible under section 153 would be minimum tax excluding the exceptions mentioned above. This would result in simplification of the law and may result in clearance of various ambiguities which were prevailing due to complexity and repetitiveness. However, effectively the position of taxability remains the same.

iii) Exemption certificate for non-withholding of tax:

Sub-section (4) of Section 153 of the Ordinance empowers the CIR to issue an exemption certificate for non-withholding of tax, if the tax deductible under sub-section (1) is not minimum tax, provided that such persons has discharged its tax liability for the tax year by way of payment of advance tax. The above Section, however, does not provide any timeline within which the CIR may process such application made by the taxpayer. The Bill has now proposed to insert a proviso under sub-section (4) which states that in case of listed companies, the CIR would be required to issue an exemption certificate within fifteen days from the date of filing of an application if the advance tax liability has duly been discharged. It further proposes that in case if the certificate is not issued by the CIR within the stipulated fifteen days, it shall be deemed to be issued by the CIR and automatically processed by IRIS. However, it is also proposed to empower the CIR to modify or cancel the certificate issued by automatically by IRIS on the basis of reasons to be recorded in writing after providing an opportunity of being heard to the taxpayer.

The above proposed change is a positive shift and would require the CIR to take prompt action on applications made by the taxpayers. In line with the above proposed change, such a facility shall be introduced for all class of taxpayers to avoid unnecessary delays in issuing exemption certificates.

33. Threshold for becoming a Withholding agent under Section 153:

The bill proposes to increase the threshold to be classified as withholding agent. New proposed thresholds to be as under:

Sr. No.	Category	Current	Proposed
1	Individual	50 million or above in any of the preceding tax year	100 million or above in any of the preceding tax year
2	Association of Persons	50 million or above in any of the preceding tax year	100 million or above in any of the preceding tax year
3	Person registered under the Sales Tax Act, 1990	No threshold was prescribed	Having turnover of 100 million or above

34. Withdrawal of balance under Pension Fund Section 156B and Clause (23A):

Presently, a pension fund manager making payment from individual pension accounts, maintained under any approved Pension Fund, is required to deduct tax at an average rate of tax of preceding three tax years, in accordance with Section 12 (6) of the Ordinance from any amount:

- withdrawn before the retirement age;
- withdrawn, if in excess of 50% of his accumulated balance at or after the retirement age.

Similarly, pursuant to Clause (23A) of the Part I of the Second Schedule, accumulated balance up to 50% received from voluntary pension system offered by a pension fund manager under the Voluntary Pension System Rule, 2005 is exempt at the time of eligible person's:

- retirement;
- disability rendering him unable to work; or
- death by his nominated survivors.

The Bill proposes to omit the provisions of Section 156B of the Ordinance and replicate the same by inserting a proviso in Clause (23A), Part I of the Second Schedule. Overall, the impact of such omission of Section 156 and inclusion of a proviso to Clause (23A) does not entail any tax implications but appears to be an attempt to harmonize the exemption and the requirement for deduction of due tax.

35. Furnishing of information by banks – Section 165A:

Through the Finance Supplementary (Amendment) Act, 2018 banks are required to provide a list of persons who received profit on debt in excess of PKR 500,000 during the preceding financial year.

The Bill proposes to eliminate the limit of PKR 500,000, thereby making it mandatory for Banking Companies to furnish a list of all persons receiving profit on debt.

36. Withholding Statements – Section 165:

The Bill proposes that withholding statements shall be filed on a quarterly basis instead of Bi-annually.

Due dates for filing of these statements as under:

Description	Quarter ended	Due Date
First Quarter	30 th September	20 th October
Second Quarter	31 st December	20 th January
Third Quarter	31 st March	20 th April
Fourth Quarter	30 th June	20 th July

37. Refunds – Section 170:

The Bill proposes to insert new sub-section (6) in section 170 whereby the Board is empowered to make rules regulating procedure for expeditious processing and automatic payment of refunds through centralized processing system.

38. Power to enter and search premises – Section 175:

The Commissioner and any officer authorized by Commissioner is empowered to enter, retain or search the documents, records or the premises of the taxpayer without prior notice at any time. The proposed amendment seeks to empower the Commissioner to have real time electronic access also.

39. Real-time access to information and databases – Section 175A:

The Bill proposes to insert new section 175A requiring other agencies and describing procedures for such other agencies to furnish information to the Board. Such organizations and the related information is as follows:

Sr. No.	Organization	Nature of Information
1	National Database and Registration Authority	Details pertaining to National Identity Card, Pakistan Origin Card, Overseas Identity Card, Alien Registration Card, and other particulars contained in the Citizen Database.
2	Federal Investigation Agency	Details of international entry and exit of all persons and information pertaining to work permits, employment visas and immigration visas.

3	Bureau of Emigration and Overseas Employment	Detail of international entry and exit of all persons and information pertaining to work permits, employment visas and immigration visas.
4	Islamabad Capital Territory, Provincial and local land record and development authorities	Record-of-rights including digitized edition of record-of-rights, periodic record, record of mutations and report of acquisition of rights.
5	Islamabad Capital Territory and Provincial Excise and Taxation Departments	Details regarding registration of vehicles, transfer of ownership and other associated record.
6	All electricity suppliers and gas transmission and distribution companies	Particulars of a consumer, the units consumed and the amount of bill charged or paid, Name and CNIC of the owner and user in cases where the connection is shared or used by a person other than the owner,
7	Any other agency, authority, institution or organization notified by the FBR	Any information and detail notified by the FBR

The Bill also proposes that all electricity suppliers and gas transmission and distribution companies shall make arrangements by 01 January, 2021, for allowing the consumers to update the ratio of sharing of a connection and the particulars of users.

It is also proposed that the FBR shall make arrangements for laying the infrastructure for real-time access to information and databases described above and aligning it with its own database.

The provisions of the proposed section ensure that the information and record received under this section shall be used only for tax purposes and kept confidential.

40. Electronic Audit – Section 177:

Currently, Commissioner shall call for records/documents and conduct Income Tax Audit of taxpayers physically. Keeping in view of the advancement of Information Technology, The Board proposes to empower the Commissioner to conduct audit proceedings electronically through video links or any other facility as prescribed by the Board.

The Bill also proposes to empower the Commissioner to determined taxable income on the basis of sectoral benchmark ratio to be prescribed by the Board. The Bill proposes that it would be construed that taxable income has not been correctly declared and the Commissioner would determine taxable income on the basis of sectoral benchmark ratios to be prescribed by the Board, if 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,

The Bill also define the term of Sectorial Benchmark ratios which defined to mean as 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.

41. Offences and penalties – Section 182:

The Bill Seeks to introduce new penalty for non-furnishing or late furnishing of taxpayer profile and for a person who contravenes the provisions of section 181AA.

Table providing proposed penalties is as under:

Sr. No	Offence	Penalty	Section
4A	Any person who is required to furnish or update a taxpayer's profile but fails to furnish or update within the due date	Such a person shall pay a penalty of Rs. 2,500 for each day of default from the due date subject to a minimum penalty of Rs. 10,000.	114A
4B	Any person who contravenes the provisions of section 181AA.	Such a person shall pay a penalty at the rate of Rs. 10,000 for each connection provided to an unregistered person	181AA"; and

The Bill proposes to insert a new sub-section in section 182A prescribing procedure for exclusion of taxpayer from active taxpayer list if he fails to update his profile and for inclusion in the list after filing his profile along with payment of surcharge.

The Bill also proposes that the taxpayer, filing the taxpayer's profile after the due date or extended date, shall be included in the active taxpayer list upon payment of surcharge as follows:

Sr. No.	Type of Taxpayer	Surcharge in Rupees
1	Company	20,000
2	Association of Persons	10,000
3	Individual	1,000

42. Default Surcharge – Section 205:

A new sub-section is proposed to be added to grant discretionary powers to the Commissioner to assess default surcharge for the period of default against a person liable to pay tax, where the tax due or a part thereof is unpaid. This is likely to cause hardships to the taxpayers, especially where the cases involving the due tax are pending before the appellate authorities.

43. Jurisdiction of income tax authorities – Section 209:

Currently, the Board or the Chief Commissioner may by an order delegate or assign to any Officer of Inland Revenue all or any of the powers and functions conferred upon or assigned to the Commissioner in respect of any persons/ classes of persons or areas as may be specified.

The Bill proposes to empower the Board to confer or assign any such powers and functions and make rules for such conferment or assignment of powers and functions through the "Automated Case Selection System". The "Automated Case Selection System" has been defined as an algorithm for randomized allocation of cases via suitable technological modes.

44. Delegation – Section 210:

Section 161 empower the Commissioner to amend or further amend an order of recovery already passed under section 161, and recover the tax that escaped at the time of passing of the said earlier order, if he considers that the order passed earlier is erroneous in so far it is prejudicial to the interest of revenue.

The Bill seeks an amendment in sub-section (1A) of Section 210, through which it seeks to restrict the delegation of the powers by the Commissioner to a person not below the rank of the Additional Commissioner.

This proposal is at par with the delegation of the powers for the amendment of assessment under section 122(5A).

45. Advance Tax on private Motor Vehicle – Section 231B:

The Bill seeks to exempt rickshaw, motorcycle-rickshaw and any other motor vehicle having engine capacity upto 200cc from collection of advance tax by adding an explanation. This tax is collectible at the time of registration or transfer of registration of a motor vehicle.

46. Advance tax on electricity consumptions – Section 235:

The Bill seeks to empower the Commissioner to issue exemption certificate to a person who has discharged his advance income tax liability for the tax year. Currently, the Commissioner could issue the certificate where the income of a person was exempt from tax.

47. Advance tax at the time of sale by auction – Section 236A:

The Bill has proposed to insert an explanation to section 236A to include renewal of a license previously sold by public auction or auction by a tender in the ambit of sale by public auction or auction by a tender.

It also clarifies that where the payment in respect of a sale by public auction or auction by a tender is received in installments, advance tax shall also be collected in installments.

48. Advance tax on sale or transfer of immovable property – Section 236C:

A person responsible for registering, recording, or attesting transfer of immovable property is required to collect advance tax from seller of such property. Such advance tax is not collected where the immovable property is held for a period exceeding 5 years.

The Bill proposes to reduce this limitation to four years, in order to bring it in line with the proposed exemption of capital gains tax on sale of immovable property which will not be applicable to property held for a period exceeding four years.

49. Collection of advance tax by educational institutions – Section 236I:

Section 236I prescribes that advance tax shall be collected by educational institutions from all persons, at the rate of five percent where the annual fee exceeds Rs. 200,000.

The bill has proposed to withdraw collection of advance tax on tuition fee by educational institutions from persons appearing in the active taxpayers' list.

50. Advance tax on payment made to residents for use of machinery and equipment – Section 236Q:

Section 236Q deals with the withholding tax on payment to residents for use of machinery and equipment. Currently, the tax deducted at the time of making payment is a final tax on the income of such person.

The Bill now proposes that the tax deducted under this head shall be a minimum tax on the income of such person.

51. Withdrawal of advance tax provisions:

The Bill Proposes to withdraw the collection/deduction of tax at source to facilitate and ease of doing business:

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
236X	Advance tax on tobacco

FIRST SCHEDULE

PART I

Capital Gain on disposal of securities – Division VII:

The bill proposes to maintain the tax rate on disposal of securities for tax year 2021 and onwards as applicable in tax year 2020 under section 37A of the Income Tax Ordinance, 2001.

Capital Gain on disposal of immovable properties – Division VIII:

The bill proposes to reduce the tax rates by 50% arising disposal of immovable properties under section 37(1A) of the Income Tax Ordinance, 2001.

The below table explains the comparison of existing and proposed rates:

Sr. No.	Amount of Gain	Existing Rate	Proposed Rate
1	Where the gain does not exceed Rs.5 million	5%	2.5%
2	Where the gain exceeds Rs.5 million but does not exceed Rs.10 million	10%	5%
3	Where the gain exceeds Rs.10 million but does not exceed Rs.15 million	15%	7.5%
4	Where the gain exceeds Rs.15 million	20%	10%

PART II

Rate of Advance Tax on import Stage – Twelfth Schedule:

The bill proposes to introduce a twelfth schedule to the ordinance where tax will be imposed on the basis of goods irrespective of the status of the importer. This schedule categories the imports into raw material, Capital goods and finished goods.

The proposed rates with respect to the twelfth schedule are as under:

Sr. No.	Goods Classification	Proposed Rate
1	Persons importing goods classified in Part I of the Twelfth Schedule	1% of the import value as increased by customs-duty, sales tax and federal excise duty.
2	Persons importing goods classified in Part II of the Twelfth Schedule	2% of the import value as increased by customs-duty, sales tax and federal excise duty.
3	Persons importing goods classified in Part III of the Twelfth Schedule.	5.5% of the import value as increased by customs-duty, sales tax and federal excise duty.

The Bill also seeks to categorize and revise the rates of advance tax on value of import of mobile phone (including smart phones) on the basis of PCT Headings as under:

Sr. No.	C & F Value (US Dollars)	Tax in Rupees	
		In CBU condition PCT Heading 8517.1219	In CKD/SKD condition under PCT Heading 8517.1211
1	Up to 30 except smart phones	70	0
2	Exceeding 30 and up to 100 and smart phones up to 100	100	0
3	Exceeding 100 and up to 200	930	0
4	Exceeding 200 and up to 350	970	0
5	Exceeding 350 and up to 500	3,000	5,000
6	Exceeding 500	5,200	11,500

PART III

Advance Tax on Dividend – Division I:

The bill proposes to introduce withholding tax at the rate of 25% on dividend received from a company where no tax is payable by such company, due to exemption of income or carry forward of business losses or claim of tax credits.

Profit on Debt – Division IA:

General rate of withholding tax on Profit on Debt is 15%. However, this rate will be reduced to 10% where the yield or profit on debt is 500,000 or less.

Return on Investment in Sukuks – Section IB:

The bill proposes to increase the withholding tax under section 150A from 15% to 25% on payment of return on investment in Sukuk of a company.

Payment to Non-Resident – Division II:

The bill proposes to provide for the reduced rate of withholding tax @3% on account of various services rendered by non-residents. The reduced rate shall be applicable in the case of 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, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited Inspection and Certification, Testing and Training Services.

Payments for Goods and Services – Division III:

The bill proposes to include the toll manufacturing services within the definition of sales of goods for the purpose of withholding tax thereon.

The bill proposes to exclude the engineering service from the services list liable to be taxed @ 3%. Now engineering services will be subject to tax @ 8% in case of company and 10% in other cases.

Advance tax at the time of sale by auction – Division II:

The bill proposes to reduce the rate of advance tax from 10% to 5% in case of sale of property or goods by auction.

Advance tax on extraction of materials – Division XXII:

Currently, rate of collection of tax on extraction of materials is 5% from a person not appearing in the list of active taxpayers. The Bill proposes to also extend such collection to persons appearing in the Active taxpayer list.

Second Schedule:

PART I

Exemption from Total Income –

The Bill proposes to include the following organizations to whom donation made are exempt from tax in the hands of donors:

- i) The Prime Minister’s COVID-19 Pandemic Relief Fund-2020
- ii) Ghulam Ishaq Khan Institute of Engineering Sciences and Technology (GIKI)
- iii) Lahore University of Management Sciences
- iv) Dawat-e-Hadiya, Karachi
- v) Baitussalam Welfare Trust
- vi) Patients’ Aid Foundation
- vii) Alkhidmat Foundation

Donation paid to these organizations would now be available for deduction from taxable income of the payer.

The Bill propose to restrict the donations made by associates:

- In the Case of Individual or Association of persons, 15% of the taxable income of the person for the year.
- In the case of Company, 10% of the taxable income of the person for the year.

Further propose that to avail the above benefit, amount should be donated through crossed cheque drawn on a bank.

Non – Charitable Institution -- Clause 66:

The bill proposes to amend the clause 66 by dividing the institutions into two Tables.

Table 1: Entries in table remain exempt from tax without any condition.

Table II: Entries in Table II shall be entitled to exemption subject to the fulfilment of conditions mentioned in the Section 100C of the Ordinance.

Both Tables are as follows:

Table I:

- International Islamic Trade Finance Corporation.
- Islamic Corporation for Development of Private Sector.
- National Memorial Bab-e-Pakistan Trust.
- Pakistan Agricultural Research Council.
- The corporatized entities of Pakistan Water and Power Development Authority from the date of their creation upto the date of completion of the process of corporatization i.e. till the tariff is notified.
- The Prime Minister’s Special Fund for victims of terrorism.
- Chief Minister’s (Punjab) Relief Fund for Internally Displaced Persons (IDPs) of NWFP.
- 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.
- Pakistan Council of Scientific and Industrial Research.
- The Pakistan Water and Power Development Authority established under the Pakistan Water and Power Development Authority Act, 1958 (W. P. Act XXXI of 1958).
- WAPDA First Sukuk Company Limited.
- Pension of a former President of Pakistan and his widow.
- State Bank of Pakistan and State Bank of Pakistan Banking Services Corporation.
- 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.
- Pakistan Domestic Sukuk Company Ltd.
- ECO Trade and Development Bank.
- The Islamic Chamber of Commerce and Industry under the Organization of Islamic Conference (OIC).
- Commission on Science and Technology for Sustainable Development in the South (COMSATS) formed under International Agreement signed on 5th October, 1994.
- WAPDA on issuance of twenty billion rupees TFC’s/SUKUK certificates for consideration of Diamer Bhasha Dam Projects.
- Federal Board of Revenue Foundation.
- WAPDA Second Sukuk Company Limited.
- Pakistan International Sukuk Company Limited.
- Second Pakistan International Sukuk Company Limited.
- Third Pakistan International Sukuk Company Limited.
- 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.
- Supreme Court of Pakistan – Diamer Bhasha & Mohmand Dams – Fund.

- National Disaster Risk Management Fund.
- Deposit Protection Corporation established under sub-section (l) of section 3 of Deposit Protection Corporation Act, 2016 (XXXVII of 2016).
- SAARC Energy Centre.
- The Asian Development Bank established under the Asian Development Bank Ordinance, 1971 (IX of 1971).
- The Prime Minister’s COVID-19 Pandemic Relief Fund-2020.
- Saarc Arbitration Council (SARCO).
- International Parliamentarians’ Congress.

Table II:

- Abdul Sattar Edhi Foundation.
- Al-Shifa Trust.
- Bilquis Edhi Foundation.
- Fatimid Foundation.
- Pakistan Engineering Council.
- The Institution of Engineers.
- Liaquat National Hospital Association.
- The Citizens Foundation.
- Sindh Institute of Urology and Transplantation, SIUT Trust and Society for the Welfare of SIUT.
- Greenstar Social Marketing Pakistan (Guarantee) Limited.
- Indus Hospital, Karachi.
- Gulab Devi Chest Hospital.
- Pakistan Poverty Alleviation Fund.
- National Academy of Performing Arts.
- Pakistan Sweet Homes Angels and Fairies Place.
- National Rural Support Programme.
- Pakistan Bar Council.
- Pakistan Centre for Philanthropy.
- Pakistan Mortgage Refinance Company Limited.
- Aziz Tabba Foundation.
- Shaukat Khanum Memorial Trust.
- Layton Rahmatullah Benevolent Trust (LRBT).
- The Kidney Centre Post Graduate Training Institute.
- Pakistan Disabled Foundation.
- Forman Christian College.
- Habib University Foundation.
- Begum AkhtarRukhsana Memorial Trust Hospital.
- Al- Khidmat Foundation.
- Dawat-e-Islami Trust.
- Sardar Trust Eye Hospital, Lahore.
- Akhuwat.
- Audit Oversight Board. Patient’s Aid Foundation.
- Al-Shifa Trust Eye Hospital.
- Saylani Welfare International Trust.

- SARMAYA-E-PAKISTAN LIMITED.
- Lahore University of Management Sciences, Lahore.
- Dawat-e-Hadiya, Karachi.
- Ghulam Ishaq Khan Institute of Engineering Sciences and Technology.
- Society for the Promotion of Engineering Sciences and Technology in Pakistan (SOPREST).
- Businessmen Hospital Trust.
- Baitussalam Welfare Trust.

Profit and gains on sale of immovable property to a Developmental REIT Scheme Clause [99A]

The bill proposes to exempt the profit and gains of sales of immovable property to a development REIT Scheme with the object of construction of residential buildings upto 30 June 2021.

Tax concessions and exemptions to Gwadar Port and Gwadar Free Zone Clauses [126A, 126AC]

Under the Clause 126A, Income derived by China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gwadar International Terminal Limited, Gwadar Marine Services Limited and Gwadar Free Zone Company Limited and the contractors and sub-contractors of aforementioned companies from Gwadar Free Zone will be exempt with effect from 1st June, 2020. By inserting Gwadar Free Zone, the Bill proposes to extend the tax concessions and exemptions to Gwadar Free Zone as well, which shall be deemed to have been inserted with effect from June 1, 2020.

Tax concessions and exemptions to Profit on Debt -- Clauses 126AB:

Under Clause 126AB, exemption from tax was granted to profit on debt provided to a foreign lender or any local bank having more than 75 per cent of the shareholding of the Government of the State Bank of Pakistan for commencing from July 01, 2016 under a financing arrangement with China Overseas Ports Holding Company Limited.

Tax concessions and exemptions to Co-Developers of Special Economic Zone (SEZ) -- Clauses 126E:

The bill proposes to extend the exemption to a Co-Developer as defined in the Special Economic Zone Rule 2013 subject to the furnishing of a Certificate:

By the developer that he has not claimed any exemption under this clause and has relinquished his claim in favor of the codeveloper and

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 codeveloper.

Tax concessions and exemptions to Federal Government Employees Housing Authority -- Clauses 147:

The Bill propose to grant exemption to any income derived by the Federal Government Employees Housing Authority for the tax year 2020 and the following four tax years.

PART II

Reduction in tax rate to non-resident individual on account of Profit on debt to non-resident individual Clauses 5AA:

The bill Proposes to reduce the tax rate to 10% on profit on debt paid to a resident person from a debt instrument, 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, a non-resident Rupee account repatriable (NRAR) or a foreign currency account maintained with a banking company in Pakistan. The tax so deducted shall be a final tax.

Relief measure during the Covid pandemic – Clause 24CA:

The bill proposes to reduce the rate of tax to 1.5% of the Gross amount of payment in respect of supply of Tea, Spices, Pulses, Wheat Flour and Ghee supplied to Utility Stores corporation of Pakistan by a person other than a company.

This benefit shall be available up to 30 September 2020 subject to the condition that supply of Tea, Spices, Salt and dry Milk are not sold under a brand name.

The reduced rate shall not be applicable where rate of tax under clause 153(1)(a) is less than 1.5% under any provision of the Ordinance.

PART IV

Withdrawal of exemption available u/s 153(1)(a) to steel melters and composite steel units as payers Clauses 9A:

The bill seeks to omit this clause.

Additional Institutions exempt from application of Section 113 -- Clause 11A:

The Bill proposes to exemption to following institutions from the application of Section 113:

- i) A modaraba qualifying for exemption under clause (100) of Part I of the Second Schedule.
- ii) The Prime Minister’s COVID-19 Pandemic Relief Fund-2020.
- iii) The Federal Government Employees Housing Authority for the tax year 2020 and the following four tax years

Relief measures during the COVID pandemic vide Clauses 12B, 12C, 102A, 116, 117:

The bill includes following clauses in ordinance which was already exempted vide SRO 947(I)/2008.

- Hajj Group Operators from withholding tax provisions on payments made to non-residents.
- Exemption from collection of tax under section 231A, 231AA and 236P to for Pak Rupee Account in a tax year to the extent of foreign remittances credited into such account.
- Exemption from deduction of tax at enhanced rate on dividend payment to non-resident persons not appearing in the active taxpayers’ list.
- Exemption to a non-resident individual with from Section 236P who has invested in debt instrument, conventional or Shariah compliant through non-resident rupee account repatriable (NRAR) or a foreign currency account in Pakistan.
- Exempt from Tax Collection on Commission received by retail branchless banking agent on any amount disbursed by the Ehsaas Emergency Cash Transfer Program during the period starting from April 16, 2020 to September 30, 2020.

Relief to Non-resident Individual -- Clause 114A:

Exempt non-residents from the application of newly inserted clause (ae) of sub-section 114 and section 181 requiring filing of return and levy of penalty for non-filing of the return, where the only source of income was from profit on debt earned from a debt instrument whether conventional or Shariah compliant and purchased exclusively from a bank account maintained abroad, non-resident rupee account repatriable (NRAR) or a foreign currency account in Pakistan

Institutions exempt from application of Section 153 -- Clause 46A:

The Bill proposes to insert SRO 586(I)/91 dated June 30,1991 in the Second Schedule. This clause provides withholding tax exemption to the following:

- Provincial Government
- Local Authority
- 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;
- Persons receiving payments from a company or an association of persons having turnover of fifty million rupees or more or from an individual having turnover of fifty million rupees 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;
- Companies receiving payments for the supply of electricity and gas;
- Companies receiving payments for the supply of crude oil;
- Hotels and restaurants receiving payments in cash for providing accommodation or food or both, as the
- case may be; and
- Shipping companies and air carriers receiving payments for the supply of passenger tickets and for the cargo charges of goods transported.

New Institutions exempt from application of Section 148 -- Clause 56:

The Bill seeks to add following institutions in clause 56 to provide exemption from the application of Section 148:

- Federal Government
- a Provincial Government
- a Local Government
- a Foreign Government and its associations whose majority share capital is held by a foreign government.
- 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
- 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
- Petroleum (E&P) companies covered under the Customs and Sales Tax Notification No. S.R.O.678 (I)/2004, dated the 7th August, 2004, except motor vehicles imported by such companies.

Seventh Schedule

Rules for the Computation of the Profits and Gains of a Banking Company and Tax Payable thereon:

This schedule contains rules for computation of profit and gains of banking companies.

Division IIA of Part of First Schedule prescribed the rate of super tax for banking companies. Rule 7C of the Seventh Schedule has been amended to extend the chargeability of super tax on banking companies to the Tax Year 2021.

Tenth Schedule

Special Provisions relating to persons not appearing in the Active Taxpayers' List:

- I. The bill proposes to remove the reference to Section 115(4) pursuant to the deletion of Section 115(4) from the Ordinance.
- II. The bill proposes to exclude following payment made to non-resident persons from enhanced rate of withholding tax.
 - Payment to Non-resident for royalty and fee for technical Services.
 - Insurance or reinsurance premium.
 - Payment under Section 152(2).
 - Payment to non-resident Individual on account of profit on debt earned from a debt instrument , 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, a non-resident Rupee account repatriable (NRAR) or a foreign currency account maintained with a banking company in Pakistan from enhanced rate of withholding tax under this Schedule

AMENDMENTS IN SALES TAX ACT, 1990

Sr. No	Description	Section	Page
1	Active Taxpayer	2(1) (a) & (d)	34
2	Output Tax	2(20) (c)	34
3	Value of Supply	2(46)(h) & (j)	34
4	Determination of tax liability	7(5)	34
5	Tax Credit not allowed	8(1)(m)	34
6	Power of tax authorities to modify orders, etc.	11C	34
7	Tax invoice	23(1)(b)	35
8	Access to record, documents, etc	25 (2A)	35
9	Return	26(1)	35
10	Offenses and Penalties	33	35
11	Authorized officers to have access to premises, stocks, accounts and records.	38(1)	35
12	Appeals	45B	36
13	Alternative dispute resolution.	47A	36
14	Service of Orders, decisions etc.	56 (1)(d) & (2)(d)	36
15	Real-time access to information and databases	56AB	36
16	Representative	58A	37
17	Certain Transactions not Admissible.	73(4)	37
18	Fifth Schedule	4	37
19	Sixth Schedule	13	38-39
20	Eighth Schedule	3(2)(aa)	40
21	Ninth Schedule	3(3B)	40
22	Eleventh Schedule	3(7)	40-41
23	Twelfth Schedule (Minimum Value Addition Tax)	7A(2)	41

1. Active Taxpayer (Section 2):

Finance bill 2020 Seeks to omit the words “or is blocked” in sub-clause (a) in clause (1) of section 2. This seems to be corrective measure to exclude the “blocked person” from the definition of “Active Taxpayer” in term of section 21, as section 21 refers to suspension of registration.

Finance Bill 2020 Seeks to substitute the word “quarterly” with the words “two consecutive monthly” in sub-clause (d) in clause (1) of section 2. This measure is taken as to align Act with the Ordinance as the bill also seeks to amend section 165 of the ordinance where it is proposed to file withholding statement on quarterly basis instead of biannually.

2. Output Tax:

Currently the sales tax levied on services is the domain of respective province where services are rendered. Each province has its own legislation for sales tax on services; hence sub clause (c) of Clause 20 of section 2 seems to be outdated. The bill has proposed to rectify this flaw by substituting the aforesaid clause with “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 sales tax on services under ICT Ordinance is still administered and collected by the FBR.

3. Value of Supply:

Finance bill seeks to amend the definition of value of supply in case of supply of electricity by WAPDA. Previously independent power producers were enjoying the exclusions from value of supply on account of capacity purchase price, energy purchase price premium, excess bonus, supplement charges, etc. such exclusions shall now also be available to WAPDA.

Most of the persons engaged in the supply of used vehicles were not offering sales tax on such supply. The bill seeks to insert new clause (j) where value of supply for person engaged in the supply of used vehicles will be the difference between sale and purchase price of the said vehicle where 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.

4. Withholding of sales Tax:

The bill seeks to extend the scope of withholding agent by including both purchaser of goods and recipient of services.

5. Determination of Tax Liability:

Subject to certain restriction and conditions the ST Act allows for adjustment of Input tax paid against the taxable supplies. Finance bill seeks to insert sub section (5) in section 7 where board is empowered to impose restriction on the adjustment of input tax attributable to the wastage of material in respect of the goods or a class of goods.

6. Tax Credit Not Allowed:

Previously if the invoice does not bear the CNIC or NTN of the purchaser the input tax cannot be claimed on such supplies. This restriction on claim of input tax is proposed to be extended to services if supplies were made to un-registered persons and invoice were raised without mentioning NTN or CNIC.

7. Power of Tax Authorities to Modify Orders:

The Bill seeks to introduce new section 11C whereby question of law has been decided by a High Court or the Appellate Tribunal on or after July 1, 1990, the Commissioner or an officer of Inland Revenue may follow the said decision as it applies to an identical question arising in any case pending before him until the decision of the High Court or of the Appellate Tribunal is reversed or modified subsequently. Notwithstanding that the Commissioner or the officer of Inland Revenue has preferred to file 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.

The bill has further proposed that the Commissioner or officer of Inland Revenue may give effect of the order reversed within a period of one year from the date of receipt of decision, notwithstanding the expiry of period of limitation prescribed for making any assessment or order.

8. Tax Invoices:

Previously a registered retailer making taxable supplies of Rs.50,000 or more to un-registered person are required to include name, address and NIC or NTN, in the sales tax invoice. The Bill propose to enhance this threshold to Rs. 100,000.

9. Access to Record, Documents:

A step towards the use of technology, the Bill seeks to introduce a new sub section in section 25 which empowers the commissioner to conduct audit proceedings electronically through video links, or any other facility as prescribed by the Board.

10. Return:

It was observed previously that Sales Tax Returns could be filed without providing the information other than those that effect the net liability. To ensure provision of all the required information or details, the Bill seeks to insert a term “complete” in addition to “true and “correct” in Section 26(1) of the ST Act.

11. Penalties:

Through Tax Laws (Second Amendment) Ordinance, 2019, a registered person would be liable to pay penalty up to Rs. 1,000,000 if he fails to integrate his business with Board or its computerized system. After imposition of such penalty the Board has the power to seal the business premises of such person after a period of 6 months if the said person continues to be noncompliant. The bill seeks to reduce the 6 months period to 2 months.

The Bill also seeks to insert the following new entry at serial no. 28

Offences	Penalties	Section of the Act to which offence has reference.
(1)	(2)	(3)
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

12. Authorized officer to have Access:

Section 38 empowers the Board to authorize any person or commissioner to have free access to business or manufacturing premises, registered office or any other place. The Bill seeks to widen the scope to include real-time electronic access and to empower the Board to make rules in this regard.

13. Appeals:

The Bill seeks to insert following new provisions:

Sub-section (1A) has been proposed to be inserted whereby the form, manner, statement of grounds, prescribed fees and to whom the aforesaid information is to be lodged with.

Second proviso to the Section 45B (1) provides appeal fee of PKR 1,000 for all class of taxpayers. Now, the Bill seeks to omit the above proviso and insert new sub-section (1B);

Type of Appeal	Status of Taxpayer	Amount of Appeal Fee (PKR)
In case of appeals against as assessment	Corporate taxpayer	5,000
	Other than corporate taxpayer	2,500
In case of other appeals	Corporate taxpayer	5,000
	Other than corporate taxpayer	1,000

The Bill also seeks to insert sub section (5) whereby the commissioner (Appeals) may not accept documentary evidence which was not presented before Assessing Officer. Unless he is satisfied that the appellant was prevented by sufficient cause from producing such material or evidence before the Assessing Officer.

14. Alternate Dispute Resolution:

The Bill seeks to replace section 47A with completely new provisions:

It is proposed that the taxpayer would no longer be required to withdraw his appeal pending before the appellate forum immediately after the constitution of the Committee. Instead, the taxpayer shall withdraw the appeal pending before the appellate forum only if he is satisfied with the decision of the Committee.

It is further proposed that the decision of the Committee shall not be binding on the taxpayer but shall be binding on the Commissioner, provided that the order of withdrawal of appeal is communicated to the Commissioner within 60 days of the service of decision of the FBR upon the taxpayer.

The Bill now proposes that the Committee shall comprise of the Chief Commissioner having jurisdiction over the case and two persons from a panel notified by the FBR. The Committee shall decide the dispute through consensus rather than majority.

The Bill also proposes that the Committee may, in case of hardship, stay the recovery of tax payable in respect of the dispute pending before it for a period not exceeding 120 days in aggregate.

15. Real Time Access to Information and Database:

For effective monitoring of taxpayers, Bill seeks to insert new section through which the Board shall have the powers to access the information and database of other authorities. Such organizations and the related information are as follows:

Organization	Information
National Database and Registration Authority	Details pertaining to National Identity Card, Pakistan Origin Card, Overseas Identity Card, Alien Registration Card, and other particulars contained in the Citizen Database
Federal Investigation Agency	Details of international entry and exit of all persons and information pertaining to work permits, employment visas and immigration visas
Bureau of Emigration and Overseas Employment	Detail of international entry and exit of all persons and information pertaining to work permits, employment visas and immigration visas.
Islamabad Capital Territory, Provincial and local land record and development authorities	Record-of-rights including digitized edition of record-of-rights, periodic record, record of mutations and report of acquisition of rights
Islamabad Capital Territory and Provincial Excise and Taxation Departments	Details regarding registration of vehicles, transfer of ownership and other associated record
All electricity suppliers and gas transmission and distribution companies	Particulars of a consumer, the units consumed and the amount of bill charged or paid, name and CNIC of the owner and user in cases where the connection is shared or used by a person other than the owner
Any other agency, authority, institution or organization notified by the FBR	Any information and detail notified by the FBR

16. Representative:

By virtue of sub-section (3) of Section 58A, a representative of a non-resident person shall be any person in Pakistan for a tax year for the purposes of fulfilling the requisite duties and obligations on behalf of such non-resident person. The Bill seeks to amend the said sub-section by stating that such persons are to be the representative of the non-resident person for the financial year in which the relevant tax period falls. The Bill has further proposed to introduce the explanation of the non-resident person whereby, for the purpose of the aforesaid sub-section, the term non-resident person shall have the same meaning as the one defined under Income Tax Ordinance, 2001.

17. Certain transactions not admissible:

Sub-section (4) of Section 73 of the ST Act provides that a registered manufacturer or producer shall not be entitled to deduct input tax (credit adjustment or deduction of input tax) which is attributable to such taxable supplies exceeding in aggregate, PKR 100 million in a financial year or PKR 10 million in a tax period as are made to a certain person who is not a registered person under the ST Act with the certain exceptions. The Bill seeks to extend this provision to every registered person by including the word “person” instead of “manufacturer or producer”.

Fifth Schedule

The bill Proposes to insert following new entries relating to Gwadar Port and Gwadar Free Zone which were made part of the Schedule through the Tax Laws (Amendment) Ordinance, 2019 dated October 09, 2019.

Entry No.	Description of Goods
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	<p>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: -</p> <p>(i) Plant and machinery, operated by power of any description, as is used for the manufacture or production of goods by that manufacturer;</p> <p>(ii) Apparatus, appliances and equipment specifically meant or adapted for use in conjunction with the machinery specified in clause (i);</p> <p>(iii) Mechanical and electrical control and transmission gear, meant or adapted for use in conjunction with machinery specified in clause (i); and</p> <p>(iv) Parts of machinery as specified in clauses (i), (ii) and (iii), identifiable for use in or with such machinery.</p> <p><u>Conditions, restrictions and procedures: -</u></p> <p>(a) the supplier of the machinery is registered under the Act;</p> <p>(b) proper bill of export is filed showing registration number;</p> <p>(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;</p> <p>(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;</p> <p>(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</p> <p>(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.</p>

Sixth Schedule

Table I:

The Bill seeks to insert certain Conditions in Entry No. 100A which is follows:

Sr. No.	Existing	Proposed
100A	Ship Bunker Oils bought and sold to the ships calling on / visiting Gwadar Port having Concession Agreement with the Gwadar Port Authority	Ship Bunker Oils bought and sold to the ships calling on / visiting Gwadar Port by the aforesaid operating companies, having Concession Agreement with the Gwadar Port Authority

The Bill proposes to provide exemption of sales tax through insertion of following entry that was earlier incorporated by Tax laws (Amendment) Ordinance, 2019.

Sr. No.	Description
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

The Bill has enhanced the period of exemption from Sales Tax up to tax year 2023 regarding import and supply of ships and all floating tugs, survey vessels and other specialized crafts purchased or bare-boat chartered by a Pakistan entity and flying the Pakistan flag.

The Bill proposes to exempt sales tax on import of dietetic foods for children who are suffering from inherent metabolic disorder.

Sr. No.	Description
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

Table III:

The bill proposes to substitute entry at serial No. 15A as under:

Existing	Proposed	PCT Heading
Parts and Components for manufacturing LED lights:	Parts and Components for manufacturing LED lights:	
i. Aluminum Housing /shell for LED (LED Lights Fixture)	i. Housing /shell. Shell cover and base cap for all kinds of LED lights and bulbs	Respective heading
ii. Metal Clad Printed Circuit Boards (MCPCB) for LED	ii. Bare and stuffed Metal Clad Printed Circuit Boards (MCPCB) for LED	8534.0000
iii. Constant Current Power Supply for of LED Lights and Bulbs (1-300W)	iii. Constant Current Power Supply for of LED Lights and Bulbs (1-300W)	8504.4090
iv. Lenses for LED lights and bulbs	iv. Lenses for LED lights and bulbs	9001.9000

Eighth Schedule

The Bill has proposed to revise sales tax rate for the following goods in Table I;

Entry No.	Description of Goods	Rate of Sales Tax	
		Existing	Proposed
56	Potassium Chlorate (KCLO3)	17% along with Rs.70/KG	17% along with Rs.80/KG
66	Supplies as made from retail outlets as are integrated with Board's computerized system for Realtime reporting of sales	14%	12%

Nineth Schedule

The bill proposes to increase sales tax from Rs. 130 to Rs. 200 on Smart Phones up to the value of USD 30\$.

Sr. No.	Description of Goods	Existing Description of Category	Proposed Description of Category	Sales Tax on Import or Local Supply
2	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	A. Not exceeding US\$ 30 excluding smart phones	Rs.130
		B. Exceeding US\$ 30 but not exceeding US\$	B. Exceeding US\$ 30 but not exceeding US\$ 100 including smart phones valuing upto US\$ 30	Rs.200

Eleventh Schedule

The bill has proposed amendment in Eleventh Schedule to the Sales Tax Act, 1990. Now a registered person not appearing in the active taxpayer list shall be subject to 100% withholding just like unregistered person. The proposed amendments have been tabulated below:

Sr. No.	Withholding Agent	Existing Supplier Category	Proposed Supplier Category	Rate or Extent of Deduction
1	a) Federal and provincial government departments; autonomous bodies; and public sector organizations	Registered persons	Active Taxpayers	1/5 th of Sales Tax as shown on invoice

	b) Companies as defined in the Income Tax Ordinance, 2001 (XLIX of 2001)			
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)	Person registered as a wholesaler, dealer or distributor	Active Taxpayer registered as a wholesaler, dealer or distributor	1/10 th of Sales Tax as shown on invoice
3	Federal and provincial government departments; autonomous bodies; and public sector organizations	Unregistered persons	Persons other than Active Taxpayers	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)	Unregistered persons	Persons other than Active Taxpayers	5% of gross value of supplies
5	Registered persons as recipient of advertisement Services	Person providing advertisement services	Person providing advertisement services	Whole of sales tax applicable
6	Registered persons purchasing cane molasses	Unregistered persons	Persons other than Active Taxpayers	Whole of sales tax applicable

Twelfth Schedule

Under the existing Law, Value addition tax is not applicable on raw materials, and intermediary good meant for use in industrial process which are subject to custom duty at a rate less than 16%.

The bill proposes to provide exemption from VAT on Raw materials and intermediary goods imported by a manufacturer for in-house consumption.

Existing Exclusion	Proposed Exclusion
Raw materials and intermediary goods meant for use in an industrial process which are subject to customs duty at a rate less than 16% ad valorem under First Schedule to the Customs Act, 1969;	Raw materials and intermediary goods imported by a manufacturer for in-house consumption.

FEDERAL EXCISE ACT, 2005

Sr. No	Description	Section	Page
1	Adjustment of duties of excise	6(2AB)	43
2	Power of tax authorities to modify orders, etc.	14C	43
3	Power to seize	26(1)	43
4	Confiscation of cigarettes, un-manufactured tobacco or beverages	27	43
5	Appeals to Commissioner (Appeals)	33	43
6	Appeals to the Appellate Tribunal	34	43
7	Alternate Dispute Resolution	38	43
8	Selection for audit by the Board	42B(1A)	43
9	Audit	46(10)	44
10	Service of notices and other documents	47(1)(2)	44
11	Real-Time access to information and database	47AB	44
12	Amendments in the First Schedule	First Schedule	44

1. Adjustment of duties of excise – Section 6(2AB):

The bill proposes to amend Section 6 of the FED Act to restrict adjustment of input tax on material wastage in respect of the goods or class of goods.

2. Power of tax authorities to modify orders – Section 14C:

The Bill seeks to insert a new section, Section 14C to the FE 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, 2005, 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

3. Power to seize – Section 26(1):

Section 26(1) provides that counterfeited cigarettes or beverages or cigarettes ,unmanufactured tobacco or beverages, which have been manufactured unlawfully or on which duty has not been paid as required under FE Act and rules made thereunder, shall be liable to seizure along with the means of conveyance used for carriage or transportation of these goods.

The bill now proposes to extend the application of above section on all other dutiable goods, on which FED has not been paid in the manner as required under the FE Act or the rules made thereunder.

4. Confiscation of cigarettes, un-manufactured tobacco or beverages – Section 27:

The bill proposes to amend Section 27 of the FED Act whereby confiscation and destruction of counterfeited goods shall not be restricted to seized cigarettes, un-manufactured tobacco or beverages, but shall now be applicable to all goods which are subject to FED under the FE Act and which are seized for the reason of counterfeiting.

5. Appeals to Commissioner (Appeals) – Section 33:

The bill seeks to insert a sub-section (1A) to the Section 45B of the ST Act whereby procedure for filing appeals before the Commissioner (Appeals) is prescribed. Further it is proposed that Commissioner (Appeals) may not admit any documentary evidences which were not produced before the Officer Inland Revenue unless he is satisfied that the appellant was prevented by sufficient cause from producing such material.

6. Appeals to Appellate Tribunal -- Section 34(3):

The Bill proposes that the Appellate Tribunal may admit, hear and dispose of any appeal as per the procedure laid down under Section 131 and 132 of the Ordinance and rules made thereunder.

7. Alternative Dispute Resolution -- Section 38:

This amendment is similar to those that were discussed earlier in detail in section 134A of the Income Tax Ordinance, 2001.

8. Selection for audit by the Board -- Section 42B:

Currently, the FBR may select any person or class of persons for an audit through computer ballot. The bill propose that board shall keep the parameters confidential.

9. Audit – Section 46:

Through Finance Act, 2018, a provision was added that the audit of the registered person can be conducted once in every three years. Now the bill seeks to omit the above clause.

10. Services of notices and other documents -- Section 47:

Section 47 provides that any notice, order or requisition required to be served, shall be treated as properly served if sent electronically through email or to the e-folder maintained for the purpose of e-filing of Sales Tax-cum-Federal Excise returns, by limited companies, both public and private.

The bill seeks to broaden the scope by replacing the words of limited companies, both public and private with registered person.

11. Real-time access to information and databases -- Section 47AB:

Similar provision is proposed to be added in Income Tax Ordinance, 2001 vide section 175A Real Time access and Databases of the ITO, 2001. Therefore, this provision has not been discussed here again.

12. Amendments in First Schedule:

The bill proposes to add the following entries in the First schedule of FED Act, 2005:

Sr. No.	Description	Tariff Heading	Rate of Duty
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	PKR 10 per ml
55C	Imported double cabin (4x4) pick-up vehicles	8704.2190 8704.3190	25% ad valorem
55D	Locally manufactured double cabin (4x4) pick-up vehicles	8704.2190 8704.3190	7.5% ad valorem

The bill proposes to amend the following changes in FED rates which is as follows:

Sr. No.	Description	Tariff Heading	Current Duty	Proposed Duty
8	Cigars, cheroots, cigarillos and cigarettes, of tobacco substitutes	24.02	65% of retail Price	65% 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	Rs. 2 per KG	Rs. 2 per KG
56	Filter rod for cigarettes	5502.0090	Rs. 0.75 per filter rod	Rs. 0.75 per filter rod

Islamabad Capital Territory (Tax on Services)
Ordinance, 2001

1. Levy of luxury tax on residential houses and farm house:

Luxury tax on residential houses

Sr. No.	Category	Rate of Tax (Rs.)
1	2 kanal to 4 kanal with covered area of more than 6,000 Sq. ft	100,000 per kanal
2	5 kanal or above with covered area of more than 8,000 Sq. ft	200,000 per kanal

Luxury tax on farm houses

Sr. No.	Category	Annual Rate of Tax (Rs.)
1	4 kanals including area under farming	
	farm house with covered area between 5,000 to 7,000 Sq. ft.	25 per Sq. ft. of the covered area
	farm house with covered area between 7,001 to 10,000 Sq. ft.	40 per Sq. ft. of the covered area
	farm house with covered area of more than 10,000 Sq. ft.	50 per Sq. ft. of the covered area
2	farm house with covered area between 5,000 to 7,000 Sq. ft.	
	farm house with covered area between 7,001 to 10,000 Sq. ft.	
	farm house with covered area of more than 10,000 Sq. ft.	

These taxes shall not be applicable on the self-occupied houses of widows.