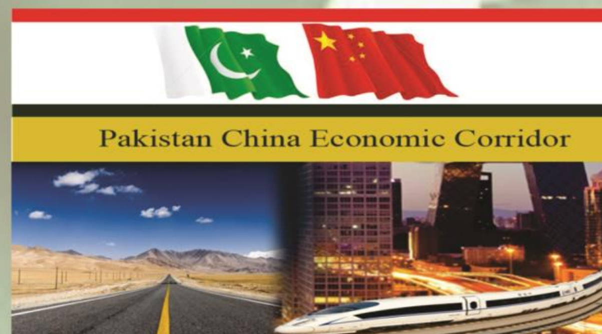
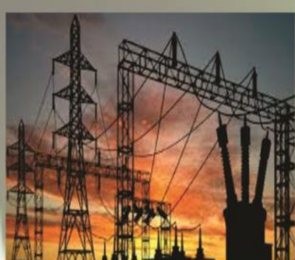
ICMA Pakistan

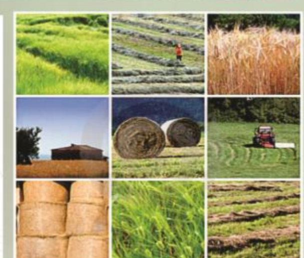
Estd. 1951

Institute of Cost and Management Accountants of Pakistan

Budget Commentary 2016-17







Technical Support and Practice Development Committee

PREFACE

On behalf of the Institute of Cost and Management Accountants of Pakistan (ICMA Pakistan), I am delighted to present the Budget Commentary for the year 2016-17. The purpose of preparing this commentary is to provide a deep insight on the Federal Budget 2016-17 and enable the readers to better understand and comprehend the current Federal Budget.

ICMA Pakistan is a leading professional accounting body working whole heartedly for betterment and uplift of the economy of Pakistan. The Institute is committed to establish a strong corporate culture which will result in economic growth and stability.

Over the period, ICMA Pakistan has actively participated in arranging several pre-budget and post budget seminars, workshops and technical sessions and played a vital role by highlighting improvements in the existing taxation laws and suggesting concrete measures for generating tax revenues. The government has to put in place concrete measures to bring in the undocumented parts of the economy within the realm of documentation. This can be achieved by reducing the cumbersome processes and enhancing the role of the professional institutions like ICMAP, where we can provide the professional backbone for the process of good governance, audit and review.

The sources of information to prepare this Budget Commentary are; Economic Survey of Pakistan, Budget in Brief 2015-16 and The Finance Bill 2015 as were available on the websites of Ministry of Finance and Federal Board of Revenue, Government of Pakistan.

I would like to express my deep appreciation to all our members and their teams who have contributed in putting up the commentary especially Mian Muhammad Ramzan, FCMA; Mr. Riasat Khan, FCMA; Mr. Muhammad Tariq Khurshid, FCMA; Malik Muhammad Imran, FCMA; Mr. Muhammad Arshad Bashir, FCMA and Mr. Tariq Javed Kamboh, FCMA, who worked hard to make this task possible.

We value your suggestions/ proposals and comments to further improve ourselves. You can e-mail us your questions and comments at tariq.kamboh@icmap.com.pk.

We hope that the Budget Commentary will be beneficial for the readers in understanding the budgetary changes and important regular compliance requirements. The strength of the institute lies with its members, let's work for the glory of the institute unitedly and pray for its prosperity.

Muhammad Iqbal Ghori, FCMA
President

TABLE OF CONTENTS

PREFACE ..... **II**

ECONOMIC REVIEW **1**

BUDGET AT A GLANCE **3**

BUDGET HIGHLIGHTS **7**

SALES TAX ACT, 1990 ..... **11**

FEDERAL EXCISE ACT, 2005 ..... **21**

THE CUSTOMS ACT, 1969 ..... **25**

INCOME TAX ORDINANCE, 2001 ..... **27**

OTHER LAWS **44**

INCOME TAX RATES **45**

DISCLAIMER **60**

ECONOMIC REVIEW

The elected government presented fourth budget of their tenure which is claimed and seems to be a growth oriented budget. Still there are several challenges but government is trying to overcome these challenges including energy crises for which serious efforts have been made by the current government. Law and order situation in the country has also been improved. Stability in PKR in international market and growth in GDP 4.04% to 4.71 are positive indicators towards economic stability. Undergoing CPEC project will also help Pakistan to progress well in south Asian region. An over view is as under;

- Pakistan's capital market reaching historical levels is another sign of investor's interest in Pakistan's economy. Pakistan stock exchange is taking a quantum leap and its market fundamentals are strong. Many companies of the world are interested for investment in Pakistan, particularly in power, energy, oil and gas, automobiles and textile sector. There is continuous uptick in FDI and with CPEC investment Programme it will further gain momentum going forward. However the decline in exports and rapid increase in imports affecting our country's growth and destabilizing the economy.

- We have faced adverse effects in growth of agriculture sector which shows negative growth of 0.19% against 2.53% of last year. Pakistan's agricultural output is closely linked with the availability of irrigation water. During 2015-16, the availability of water for Kharif 2015 stood at 65.5 million acre feet (MAF) showing a decrease of 5.5 percent over Kharif 2014 and 2.4 percent less than the normal supplies of 67.1 MAF. During Rabi season 2015-16, the water availability remained at 32.9 MAF, which is 0.6 percent less than Rabi 2014-15 and 9.6 percent less than the normal availability of 36.4 MAF. Special government concerns are required to be focused at most important economic sector which can play vital role in economic growth of the country..

- The industry specific data shows that most of the sub sectors recorded positive growth, the large scale manufacturing sector shows growth of 6.8% comparative with 5.8% of last year.

- Growth has been observed in mining & querying sector of 6.8% as compared to 4 % of last year.

- Although Pakistan is facing budgetary deficit from many decades to meet its current and capital expenditures but current fiscal policy tends to reduce these false practices. The budget deficit has witnessed a substantial decline from 8.2 percent of GDP in FY2013 to 5.3 in FY2015 in response to the efforts taken by the government to reduce power subsidies together with raising tax revenues.

- Merger of three stock exchanges of i-e Islamabad, Lahore & Karachi into single Pakistan stock exchange entered Pakistan into new era of equity trading. Fiscal year 2015-16 has witnessed a significant and an overall steady rise in the stock market indices where historic and unprecedented levels are being crossed. During current year PSX 100- index reached 36,266.23 levels on 11th May, 2016, the highest level in Pakistan stock market history.

- Inflation is the key issue in developing countries like Pakistan where the budgetary deficit force to get debt financing which in return increase cost of living. Current elected government is focused to anchor the inflation and remained successful in containing inflation at 8.62 percent in FY2014 and further to 4.53 percent in FY2015. National Price Monitoring Committee (NPMC) also kept a constant watch over prices and the supply of essential commodities in its regular meetings. Provincial Governments also took proactive measures during the year to maintain price stability through better price check.

- Public Expenditure on Education as percentage to GDP is estimated at 2.2 percentage in FY2015 as compared to 2.1 percentage of GDP in FY2014 showing an increase of 4.8 percent. The Government of Pakistan is determined to enhance the resources to education sector by ensuring proper and timely utilization of funds in order to achieve the target of 4.0 percent of GDP by 2018. The provincial governments are also spending sizeable amount of their Annual Development Plans (ADPs) on education to achieve the targets.

- Energy sector has witnessed 12% growth during FY 2015 and FY 2016 which in turn helped the real GDP growth of 4.7 percent during FY 2016. The government is also taking all possible measures to overcome energy crises to ensure sustainable development in the country. Efforts are underway to improve power sector as three hydel plants Tarbela-4th extension, Chashma, Neelum-Jehlum and few other small dams are expected to provide additional generation within next two years.

- The government has undertaken several projects and programmes to support the environmental goals. Many projects have been completed such as capacity building, provision of clean drinking water, environmental management, biodiversity, air pollution control and watershed management, urban development, promotion of tourism, restoration of lakes and water bodies, environmental awareness, waste management, and wetlands management, etc.

In spite of the internal and external challenges. The present government has been able to stabilize economic fundamentals due to much focused approach towards resolving issues such as good financial management, governance, overcoming energy crises which were hampering the economic activities.

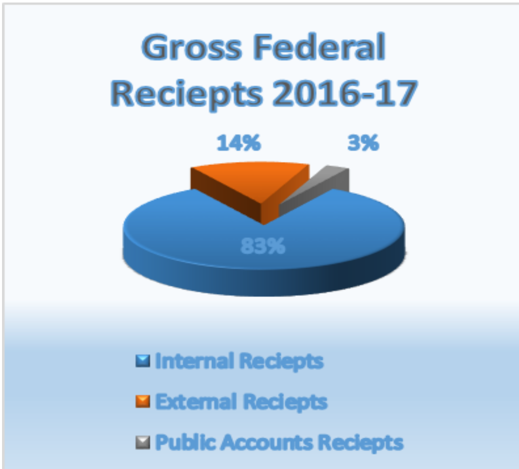
BUDGET AT A GLANCE

Budget 2016-17
Comparative Analysis with Previous Budget

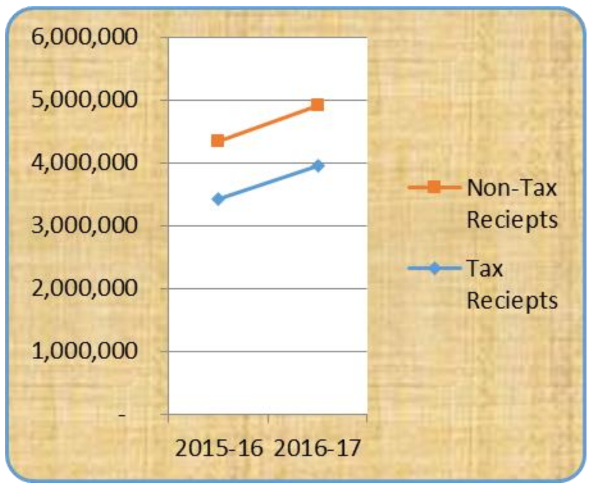
(Ruppes in million)

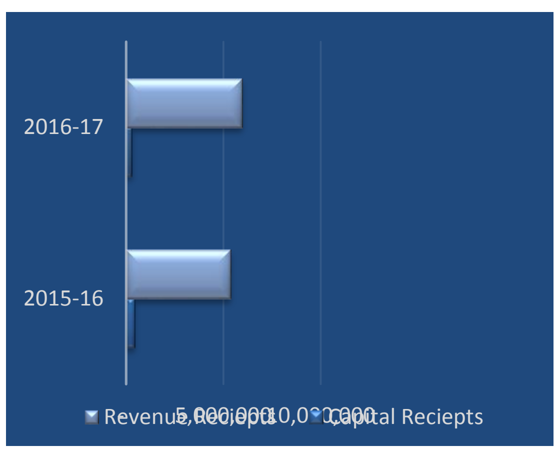
	Budget Estimates 2015-16	Revised Estimates 2015-16	Budget Estimates 2016-17	%age Increase
A. TOTAL RESOURSES				
Revenue Receipts (NET)				
*Tax Revenue Receipts	3,418,221	3,419,795	3,956,123	15.69
Non-Tax Revenue Receipts	894,523	912,821	959,452	5.21
Capital Receipts	352,033	432,935	282,759	-42.66
External Receipts	801,511	873,289	869,610	-0.46
Public Accounts Receipts	254,270	156,004	170,879	5.85
Gross Federal Resources	**5,720,558**	**5,794,844**	**6,238,823**	7.76
Provincial share in federal taxes	-1,849,394	-1,851,946	-2,135,881	15.35
Net Federal Resources	3,871,164	3,942,898	4,102,942	4.13
Cash balance built up by provinces	297,173	336,806	339,022	0.75
	4,168,337	**4,279,704**	**4,441,964**	**3.89**
B. TOTAL EXPENDITURES				
Current Expenditure	3,482,239	3,599,859	3,843,985	7.01
Development Expenditures (PSDP)	969,039	878,676	1,050,893	17.77
	4,451,277	**4,478,535**	**4,894,878**	**9.35**
Bank Borrowings (A-B)	**282,940**	**198,831**	**452,914**	**60.07**
Difference	-	-	-	
***Tax Revenue Receipts**				
Direct Taxes	1,347,872	1,324,000	1,558,000	17.36
Indirect Taxes	1,755,834	1,779,700	2,063,000	16.13
FBR Taxes	**3,103,706**	**3,103,700**	**3,621,000**	**16.67**
Other Taxes	314,515	316,095	335,123	6.05
	3,418,221	**3,419,795**	**3,956,123**	**15.69**

Note: The difference in sources and expenditure is due to roundingoff the figures to nearest million rupees.


Gross Federal Reciepts 2016-17
14%
3%
83%
Internal Reciepts
External Reciepts
Public Accounts Reciepts


GROSS FEDERAL RECIEPTS 2015-16
Internal Reciepts
External Reciepts
Public Accounts Reciepts


6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
-
2015-16 2016-17
Non-Tax Reciepts
Tax Reciepts


2016-17
2015-16
Revenue Reciepts
Capital Reciepts

DETAILED BUDGET SUMMARY

Rs.in million

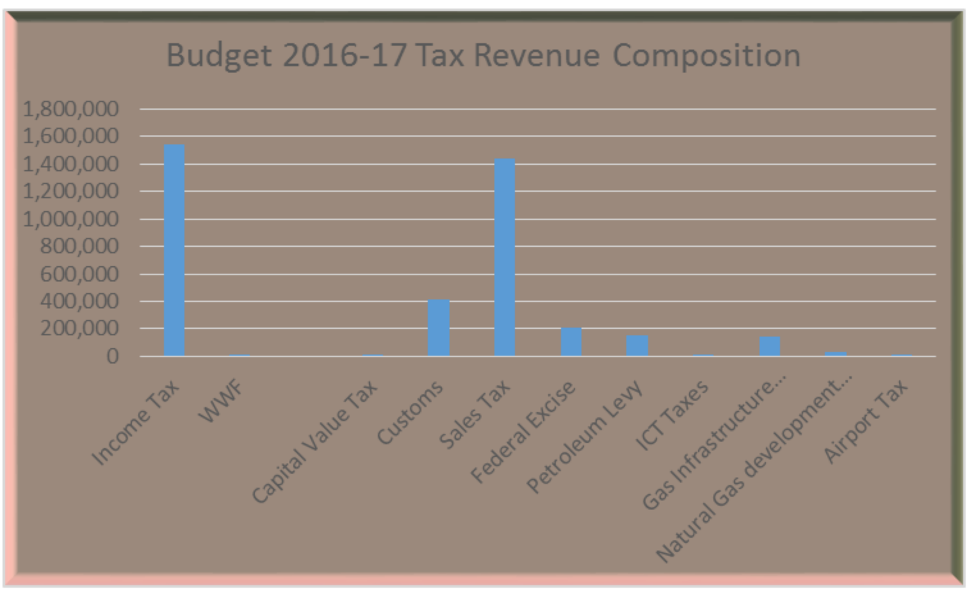
RECEIPTS	Budget 2015-16	Revised 2015-16	%age	Budget 2016-17	%age
Tax Revenue					
Direct Taxes	1,347,872	1,324,000	30.56%	1,558,000	31.70%
Indirect Taxes	1,755,834	1,779,700	41.08%	2,063,000	41.97%
Other Taxes	314,515	316,095	7.30%	335,123	41.97%
	3,418,221	3,419,795	78.93%	3,956,123	80.48%
Non Tax Revenue					
Proper and Enterprises	227,680	228,385	5.27%	261,217	5.31%
Civil Admin & Other Functions	444,295	456,253	10.53%	459,811	9.35%
Misc. Receipts	222,548	228,183	5.27%	238,424	4.85%
	894,523	912,821	21.07%	959,452	19.52%
Gross Revenue Receipts	4,312,744	4,332,616	100.00%	4,915,575	100.00%
Less: Provincial Share	1,849,394	1,851,946		2,135,881	
Net Revenue Receipts	2,463,350	2,480,670		2,779,694	
Net Capital Receipts	606,303	588,939		453,638	
Estimated Provincial Surplus	297,173	336,806		339,022	
External Receipts (Foreign Loans and Grants)	801,511	873,289		869,610	
ESTIMATED NET RESOURCES AVAILABILITY	4,168,337	4,279,704		4,441,964	
EXPENDITURE					
Current Expenditure					
Running Civil Government	326,331	340,072	9.45%	352,794	9.18%
Defense Affairs and Services	781,162	775,861	21.55%	860,169	22.38%
Pensions (Military & Civil)	231,000	236,000	6.56%	245,000	6.37%
Provision for Pay & Pension	0	-	0.00%	0	0.00%
Grants and Transfers (provinces and Others)	409,875	418,245	11.62%	441,616	11.49%
Subsidies	137,603	196,541	5.46%	140,600	3.66%
Interest Payment (on Domestic and Foreign Loans)	1,279,895	1,315,016	36.53%	1,360,000	35.38%
Foreign Loan Repayment	316,373	318,124	8.84%	443,807	11.55%
	3,482,239	3,599,859	100.00%	3,843,986	100.00%
Development Expenditure					
Federal PSDP	700,000	661,297		800,000	
Dev. Loans & Grants to Provinces	104,639	89,820		94,309	
Other Dev. Exp. (Outside PSDP)	164,400	127,559		156,584	
	969,039	878,676		1,050,893	
TOTAL EXPENDITURE	4,451,278	4,478,535		4,894,879	
Short fall	-282,941	-198,831		-452,915	
Bank Borrowings	282,940	198,832		452,915	

Note: The difference is due to roundingoff the figures to nearest million rupees.

BREAKUP OF FEDERAL TAX REVENUE RECEIPTS

Rs.in million

	Budget 2015-16	Revised 2015-16	%age of T.Rev.	Budget 2016-17	%age of T.Rev.
Direct Taxes					
Income Tax	1,326,835	1,307,647	38.24%	1,538,756	38.90%
WWF	19,709	14,401	0.42%	16,947	0.43%
Capital Value Tax	1,328	1,952	0.06%	2,297	0.06%
	1,347,872	1,324,000	38.72%	1,558,000	39.38%
Indirect Taxes					
Customs	299,125	348,500	10.19%	413,000	10.44%
Sales Tax	1,250,272	1,230,300	35.98%	1,437,000	36.32%
Federal Excise	206,437	200,900	5.87%	213,000	5.38%
Petroleum Levy	135,000	135,000	3.95%	150,000	3.79%
ICT Taxes	4,365	3,995	0.12%	5,003	0.13%
Gas Infrastructure Development Cess	145,000	145,000	4.24%	145,000	3.67%
Natural Gas development surcharge	30,000	32,000	0.94%	35,000	0.88%
Airport Tax	150	100	0.00%	120	0.00%
	2,070,349	2,095,795	61.28%	2,398,123	60.62%
Total Tax Revenue Receipts	3,418,221	3,419,795	100.00%	3,956,123	100.00%



BUDGET HIGHLIGHTS

BUDGET LAYOUT

- The total outlay of budget 2016-17 is Rs 4,894.9 billion. This size is 10% higher than the size of budget estimates 2015-16.
- The resource availability during 2016-17 has been estimated at Rs 4,442.0 billion against Rs 4,168.3 billion in the budget estimates of 2015-16.
- The net revenue receipts for 2016-17 have been estimated at Rs 2,779.7 billion indicating an increase of 12.8% over the budget estimates of 2015-16.
- The provincial share in federal taxes is estimated at Rs 2,135.9 billion during 2016-17, which is 15.5% higher than the budget estimates for 2015-16.
- The net capital receipts for 2016-17 have been estimated at Rs 453.6 billion against the budget estimates of Rs 606.3 billion in 2015-16 i.e. a decline of 25.2%.
- The external receipts in 2016-17 are estimated at Rs 819.6 billion. This shows an increase of 9.1% over the budget estimates for 2015-16.
- The overall expenditure during 2016-17 has been estimated at Rs 4,894.9 billion, out of which the current expenditure is Rs 3,844.0 billion and development expenditure is Rs 1,050.9 billion.
- The share of current and development expenditure respectively in total budgetary outlay for 2016-17 is 78.5% and 21.5%
- The expenditure on General Public Services is estimated at Rs 2,707.2 billion which is 70.4% of the current expenditure.
- The development expenditure outside PSDP has been estimated at Rs 156.6 billion in the budget 2016-17.
- The size of Public Sector Development Programme (PSDP) for 2016-17 is Rs 1,675 billion. Out of this, Rs 875 billion has been allocated to provinces. Federal PSDP has been estimated at Rs 800 billion, out of which Rs 282 billion for Federal Ministries / Divisions, Rs 318 billion for Corporations, Rs 20 billion for Pak Millennium Development Goals and Community Development Programme (MDGs), Rs 28 billion for Special Federal Development Programme, Rs 7 billion for Earthquake Reconstruction and Rehabilitation Authority (ERRA), Rs 25 billion for Gas Infrastructure Development, Rs 100 billion for Special Development Programme for Temporarily Displaced Persons (TDPs) and Security Enhancement and Rs 20 billion for Prime Minister's Youth Programme.
- To meet expenditure, bank borrowing has been estimated for 2016-17 at Rs 452.9 billion, which is significantly higher than revised estimates of 2015-16

INCOME TAX

- For payment of quarterly Advance Tax, Alternate Corporate Tax (ACT) is also proposed to be made basis for payment of advance tax.
- Holding Period for imposition of Capital Gain Tax on Immovable Property is being enhanced from existing two years to five years and to be taxed at uniform rate of tax of 10%.
- Property Income proposed to be taxed as separate block of income in the case of individuals and associations of persons. Accordingly separate rates of tax have been proposed where last slab rate on income exceeding Rs.2million is 20%.
- Provincial Sales Tax Authorities to collect 3% income tax from persons paying sales tax to provinces but are Non-Filers with FBR for the purpose of Income Tax.
- Companies declaring Gross Loss are exempt from payment of Minimum Tax at the rate of 1% of turnover. It is proposed that Minimum tax may be charged on companies declaring gross loss.
- At present, minimum tax on turnover is paid by individuals and AOPs having turnover exceeding fifty million rupees. It is proposed that minimum tax @1% of turnover may be made payable by Individuals and AOPs having turnover exceeding ten million rupees.
- Taxation of Builders & Land Developers: Final tax is being imposed on builders/ land developers on the basis of per unit area.
- Withholding Tax on Mining: It is proposed that a withholding tax at the rate of 5% of the value of minerals be collected from non- filers by the departments of provincial governments responsible for issuing licenses for extraction of minerals and collection of royalty on the extracted minerals.
- Extending the leviability of Super Tax for year is being extended for Tax Year 2016.
- Increasing Cost of Non-Compliance with Tax Laws: Continuing with the policy of differential taxation for filer and non-filer, various sections are included with higher withholding tax rates for those not filing income tax returns.
- Additional tax collected/deducted from Non-Filers being made adjustable at the time of filing tax return.
- Increase in Withholding Tax on Commercial Electricity Bills exceeding Rs. 20,000 per month to 12%:

SALES TAX & FEDERAL EXCISE

- No Change in the Existing Sales Tax Rate of 17%
- Zero-rating of export oriented sectors. Five export-oriented sectors are subject to reduced rates i.e. 3% and 5% under SRO 1125(I)/2011, dated 31.12.2011. In order to facilitate the exporters and provide for a No-Tax, No-Refund Regime.
- Pesticides and their ingredients are being granted exemption from sales tax.
- Exemption of sales tax on Premixes for Growth Stunting.
- Exemption of sales tax on import of Laptops and PCs.
- Increase in turnover threshold for cottage industry from existing 5million to Rs.10 million.
- Exclusion of Secondhand and Worn Clothing from further tax levy of 2%.
- Exemption to Dump Trucks for Thar Coal Field.
- Exemption from sales tax and Federal Excise Duty to Concession Holder of Gwadar Port Authority and its operating companies, their contractors and sub-contractors for development of Gwadar Port and Gwadar Free Zone. Exemption from sales tax and Federal Excise Duty for a period of 40 years on the import and supply of materials, equipment, ship bunker oils brought and

sold to ships calling on/visiting Gwadar Port, for the development of Gwadar Port and Free Zone for Gwadar Port is being granted.

- Exemption from sales tax and Federal Excise Duty to businesses to be established in Gwadar Free Zone for a period of 23 years.
- Abolition of zero-rated status of stationery items. Stationery items are exempt from sales tax under the Sixth Schedule to the Sales Tax Act, 1990 as well as zero-rated under the Fifth Schedule thereof.
- Milk, fat-filled milk and preparations for infant use have been enjoying zero-rating facility on supplies for many years. It is proposed to withdraw zero-rating on milk and fat filled milk. Zero-rating on preparations for infant use proposed to be retained.
- Enhancement of Federal Excise Duty on Cement
- Increase in the rate of sales tax on import of Mobile Phones. Mobile Phones are currently charged to sales tax under three categories i.e. Rs. 300, Rs. 500 and Rs. 1,000, based on their features. The proposed new slabs are Rs. 300, 1000 and 1500, respectively.
- Enhancement of Federal Excise Duty on Aerated Waters from 10.5% to 11.5%.
- Inclusion of mineral/bottled water in the Third Schedule to the Sales Tax Act, 1990. Mineral water is charged to sales tax at 17% of value of supply. It is proposed to include mineral water in the Third Schedule so that the tax is charged on the basis of retail price.
- Introduction of optional regime for Tier-1 Retailers. Tier-1 retailers are obliged to pay sales tax at standard rate after input tax adjustment. It is proposed to provide an option to these retailers to pay sales tax at fixed rate of 2% of their total turnover without any input tax adjustments
- Enhancement of rate of sales tax on certain ingredients of poultry feed. Poultry feed and its certain ingredients are exempt from sales tax whereas certain other ingredients are subject to sales tax @ 5% ad valorem. It is proposed to increase the rate of sales tax on the latter category from 5% to 10%.
- In order to bring Marble and Cutting Industry sector in the ambit of sales tax, Sales Tax shall be charged @Rs. 1.25 per KWH of electricity consumed in addition to the standard sales tax @ 17% on supply of electricity as well as extra tax @ 5%.
- Enhancement of fixed rate basis on steel sector, ship breakers and steel melters. Sales tax on steel sector, including ship-breaking sector, is collected on fixed rate basis. Sales tax from steel melters and re-rollers is collected on the basis of electricity consumption whereas ship-breakers are paying sales tax on the basis of LDT of ships imported for breaking. These rates are proposed to be revised upwards.
- Rationalization of exemption available to plant, machinery, equipment, etc. for production of Bio-Diesel. Exemption to plant, machinery, equipment and specific items used in production of bio-diesel is available under the Sales Tax Act, 1990. To preclude the possibility of misuse, it is proposed to exclude "specific items" from this exemption.

CUSTOMS ACT

- Tariff slabs reduced from existing 5 to 4 by merging 2% slab and 5% slab in new 3% slab & 10% and 15% slabs substitute with 11% and 16% slabs respectively.
- Concessions of CD for Dairy, Livestock & Poultry Sectors from 5% to 2%.
- Concessions of CD for Fish Farming, fish feed pellet (floating type) machines from 5% to 2%, fish / shrimp feed 10% & 20% to 0%.

- Exemption from CD on import of Premixes to prevent growth stunting (from 5 - 20 to 0%).
- Expansion in scope of exemption on Renewable Energy Technologies.
- Expansion in scope of exemption for Charitable non-profit making Institutions Operating Hospitals.
- Relief on Cool Chain Machinery.
- Extension in relief on import of Solar Panels till June, 2017.
- Exemption from CD and taxes on disposal of old & used ambulances imported by Edhi Foundation.
- Levy of Regulatory Duty @25% on Powdered Milk and Whey Powder in addition to the customs duty @ 20%.
- Removal of Regulatory Duty on Beed Wire for Tyre manufacturers and on Carbon Steel Strips used by razor blade manufacturers.
- Increase in Customs Duty on Almonds, Frozen Fish, Betel Nuts/leaves, Density Fiber Board, cement clinker, Security Paper, live chicken stock and eggs.
- Reduction in Customs Duty on White Spirits, Stamping Foils, Fatty Alcohol Ethoxylate, CFC Freez Gases, Aluminum Sheet in coil and Thermostats of Deepfreezes.

SALES TAX ACT, 1990

Through Finance Bill 2016, following amendments have been made in the Sales Tax Act, 1990.

Cottage Industry — Section 2 Clauses, 5AB

Definition of cottage industry was introduced through Finance Act, 2007 to encourage the small scale manufacturers who are doing business at a very small scale. Further, its supplies are exempt from sales tax as per sixth schedule to the Act.

Initially, the Cottage Industry was defined, a manufacturer whose annual turnover from taxable supplies made in any tax period during the last twelve months ending any tax period does not exceed five million rupees or whose annual utility (electricity, gas and telephone) bills during the last twelve months ending any tax period do not exceed six hundred thousand rupees.

Latter on due to inflation, the annual limit of annual utility amount was increased from six hundred thousand rupees to seven hundred thousand rupees through Finance, Act, 2008. Latter on this limit was increased to eight hundred thousand rupees through Finance Act, 2015. Now, the limit of annual turnover is enhanced from Rs. 5 million to Rs. 10 million.

This major amendment in the definition of the Cottage Industry would definitely encourage more small scale manufacturing units which definitely would generate employment opportunities.

Due Date for Filing of Monthly Sales Tax Returns — Section 2, Clauses (9), Section 6 (2), Section 26

Due date for filing of monthly sales tax return as required under section 26 is prescribed as 15th day of the month following the end of the month. Now, it is amended that the different dates may be prescribed for furnishing the different parts of annexures of the sales tax return.

This amendment is aimed due to the reason that FBR is in process of making it compulsory to file the annex-C (sales details) by all the registered persons before filing of the monthly sales tax returns by specifying a separate date to reconcile the input & output by the vendor & customer to have check and balance of genuine input adjustments. This system may cause difficulties for the tax payers due to interdependence

Input Adjustment — Section 2, Clause 14

Currently input tax paid on the services rendered or provided to the registered person under the Provincial sales tax laws is adjustable against the output tax.

Now, it is amended to disallow input tax paid under any provincial sales tax law. This amendment is harsh in nature to disallow the genuine input tax related to the supplies.

Determination of Tax Liability — Section 7, sub-section 2, clause (i), Section 8

Section 7 of the Act describes the determination of tax liability. Section 8(1)(ca) describes that the tax credit/input tax adjustment cannot be claimed on the goods or services where the sales tax has not been deposited in the Government treasury by the respective supplier.

Now, it is amended in section 7(2) that if a supplier has not declared the supplies in his return or has not paid amount of tax due, in such case the supplier is not entitled to deduct input tax from output tax, irrespective of the fact that registered person holds the valid invoices against the genuine purchases & even fulfill the conditions of payments under section 73 of the Act.

Although provisions already exist in the Act under section 8(1)(ca), 8(1)(l), therefore, making this proposed amendment superfluous.

This amendment is very harsh, especially in the light of the judgments of the apex judicial forums that have already held that such types of amendments are illogical & unjust, therefore, should be struck down.

Assessment of Tax — Section 11 (4A)

New subsection (4A) is inserted in section 11 of the Act, empowering Officer Inland Revenue to show cause to determine the amount in default where any person who is required to withhold sales tax but fails to withhold or has withheld the tax, but fails to deposit the same in the government treasury.

This amendment is being made to validate the adjudication for no/short deduction or no/short payment of withholding sales tax under the Sales Tax Special Procedure (Withholding) Rules 2007 as currently there is no specific provision for such adjudication.

Exemptions — Section 13

Section 13 of the Act empowers the Federal Government, subject to the approval of the Economic Coordination Committee of Cabinet to accord exemption on the supply or import of goods in certain circumstances which requires immediate action including national security, natural disaster, national food security in emergency situations, protection of national economic interests in situations arising out of abnormal fluctuation in international commodity prices, removal of anomalies in duties, development of backward areas and implementation of bilateral and multilateral agreements besides the goods listed in the sixth schedule to the Act.

Now, it is amended to enhance the scope of such exemption to include the matters relating to international financial institutions or foreign government-owned financial institutions to meet the international obligations of government.

Offences Penalties — Section 33, Sr. 19

Any person who contravenes any of the provisions of the Act, where no separate penalty has been provided is penalized a sum of Rs. 5,000/- or three percent of the amount of tax involved.

Now, to remove doubt it is amended that such penalty would also be applicable, if any person contravenes any of the provisions of "Rules" to the Act also.

Sales of Taxable Activity or Transfer of Ownership — Section 49 (2)

Sub-section (2) of section 49 deals with the sale or transfer of ownership of a taxable activity or part thereof to another registered person as an ongoing concern. Sales tax chargeable on taxable goods or part thereof is to be accounted for and paid by the registered person to whom such sale is made or ownership is transferred.

Now, it is amended that the taxable goods or part thereof shall be transferred to the new owner through a zero-rated invoice to the transferee.

Amendments through Notifications

Following changes are proposed in Budget 2016-17 which will take effect from 1st July 2016. The amendments will be made through notifications;

ZERO RATING OF EXPORT ORRIENTED SECTOR: (SRO 1125(1)/2011 dated 31.12.2016
Currently, five export oriented sectors doing business in Textile (including jute), Carpets, Leather, Sports and Surgical goods are subject to reduced rates i.e. 3% and 5%. In order to facilitate the exporters and provide for a No-Tax, No-Refund Regime, the said SRO shall the amended provide zero rating facility on their purchases/input materials.

SALES TAX ON RETAILERS
Through amendments in the Sales Tax Special Procedures (Chapter II) for Retailers in 2013, the retailers were classified into two tiers.

1. Retailers Required to Pay Sales Tax on Standard Rate and
2. Other Retailers to pay sales tax through electricity Bills

The Tier-1 retailers are defined as under

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

There was difficulty for the retailers to pay sales on standard rates keeping in view different chargeability regimes on the items sold by retailers i.e 3rd schedule items, reduced rate items, items where sales tax in lieu of value addition has already been paid (Chapter XIII) and other items where standard rate applies.
It has been announced that effective from 1st July 2016 an optional regime for Tier-1 Retailers will be provided to pay sales tax at fixed rate of 2% of their total turnover without any input tax adjustments.

SALES TAX ON MARBLE AND CUTTING INDUSTRY

To Levy Sales Tax on Marble& Cutting industry on the basis of Electricity Consumption @Rs. 1.25 per KWH of electricity consumed in addition to the standard sales tax @ 17% on supply of electricity as well as extra tax @ 5%.

ABOLITION OF FURTHR TAX ON SECOND HAND AND WORN CLOTHES
Exemption from further tax @2% u/s 3(1A) on Second Hand and Worn Clothes to be abolished by amending SRO 648.

ENHANCEMENT OF SALES TAX RATE ON STEEL SECTOR.
The sales tax on Steel sector is also proposed to be enhanced by amending special procedures rules for steel melters and re-rollers effective from 1st July 2016.

Standard Rated Goods — Third Schedule

Under Section 3(2), certain items listed in the 3rd schedule to the Sales Tax Act, are chargeable to sales tax at retail price by the manufacturers resulting no further sales tax liabilities on such items.

Currently few FMCG goods including, tea, spices sold in retail packing, ice cream, syrups and squashes perfumery/ cosmetics, toilet soap, tooth paste, shampoo, shaving cream, toilet/tissue paper , cement cigarettes, fertilizer, shoe polish, aerated water, beverages and drinks. Now the bottled/mineral water is proposed to be inserted in the schedule;

Serial No.	Description	PCT Heading
37.	Mineral/bottled water	Respective headings

Zero Rated Goods — Fifth Schedule

Zero Rating of raw materials, packing material in respect of the following goods at serial no. 12 was available to manufacturers subject to certain conditions is being withdrawn.

i. Colors in sets (PCT heading 3213.1000)
ii. Writing drawing and marking inks (PCT heading 3215.9010 and 3215.9090)
iii. Erasers (PCT heading 4016.9210 and 4016.9290)
iv. Exercise books (PCT heading 4820.2000)
v. Pencil sharpeners (PCT heading 8214.1000)
vi. Geometry boxes (PCT 9017.2000)
vii. Pens, ball pens, markers and porous tipped pens (PCT heading 96.08)
viii. Pencils Including color pencils (PCT heading 96.09)
ix. Milk (PCT heading 04.01)
xviii. Fat filled milk (PCT heading 1901.9090)

The withdrawals of above zero rating on raw materials of these items will result in increase in price. The import and supply of the above items is already exempt under Sixth Schedule to the Sales Tax Act.

EXEMPTION OF GOODS — Sixth Schedule

New Insertion of sub-serials and annexure after serial no 100,

Serial No.	Description	Heading Nos.
"100A.	Materials and equipments for construction and operation of Gawadar Port and development of Free Zone for Gawadar Port as imported by or supplied to China Overseas Ports Holding Company Limited (COPHCL) and its operating companies namely: i) China Overseas Ports Holding Company Pakistan (Private) Limited. ii) Gawadar International Terminal Limited, iii) Gawadar Marin Services Limited and iv) Gawadar Free Zone Company Limited, their contractors and sub-contractors; and Ship Bunker Oils bought and sold to the ships calling on/visiting Gawadar Port, having Concession Agreement with the Gawadar Port Authority, for a period of forty year, subject to the following conditions and procedure, namely,– **(A). Conditions and procedure for imports.–** (i) This exemption shall be admissible only to China Overseas Ports Holding Company Limited (COPHCL) and its operating companies, their contractors and subcontractors which hold the Concession Agreement; (ii) Ministry of Ports and Shipping shall certify in the prescribed manner and format as per Annex-I that the imported materials and equipments are bonafide requirement for construction and operation of Gawadar Port and development of Free Zone for Gawadar Port. The authorized officer of that Ministry shall furnish all relevant information online to Pakistan Customs against a specific user ID and password obtained under section 155D of the Customs Act, 1969 (IV of 1969). In already computerized Collectorate or Customs station, where the computerized system is not operational, the Project Director or any other person authorized by the Collector in this behalf shall enter the requisite information in the Customs Computerized System on daily basis, whereas entry of the data obtained from the customs stations which have not yet been computerized shall be made on weekly basis, provided that this condition shall not apply to ship bunker oils; and (iii) The goods so imported shall not be sold or disposed of without prior approval of the FBR and payment of sales tax leviable at the time of import, provided that this condition shall not apply to ship bunker oils. **(B). Conditions and procedure for local Supply.–** (i) This exemption shall be admissible only to China Overseas Ports Holding Company Limited (COPHCL) and its operating companies, their contractors and subcontractors which hold Concession Agreement;	Respective Headings

	(ii) For claiming exemption on goods which are otherwise taxable in Pakistan, the operating companies will purchase the materials and equipments for the construction of Gawadar Port and development of Free Zone for Gawadar Port from the sales tax registered persons only; (iii) Invoice of the exempt supply, containing the particulars required under section 23 of the aforesaid Act, shall for each supply be issued by the registered person to the operating company mentioning thereon that the said invoice is being issued under this notification; (iv) A monthly statement summarizing all the particulars of the supplies made in the month against invoices issued to the operating companies shall be prepared in triplicate by the registered persons making the exempt supplies and shall be signed by the authorized person of the registered person. All three copies of the said signed monthly statement shall be got verified by the registered person from the person authorized to receive the supplies in the office of operating company, confirming that supplies mentioned in the monthly statement have been duly received; (v) After verification from the operating company, original copy of the monthly statement will be retained by the registered person, duplicate by the operating company and the triplicate provided by the registered person to the Collector of Sales Tax having jurisdiction, by twentieth day of the month following the month in which exempt supplies to the operating companies were made; and (vi) The registered person making the exempt supplies shall keep the aforesaid record for presentation to the sales tax department as and when required to do so.	
100B	Supplies made by the businesses to be established in the Gawadar Free Zone for a period of twenty-three years within the Gawadar Free Zone, subject to the condition that the sales and supplies outside the Gawadar Free Zone and into the territory of Pakistan shall be subjected to sales tax.	

Exemption on White Crystalline Sugar which were falling in serial no. 111 has been omitted and same has been added in the Eighth Schedule at reduce rate of 8%. Currently, White Crystalline Sugar is subject to FED @8% which is being withdrawn consequent to this amendment.

After serial no. 129, the following serial nos.and goods are inserted where exemption have been provided.;

130	Premixes for growth stunting	Respective Headings, and subject to conditions imposed for importation under the Customs Act, 1969;
131	Laptop computers, notebooks whether or not incorporating	8471.3010

	multimedia kit	
132	Personal computers	8471.3010

Following Agriculture Input items which were chargeable to Sales Tax @7% are being exempted to give relief to the Agriculture Sector.

133	Pesticides and their active ingredients registered by the Department of Plant Protection under the Agricultural Pesticides Ordinance, 1971(II of 1971), stabilizers, emulsifiers and solvents, namely:-	38.03
	Xylol (xylenes)	2707.3000
	- Beta Pinene / Agrotin 527 / Terpenic Derivative	2902.1990
	Toluene	2902.3000
	Mixed xylene isomers	2902.4400
	Naphthalene	2902.9010
	Solvesso-100, 150, 200	2902.9090
	Ingredients for pesticides	2903.3040
	Cadusafos Technical Material	2903.6900
	Methanol (methyl alcohol)	2905.1100
	Propylene glycol (propane-1, 2-diol)	2905.3200
	- Adhesives Polyvinyl Acetate - Polyvinyl Alcohol	2905.4900
	Ingredients for pesticides	2906.2910
	Other Ingredients for pesticides	2906.2990
	- Solvenon MP / 1-Methoxy 2-Propanol - Methyglycol Acetate	2909.4910
	Methanal (formaldehyde)	2912.1100
	Cyclo-hexanone and methyl- cyclohexanones	2914.2200
	- Cyclohexanon - Cyclohexanone Mixed petroleum Xylene (1,2 & 1,3 & 1,4 dimethyl benzene and ethyle benzene)	2914.2990
	Acetic anhydride	2915.2400
	Ingredients for pesticides	2916.3920
	Dioctyl orthophthalates	2917.3200
	Ingredients for pesticides	2918.9010
	Ingredients for pesticides	2919.0010
	Other Ingredients for pesticides	2919.0090
	Endosulfan Technical Material	2920.9020
	Other Ingredients for pesticides	2920.9090
	Diethylamine and its salts	2921.1200
	Ingredients for pesticides	2921.4310
	Other Ingredients for pesticides	2921.4390
	Ingredients for pesticides	2921.5110
	Triethanolamine and its salts	2922.1300
	Dimethyl Formamide (DMF)	2924.1990
	Ingredients for pesticides	2924.2930
	Other Ingredients for pesticides	2924.2990
	Alpha cyano, 3-phenoxybenzyl (-) cis,	2926.9010

	trans 3-(2,2-diclord vinyl) 2,2 dimethyl cyclopropane carboxylate	
	(S) Alpha cyano, 3-phenoxybenzyl (S)-2-(4, chloro phenyl)-3 mehtyl butyrate	2926.9020
	Cyano, 3-phenony benzyl 2,2,3,3 tetra methyl cyclopropane carboxalate	2926.9030
	- Cypermethrin, Alpha Cypermethrin, Beta-Cypermethrin, Zeta-Cypermethrin, Lambda Cylalothrin, Deltamethrin, Fenpropathrin, Esfenvalerate, Bifenthrin Technical Material- Acetamiprid, Imidacloprid Technical Material- Monomehypo, Chlorothalonil Technical Material- Bromoxynil Technical Material	2926.9050
	Other nitrite compounds-Cyfluthrin, Beta Cyfluthrin Technical Material	2926.9090
	2-N, N-Dimethyl amino-I sodium thiosulphate, 3-thiosulfourropane	2930.2010
	Ingredients for pesticides	2930.2020
	2- N,N-dimethyamino 1,3 disodium thiosulphate propane	2930.9010
	O,S-dimethyl phosphoramidothioate	2930.9020
	S-S (2 dimethyl amino (trimethylene) bis (thio carbamate)	2930.9030
	Diafethiuran technical (itertbutyl) 3-2-6 disopropyl (4-phenoxyphenyl) thiourene	2930.9040
	O-O diethyl O-(3,5,6 trichloro pyridinyl) phosphorothioate	2930.9050
	O-(4-bromo, 2-chloro phenyl) o-ethyl spropyl (phosphorothioate)	2930.9060
	O,O duethyl O-(3,5,6-trichloro 2-pyridyl) phosphorothioate	2930.9070
	Ingredients for pesticides	2930.9080
	Other orgonosulpher compounds - Ethion, Methamidophos Technical Material - Dimethysulfoxid	2930.9090
	Ingredients for pesticides	2931.0010
	Other Ingredients for pesticides	2931.0090
	Ingredients for pesticides	2932.2920
	2,3 Dihydro 2-2 dimethyl-7 benzo furanyl methyl-carbamate	2932.9910
	Other ingredients for pesticides - Carbosulfan Technical Material	2932.9990
	Fipronil	2933.1900
	Ingredients for pesticides	2933.3930
	Other Ingredients for pesticides	2933.3990
	- Chlorpyrifos, Triazophos, Diazinon	2933.5950

	Technical Material	
	Other Ingredients for pesticides	2933.5990
	Pyrimethanine	2933.6910
	Ingredients for pesticides	2933.6940
	- Atrazine Technical Material	2933.6990
	Isatin (lactam of istic acid)	2933.7910
	1-Vinyl-2-pyrrol-idone	2933.7920
	- Triazophos Technical Material	2933.9910
	Ingredients for pesticides	2934.1010
	Ingredients for pesticides	2934.9920
	-Methyl benzimidazol – 2 – ylcarbamate. -Dicopper chloride trihydroxide	2938.9010
	Ingredients for pesticides	2939.9910
	- Abamectin, Emamectin Technical Material	2941.9050
	Other Ingredients for pesticides	2941.9090
	Sulphonic acid (Soft)	3402.1110
	Other surface active agents	3402.1190
	Catonic	3402.1290
	Non ionic surface active agents	3402.1300
	Other organic surface active agents	3402.1990 3402.9000
	Chemical preparations	3824.9099
	Solvent C-9	2707.5000

In Annexure table 3 related to plant and machinery; serial no. 4 has been amended as;

Before amendment	After amendment	Remarks
Coal mining machinery, equipment, spares, including vehicles for site use i.e. single or double cabin pick-ups, imported for Thar Coal Field.	Coal mining machinery, equipment, spares, including vehicles for site use i.e. single or double cabin pick-ups and **dump trucks, imported for Thar Coal Field.**	Other conditions and PCT headings would remain unchanged.

REDUCE RATED GOODS — Eighth Schedule

In Table I against serial no. 15; following PCT headings were changed 2301.2090, 2301.2010, 2833.2600, 2923.9000 (Betafin) to 2301.1000 (Meat and Bone Meal), 2301.2090, 2833.2940, 2923.9010 (Betaine) respectively. These items are ingredients of poultry feed which were subject to reduced rate of 5% and now tax rate is being increased from 5% to 10%.

Serial no. 20 also amended as follows;

Serial No. 20 before amendment	Serial No. 20 after amendment	Remarks
Plant , Machinery, equipment and specific items used in	Plant , Machinery and equipment used in production of bio-diesel	Conditions, PCT headings and tax rates would remain

production of bio-diesel		unchanged.

Serial no. 31 related to pesticides and their active ingredients which were chargeable to sales tax @7% has been omitted here and shifted to Sixth Schedule table-I to provide Exemption for relief to the Agriculture Sector.
Further following serial nos. 32 and 33 were added in this schedule as;

Serial No.	Description	PCT Headings	Taxable rates
32	White Crystalline Sugar	1701.9910 and 1701.9920	8%
33	Urea, whether or not in aqueous solution	3102.1000	5%

In Table-2 related to plant and machinery in annexure; serial no. 1 were amended.

Serial no.1 before amendment	Serial no.1 after amendment	Remarks
Machinery and equipment for development of grain handling and storage facilities.	Machinery and equipment for development of grain handling and storage facilities including silos.	Conditions, PCT Headings would remain unchanged.

Specified rates payable by specified persons –section 3B Ninth Schedule

Sales tax on Import or local supply and sales tax (chargeable at the time of registration of IMEI number by CMOs) of category B and C mobiles has been amended from 500 to 1000 and 1000 to 1500 respectively.

FEDERAL EXCISE ACT, 2005

Following amendments have been made in the Federal Excise Act, 2005 through the Finance Bill 2016.

Due Date of Furnishing a Tax Return — Section 2(8a)

Earlier, due date in relation to furnishing a return under section 4 was the 15th day of the month following the end of the month, or such other date as the Federal Government may, by notification in the official Gazette, specify.

Now, it has been added that the Federal Government may also specify, by notification in the Official Gazette, different dates for furnishing of different parts or annexures of the return. It means that the due date for filing of return can be segregated with respect to different annexures.

This amendment is being made to comply with new system of the e-filing of returns through Iris where the department intends to track the purchases and sales through the said online system for the purpose of genuine input adjustments. This system may cause difficulties for the tax payers due to interdependence.

Filing of Return and Payment of Duty etc. — Section 4(2) & 4(3)

As provided in Section 4(2) earlier, duty due for the dutiable supplies made or services rendered during a month was to be deposited by the registered person in the designated branch of the bank at the time of filing of his return.

Now it is being amended that such duty shall be paid by the date as prescribed in this respect by the Federal Government. This amendment has been made to make this law in line with the Sales Tax Law where different dates for payment of tax and filing of return are prescribed.

Further, as per Section 4(3) earlier, in case of change in the rate of duty, registered person required to file a separate return showing the application of different rates of duty in respect of each portion of such month. However, this clause has now been omitted vide Finance Bill 2016.

Adjustment of Excise Duties — Section 6(2A)

For the purpose of determining net liability of duty in respect of any goods, the duty already paid on goods specified in the First Schedule, and used directly as input goods for the manufacture or production of such goods shall be deducted from the amount of duty calculated on such goods.

However, it has been provided vide Finance Bill, 2016 that adjustment of such duty shall be admissible only if the supplier of input goods and services has declared such supply in his return and he has paid amount of tax due as indicated in his return.

Exemptions — Section 16(2)

From the last year, the Federal Government can issue exemptions and concessions subject to approval of Economic Coordination Committee in certain circumstances (national security, natural disaster, emergency situations, protection of national economic interests, abnormal fluctuations in international commodity prices, removal of anomalies, development of backward areas and implementation of bilateral and multilateral agreements as prescribed in section 16(2). Through the bill the circumstances relating to international financial institutions or foreign government- owned financial institutions have also been provided.

Offences, Penalties, Fines and Allied Matters — Section 19(13)

Sub-Section (13) of Section 19 has been added vide Finance Bill, 2016 to ascertain the penalty for breach or violation of such rules for which no penalty has been specified. Any person who contravenes any provision of this Act or rules made thereunder for which no penalty has specifically been provided in this section shall be liable to pay a penalty of five thousand rupees or three percent of the amount of duty involved, whichever is higher.

Disclosure of Information by a Public Servant — Section 47B

Through Finance Act 2015, Section 47B was inserted where public servant made bound that any information acquired under any provision of Federal Excise Act or in pursuance of a bilateral or multilateral agreement or tax information exchange agreement shall be confidential and not be disclosed except if otherwise required as provided under section 216 of the ITO, 2001.

Through the Bill it is being provided that the provisions of section 216(3) of Income Tax Ordinance 2001 (XLIX of 2001) shall not apply to any information received or supplied in pursuance of bilateral or multilateral agreements with government of foreign countries and such information shall be kept confidential.

Excisable Goods & Rate of Duty — 1st Schedule- Table I

Duty on Excisable Goods has been amended as follows effective from 1st July 2016. However enhancement of duty on cigarettes was made effective from 5th June 2015 enforced through SRO 481(1)2015 dated 5th June 2015.

Sr.No.	Description	Existing Rates	New Rates 2017
4.	Aerated waters	10.5%	11.5
5.	Aerated waters, containing added sugar or other sweetening matter or flavoured	10.5%	11.5
6.	Aerated waters if manufactured wholly from juices or pulp of vegetables, food grains or fruits and which do not contain any other ingredient, indigenous or imported other than sugar, colouring materials, preservatives o additives in quantities prescribed under the West Pakistan Pure Food Rules, 1965	10.5%	11.5
9	Locally produced cigarettes if their on-pack printed retail price exceeds Rs.3350 per 1000 cigarettes.	Rs.3,030 per 1000 cigarettes	
9a	Locally produced cigarettes if their on-pack printed retail price exceeds Rs.4,000 per 1000 cigarettes.		Rs. 3,436 per thousand cigarettes

9b	Locally produced cigarettes if their on-pack printed retail price exceeds Rs.4,400 per 1000 cigarettes.		Rs. 3,705 per thousand cigarettes
10 10a 10b	Locally produced cigarettes if their on-pack printed retail price does not exceed Rs.3350 per 1000 cigarettes. Locally produced cigarettes if their on-pack printed retail price does not exceed Rs.4,000 per 1000 cigarettes. Locally produced cigarettes if their on-pack printed retail price does not exceed Rs.4,400 per 1000 cigarettes.	Rs.1,320 per 1000 cigarettes	 Rs. 1,534 per thousand cigarettes Rs. 1,649 per thousand cigarettes
13	Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinkers	5% of the retail price	1 rupee per kilogram
53	White Crystalline Sugar	8% ad. Val.	Excluded from list of excisable goods and will be subject to sales tax under the Sales Tax Law.

Excisable Services & Rate of Duty

1st Schedule- Table II

Duty on Excisable Services is amended as follows effective from 1st July 2016.

The duty on the services, as specified against serial numbers 1, 2, 2A, 5, 8, 11 and 13 shall not be levied on services provided in a Province where the provincial sales tax has been levied thereon. These services are;

Sr. No.	Description of Goods	Heading/Sub-Heading Number	Rate of Duty
1	Advertisement on closed circuit T.V.	9802.3000	Sixteen per cent of the charges.
2	Advertisements on cable T.V. network.	9802.5000	Sixteen per cent of the charges.
2A	Advertisements in newspapers and periodicals (excluding and Classified advertisements) of hoarding boards, poles Signs and sign boards	9802.4000 and 9802.9000	Sixteen per cent of the charges.
5	Shipping agents	9804.1000	(i) Two hundred rupees per house-bill of lading issued in case of Non-Vessel Operating Common Carriers (NVOCC), International Freight ii) Sixteen per cent of the charges in case of other categories of shipping agents.
8	Services provided or rendered by banking companies, cooperative financing g societies, modarbas , musharikas, leasing companies, foreign exchange dealers, non-banking	98.13	Sixteen per cent of the charges.

	financial institutions, Assets Management Companies and other persons dealing in any such services.		
11	Franchise services	9812.9410	Ten per cent of the charges.
13	Services provided of rendered by stock brokers.	9819.1000	Sixteen per cent of the charges.

However, other services which are taxable under the provincial laws still exist in the Schedule.
Since, services are now taxable under the provincial laws, there is need to delete all the services from Federal Excise Act or one explanatory clause may be added that FED on Services shall not be applicable where Province has imposed Provincial Sales Tax.

Goods on which Duty is Collectible under Sales Tax Mode with Entitlement for Adjustment with Sales Tax and Vice Versa

2nd Schedule

Federal excise Duty collectible under sales tax mode on White Crystalline Sugar has been abolished due to the reason that same would be taxable under the Sales Tax Act 1990.

Conditional Exemptions on Goods from Federal Excise

3rd Schedule- Table I

Exemption on the following excisable goods granted through Finance Act 2015 has been abolished.

Sr.No.	Description	Heading/sub heading number
18.	White Cement	25.23

Following items have been exempted from FED.

Sr.No.	Description	Heading/sub heading number
19	Materials and equipment for construction and operation of Gawadar Port and development of Free Zone for Gawadar Port as imported by or supplied to China Overseas Ports Holding Company Limited (COPHCL) and its operating companies namely (i) China Overseas Ports Holding Company Pakistan (Private) Limited, (ii) Gwadar International Terminals Limited, (iii) Gwadar Marine Services Limited and (iv) Gwadar Free Zone Company Limited, their contractors and sub-contractors; and Ship Bunker Oils bought and sold to the ships calling on/visiting Gawadar Port, having Concession Agreement with the Gwadar Port Authority, for a period of forty years, subject to the conditions and procedure as specified under S.No. 100A of Table-1 of Sixth Schedule to the Sales Tax Act, 1990.	Respective Headings
20	Supplies made by the businesses to be established in the Gwadar Free Zone for a period of **twenty-three years** within the Gwadar Free Zone, subject to the condition that the sales and supplies outside the Gwadar Free Zone and into the territory of Pakistan shall be subjected to Federal Excise Duty.	Respective Headings

THE CUSTOMS ACT, 1969

Following have been amended in the Customs Act, 1969 through Finance Bill, 2016.

General Power to Exempt from Custom Duties | Section 19

Section 19 of the Customs Act empowers the Federal Government, subject to the approval of the Economic Coordination Committee of Cabinet to accord exemption through notification in the official Gazette to any goods imported into, or exported from, Pakistan or into or from any specified port or station or area therein, from the whole or any part of the customs-duties chargeable thereon and may remit fine, penalty, charge or any other amount recoverable under this Act in certain circumstances for the purpose of national security, natural disaster, national food security in emergency situations, protection of national economic interests in situations arising out of abnormal fluctuation in international commodity prices, removal of anomalies in duties, development of backward areas and implementation of bilateral and multilateral agreements, subject to such conditions, limitations or restrictions, if any, as it deems fit to impose.

Now, it is amended that such exemption can be granted to any International Financial Institution or foreign government owned Financial Institution operating under a memorandum of understanding, an agreement or any other arrangement with the Government of Pakistan. This amendment is due to the international obligations & commitments of Government.

Confidentiality of Information | Section 155H

All trade information gathered by Customs during clearance of goods is confidential and is not to be used except for - (a) statistical purposes by the department and other Government organizations; or (b) purposes of comparison and evidence as against other imports and exports; or (c) production as evidence before a legal forum or an organization explicitly so authorized by the Federal Government. Any disclosure, publishing or dissemination of trade information of any person except as provided above without his explicit permission to any other person is an offence.

Now, two more sub-sections are added in this section where such sharing of data is allowed i.e. sharing of data to the extent of agreed data content under a memorandum of understanding, bilateral, regional, multilateral agreements or conventions or public disclosure of valuation data through any medium containing description of items, origin, currency, declared and assessed unit value without disclosing name and address of the importer or exporter or their suppliers.

First Schedule to the Customs Act, 1969 — Section 18(1)

It is amended to reduce tariff slabs/structure from existing 5 to 4 by merging 2% slab and 5% slab in new 3% slab & 10% and 15% slabs substitute with 11% and 16% slabs respectively.
Other few important changes in duties are as follows:

Sr. No	Measure	Existing CD%	Proposed CD %
1	Exemption from CD on Water Quality Testing Kits	20	0
2	Concessions of CD on local manufacturing of LED Lights	20	5
3	Exemption from CD on Linear Akyl Benzene	2	0
4	Reduction in CD on raw material of PVC Resin	5	3
5	Reduction in CD on White Spirits	10	3
6	Reduction in CD on Stamping Foil	20	16
7	Reduction of CD on Fatty Alcohol Ethoxylate	15	5
8	Reduction in CD on CFC Free Gases	15	11
9	Reduction in CD rate for Aluminum Sheet in Coil	20	11
10	Reduction in CD on Thermostats of Deepfreezers	20	3
11	Rationalization of CD on Betel nuts and Betel Leaves	10, Rs.300/Kg	20, Rs. 600/Kg
12	Rationalization of CD on Almonds	10	20
13	Rationalization of CD Frozen fish	10	20
14	Increase of CD on Medium Density Fiber board	15	20
15	Increase of CD on Cement Clinker	2	11
16	Increase in CD on Semi Printed/Printed Security Paper	5	16
17	Increase in CD on Live Chicken stock and Eggs of chiken	5	11
18	Increase in CD on Birds eggs(not in shell)	5	16
19	Removal of RD from Bead Wire for tyres Manufacturers	RD 10	0
20	Removal of RD from Carbon Steel Strips used by Razor blade manufacturers	RD 17.5	0
21	Levy of RD on Powdered Milk	20	20+25RD
22	Levy of RD on Whey Powder	20	20+25RD

INCOME TAX ORDINANCE, 2001

Through Finance Bill 2016, following amendments have been proposed in the Income Tax Ordinance, 2001.

Super Tax for Rehabilitation of temporarily displaced persons	Section 4B, Division IIA, Part 1 , First Schedule, Fifth Schedule Part-I, Rule 4AA, Part-II, Rule 2A, Seventh Schedule Rule 7C, Eighth Schedule Sub-Rule 8 of Rule 1

One-time super tax for tax year 2015 on (i) banking companies; and (ii) all other taxpayers having income of Rs 500 million or above was imposed vide Finance Act, 2015 for Tax Year 2015. The rate of super tax for banking companies is 4% of the income while the rate of tax for other taxpayers shall be 3% of the income and as specifically stated in the relevant provision, this 'tax' is for the rehabilitation of temporary displaced persons.

The term 'income' for the purpose of this section shall be the taxable income other than depreciation and carry forward of business losses as defined under section 9 of the Income Tax Ordinance, 2001 (excluding exempt income) and also includes profit on debt, dividend, capital gains, brokerage and commission, taxable under special provisions of the Ordinance. Such income in the cases subject to final tax regime will also include i.e 'imputable income' as defined under section 2(28A) of the Ordinance .

The matter for calculation of income subject to supper tax excluding depreciation and carry forward losses as notified vide circular is in high court but now government has proposed the said change in main law.

This tax is proposed to apply for tax year 2016 also.

Tax on Builders	Section 7C, Section 8,Section 113A Division VIIIA Part-1 of First Schedule,

New section 7C is proposed to insert to tax the builders on Fixed Tax Regime basis.

Under this regime, tax liability for the builders shall be determined on the basis of area, instead of the value of property or actual transaction value. Builders eligible for this provision shall be the persons engaged in construction and sale of residential, commercial or other buildings and plots under the projects initiated and approved by the relevant land and building authorities (as may be prescribed) after July 1, 2016. This proposal is likely to incentivize recording of the actual value of the developed property, as the declaration of the real value will not result in any income based tax incidence for the seller which is fixed on area basis. This regime will be applicable for business or projects, initiated and approved after July 1, 2016. In case of commercial buildings the rates of tax is proposed at 210/sq/ft across the board and for residential buildings different rates of tax are proposed according to the area slabs like up to 750 Sq.ft , 750 to 1500sq.ft and above 1500 sq.ft. The rates for big cities ranges like Lahore ,Karachi & Islamabad proposed from Rs.20/ sq.ft to Rs. 70/ sq.ft . For other cities like Hyderabad, Sukhur, Multan, Faisalabd, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbottabad & Quetta rate of fixed tax are ranging between Rs.15/ sq.ft to Rs.55/ sq.ft . For all other urban areas rate of tax are proposed from Rs.10/ sq.ft to R.35/ sq.ft.

As a consequence of the introduction of the above, the minimum tax regime under sections 113A for builders is proposed to be withdrawn.

The tax paid under this scheme is proposed to be final tax on the income of Builders.

Tax on Developers — Section 7D, Section 8, Section 113B, Division VIIIB Part-1 of First Schedule,

New section 7D is proposed to insert to tax the Developers on Fixed Tax Regime basis.

Under this regime, tax liability for the developers shall be determined on the basis of area, instead of the value of property or actual transaction value. Developers eligible for this provision shall be the persons engaged in development and sale of residential, commercial or other buildings and plots under the projects initiated and approved by the relevant land and building authorities (as may be prescribed) after July 1, 2016. This proposal is likely to incentivize recording of the actual value of the developed property, as the declaration of the real value will not result in any income based tax incidence for the seller which is fixed on area basis. This regime will be applicable for business or projects, initiated and approved after July 1, 2016. In case of commercial buildings the rates of tax is proposed at 210/sq/ft across the board and for residential buildings different rates of tax are proposed according to the area slabs like up to 750 Sq.ft , 750 to 1500sq.ft and above 1500 sq.ft. The rates for big cities ranges like Lahore ,Karachi & Islamabad proposed from Rs.20/ sq.ft to Rs. 70/ sq.ft . For other cities like Hyderabad, Sukhur, Multan, Faisalabd, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbottabad & Quetta rate of fixed tax are ranging between Rs.15/ sq.ft to Rs.55/ sq.ft . For all other urban areas rate of tax are proposed from Rs.10/ sq.ft to R.35/ sq.ft.

As a consequence of the introduction of the above, the minimum tax regime under sections 113B for developers is proposed to be withdrawn.

The tax paid under this scheme is proposed to be final tax on the income of developers.

Tax On Property Income — Section 15 Section 15,Division VIA of Part-I, Division V of Part-III of First Schedule,

Property income for all persons is currently subject to tax on net-income basis. It is now proposed that in the case of individuals and Association of Persons (AOP), tax shall be payable on the basis of 'gross rent' instead of 'net income'. Separate slab rates has been prescribed for the same. The 'income from property' so taxed shall not be clubbed with any other head of income. Property income in the hands of individuals and AOPs of an amount less than Rs 200,000 in a tax year shall not be taxable, subject to the condition that such person does not derive income from any other head.

Following tax rates have been proposed for chargeability and withholding on annual gross rentals derived by individuals and AOPs exceeding Rs. 200,000: The Pproperty income shall be taxed under the newly inserted slab rates of 5%, 10%, 15% and 20% rate for the last slab for income exceeding Rs.2,000,000/-

Deduction of Income Tax on Business Expenditures and Advertisement Expenses by Pharma Sector — Section 21(c), Section 21 (o)

It is proposed that provisions relating to disallowance of expenditures due to non-deduction of income tax at source which is currently restricted to salary, rent, brokerage or commission, profit on debt, payments to non-residents and for services be extended to 'all expenditures' from which a person is required to deduct or collect withholding tax under the Income Tax Ordinance, 2001.

It is further proposed that disallowance for non-deduction of tax on payments for raw material and finished goods purchases shall not exceed 20% of the value of payments for such purchases.

It has been further proposed that taxes collected from the withholding agents and recipients (under sections 161 and 162) shall be considered as taxes paid for the admissibility of such expenditure. This amendment reiterates the position accepted by the appellate authorities.

A restriction has been proposed to place on admissibility of expenditure incurred by pharmaceutical manufacturers on sales promotion, publicity and advertisement. Any expenditure over and above 5% of turnover shall not be treated as admissible business expenditure.

Powers of Federal Government to issue Exemptions and Concession — Section 53

Federal Government has been empowered to grant exemption from tax in a manner specified in the relevant provision of law. It is now proposed that a general power shall be available for exemption or reduction of tax to the following cases:-
(i) Any International Financial Institution, such as IFC; and
(ii) Foreign government owned financial institution operating under an Agreement, Memorandum of understanding or any other arrangement with the Government of Pakistan.

Limit on Surrender of Losses in Case of Group Taxation — Section 59B

A restriction has been proposed in respect of the right to surrender losses within a group. Under the present scheme, the right of surrender of losses is not related to the percentage holding of shares by that entity in the group if entity is part of the group on the basis of holding as prescribed in the law. It is now proposed that surrender of losses will be related and restricted to the percentage holding of the group in the entity surrendering the losses.

This proposal is not in line with the concept of group taxation under the internationally acceptable norms. The amount of loss to be surrendered cannot be related to the percentage holding of group in the entity surrendering the losses as there is a clear provision for payment of equivalent cash by the respective entity.

Tax Credit for Investment in Health Insurance | Section 62A

Tax credit shall be allowed in respect of contribution paid by a non-corporate resident taxpayer for health insurance to any insurance company approved by SECP. The tax credit is, however, only available to persons deriving income from salary or income from business. The tax credit is proposed to be allowed on the basis of lower of actual premium paid , 5% of taxable income or Rs.100,000/-

Tax Credit for Contribution in Approved Pension Fund | Section 63

Tax credit for contribution in approved pension fund by salaried and business individual is already allowed at the rate of lower of 20% of taxable income or actual premium or contribution made during the year. For persons joining the scheme at the age of 41 years or above are allowed 2% additional contribution per year. It is proposed that additional 2% contribution will also be allowed for each year of age exceeding for years of age up to June 31, 2019 subject to the restriction that total contribution allowed to such person shall not exceed 30% of total taxable income of preceding year.

Tax Credit for Profit on Debt | Section 64A

Tax credit for mark ups paid on loan received for acquisition or construction of new houses is available to individuals subject to the condition that the amount of deductible allowance should not exceed 50% of the taxable income or one million rupees which ever is lower. The limit of one million is proposed to increase to two million rupees.

Deductible Allowance for Education Expenses | Section 64AB

It is proposed to allow deductible allowance to individual for education expenses of children who is deriving taxable income less than one million. The allowance will be allowed @ 5% of the total tuition fee paid by individual or 25% of person's taxable income or Rs.60,000/- per children which ever is lower.

Tax Credit on Employment Generation | Section 64B

A tax credit was introduced for companies in relation to their employment generation through Finance Act, 2015. Under this provision, any company engaged in manufacturing in Pakistan formed between July 1, 2015 to June 30, 2018 shall be allowed a tax credit of 1% for every 50 employees registered with EOBI and social security schemes. The maximum tax credit shall, however, not exceed 10% of the tax payable and the tax credit will be for a period of ten years. Now it is proposed that the tax credit rate be increased to 2% and eligibility period is also proposed to extend to June30, 2019.

Tax Credit to Persons Registered under Sales Tax Act, 1990 | Section 65A

Tax credit for 90% sale to sales tax registered persons is proposed to be enhanced from 2.5% to 3% of tax payable.

Tax Credit for Investment in BMR Projects — Section 65B

Ten percent tax credit for investment in plant and machinery for BMR Projects, etc. which was due to expire on June 30, 2016 is proposed to extend to June 30, 2019.

Tax Credit for Enlistment — Section 65C

Tax credit for a company opting for enlistment in any stock exchange in Pakistan is now proposed to be allowed @ 20% of the tax payable in the year of enlistment and the following year as against the present restriction to the year of enlistment only.

Tax Credit for Equity Based Investments by Industrial Undertaking — Section 65D & Section 65E

Tax credits for investments are presently available to companies making 100% equity based investments for industrial undertaking and corporate dairy farm set up by June 30, 2016 (sections 65D and 65E).

It is proposed that such credits shall also be available to entities with equity of 70%and above. Where, the equity is less than 100%, the tax credits shall be available in proportion to the equity investment. The eligibility date of setting up an industrial undertaking for tax credit is also extended upto June 30, 2019.

It is also proposed that if business is discontinued in subsequent five years after the credit has been allowed, the credit will be treated as wrongly allowed and the Commissioner Inland Revenue can re-compute the tax payable.

Fair Market Value — Section 68

The value fixed or notified by any Provincial authority for the stamp duty or any other purpose shall not be taken into consideration for determining the fair market value of an asset for the purpose of the Ordinance. It appears that this amendment is proposed to account for the cases where the value of a property or asset or rent or service was being restricted to the value prescribed by Provincial authorities for stamp duty or any other purpose.

Double Treaty Agreements — Section 107

These provisions are proposed to be substituted to enable the Federal Government to enter into a tax treaty or tax information and exchange agreement or multilateral convention or inter government agreement or similar agreement or mechanism for the avoidance of taxation or exchange of information for prevention of fiscal evasion.

This extension of eligibility has been made to enable the Federal Government to enter into arrangements with organizations, such as OECD, etc. in the matters of exchange of information relating to double taxation and prevention of fiscal evasion in addition to arrangements and agreements with other Governments.

Under the present apparatus of international tax arrangements, all the Governments should have mechanisms for collating and exchanging information with other Governments and supranational bodies, etc. Another important change has been proposed in this section whereby the information obtained through the aforesaid agreements or treaties shall remain confidential. Previously, such confidentiality was not applicable in case the
information was required for certain specified purposes as laid down in section 216(3) which inter alia include SECP, SBP, Civil Courts, etc.

The rationale of removing the right of using such information as is presently contained in provision need to be examined as after the proposed amendment there could be restriction of the use of information by the relevant respective authorities in Pakistan.

Transaction Between Associates — Section 108

Specific documents and information are now proposed to be maintained in respect of transactions with associates and such information shall be furnished to the Commissioner within thirty days if required during the course of any proceedings under the Income Tax Ordinance 2001.

This is an important amendment as this section is applicable both to resident and non-resident associates of the taxpayers. Furthermore, it is important that the information to be prescribed is in line with the internationally acceptable norms (such as those prescribed by OECD) especially in the case of non-resident associates.

Minimum Tax on Turnover — Section 113

The threshold for turnover tax for individuals and AOPs is proposed to be reduced from Rs 50 million to 10 million from tax year 2017 and onwards.
Another amendment is proposed to provide imposition of minimum tax in addition to final taxes and super tax. At present, minimum tax is not payable by companies having gross loss which represent the excess of expenditure (other than depreciation and other inadmissible expenditure) over turnover. It is now proposed that minimum tax shall also be payable by entities having gross loss.

Revision of Income Tax Return — Section 114(6)

It is proposed that in case of revision of return of income approval from Commissioner Inland Revenue is not required if declared income in the revised return is more than and declared loss is less than the income or loss declared in the original return.

Provisional Assessment | Section 122C

Presently, a provisional assessment abates upon filing of return on income and wealth statement / accounts within 45 days of such assessment order.
The Finance Bill proposed another condition for such abatement of provisional assessment whereunder a taxpayer shall have to present accounts and other documents for the Audit of income tax affairs for that tax year.

Advance Income Tax | Section 147

It is proposed that alternative Corporate Tax shall also be considered for the purposes of determining advance tax liability under the Income Tax Ordinance, 2001.

Payment for Foreign Produced Commercials | Section 152A

A new withholding tax is proposed for payments made directly or through an agent or intermediary to a non-resident person for foreign produced commercials for advertisement on any televisionchannel or any other media at the rate of 20% of the gross amount. Such withholding tax shall be treated as final tax on the income of the non-resident person.

The chargeability of such receipts for a non-resident person under the Ordinance needs to be examined as the amount received by the non-resident may not be Pakistan source income under the present provisions of section 101 of the Ordinance. This status is notwithstanding and in addition to the fact that the taxability of the source may not be available in the case where there is a tax treaty with the country of residence of the recipient.

Tax deductions on Goods and Services | Section 153

Service sector companies were subjected to Minimum Tax Regime under section 153 of the Ordinance vide Finance Act, 2015, wherein tax withholding at applicable rate was made Minimum Tax (8%). The said regime was however rationalized for twelve service sectors for the period July 1, 2015 till June 30, 2016, under Clause (94) of Part IV of Second Schedule to the Income Tax Ordinance, 2001.
The said rationalized scheme for 12 sectors is proposed to be extended from July 01, 2016 to June 30, 2017, provided taxpayer files an irrevocable undertaking by November, 2016 to present its accounts to the Commissioner for audit of its tax affairs. In addition to twelve sectors, providers of IT services and IT enabled services, as defined in Clause (133) of Part I of Second Schedule, are also proposed to avail rationalized Minimum Tax Regime, subject to fulfilment of prescribed conditions. It is suggested that the aforesaid option be extended to all persons providing services.

It is also proposed that tax collected under this section on rendering or providing of advertisement services through print or electrobic media shall be final tax effective July 01, 2016. The rate of withholding tax has been enhanced from 1% to 1..5%.

It is also proposed that supplies of cotton ginners will be subject withholding tax under this section.

Final Tax –Excess Tax by Non Filers | Section 169

It is proposed that where the tax collected or deducted is final tax under any provision of the Ordinance and separate rates for filer and non-filer have been prescribed for the said tax, the final tax shall be the tax rate for filer and the excess tax deducted or collected on account of higher rate of non-filer shall be adjustable

Refunds | Section 170

Under Section 170, an application for a refund of income tax is required to be made within two years from the date of assessment or from the date on which the tax was paid. Now the time period to file a refund application is being increased to three years.

Offences and Penalties | Section 182

Penalties for non-compliance had been provided in Section 182. S.No (1A) of Section 182 provide for penalties in case of offence (failure to furnish information) under section 115, 116 and 165A. Section 165B was inserted through Finance Act 2015 in the ITO 2001 regarding furnishing of information by Financial Institutions including banks. Section 165B is being added for penalties in case of offence under section 165B also. The penalty for the said offence is Rs.2500 for each day of default subject to minimum penalty of Rs.50,000/-

Prosecution for unauthorized disclosure of information by a public servant | Section 198

Where a public servant discloses any particulars in contravention of Section 216 of the ITO 2001 and commit offence is punishable on conviction with a fine of not less than Rs.500,000 or imprisonment for a term of one year, or both. Now it is being provided that this punishment would be applicable in case of disclosure of information as provided in Section 107(1B) relating to any correspondence or information under tax treaty, a tax information exchange agreement and a multilateral convention etc. Perhaps this amendment is being made to restrain public servants after panama leaks.

Advance Tax on Cash Withdrawal from a bank | Section 231A

In case of cash withdrawal from bank exceeding withdrawal of Rs.50000/- in a day are subject to advance tax to be collected by a banking company. Vide Finance Bill explanation is being added as " for removal of doubt, it is clarified that the said fifty thousand rupees shall be aggregate withdrawals from all the banks accounts in a single day.

In our opinion, this amendment may be impracticable for the banking companies to track the withdrawals from other banks or other branches that may not be online or information may not available on real time basis.

Advance Tax on Private Motor Vehicles | Section 231B

Exemptions available to various persons under Sections 231A, 231AA, 236B, 236C, 236D, 236I and 236K are amended to be deleted from their respective sections. The bill provided to insert a new Section

236O, whereby the following persons shall be exempted from collection of advance tax under the entire chapter XII:

- the Federal Government or a Provincial Government
- a foreign diplomat or a diplomatic mission in Pakistan
- a person who produces a certificate from the Commissioner that his income during the tax year is exempt.

Advance Tax on Private Motor Vehicles — Section 231B

Under subsection (1) of Section 231B Every motor vehicle registering authority of Excise and Taxation Department collects advance tax at the time of registration of a motor vehicle.
Under subsection (2) of section 231B, there is also advance tax on transfer of motor vehicles at different rates which is not applicable on transfer of vehicles after five years from the date of first registration.

The date of first registration use to be the date of registration with Excise and Tax Department. Through Finance Act 2015 the date of first registration was specifically provided to avoid tax of transfer of vehicles in certain cases.

Now vide Finance Bill, it is being proposed to add a proviso under subsection (1) that no collection of advance tax under this sub-section (1) shall be made after five years from the date of first registration as specified in clauses (a), (b) and (c) of sub-section (6).";

Subsection (6) inserted through Finance Act 2015 is reproduced below for ready reference;
(6) The "date of first registration" for different modes of acquisition of vehicles is also defined in this section as:

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

Advance Tax on Private Motor Vehicles- At leasing of Motor Vehicles by Non Filers — Section 231B subsection (1A)

To penalize the non-filers, another amendment is being made in case of lease of motor vehicles and subsection (1A) under section 6 is being inserted as;
"(1A) Every leasing company or a scheduled bank or an investment bank or a development finance institution or a modaraba shall, at the time of leasing of a motor vehicle to a non- filer, collect advance tax at the rate of **three per cent of the value of the motor vehicle**."

Advance Tax at the time of Sale by Auction — Section 236A (3)

Currently the advance tax at the time of sale by auction is being collected @10% and such tax is adjustable by the person from whom the tax is collected.
Through the Bill it is being provided that advance tax collected at the time of sale by auction of **lease of right to collect tolls** shall the final tax.

Capital Gains on disposal of immovable property & Advance Tax on sale or transfer of immovable property — Part-1, Division VIII, Section 37(1A), Section 236C

Currently, capital gain on disposal of immovable property is taxable under section 37(1A) where is holding period is upto two years @ 5% and 10%. Vide Finance Bill 2016 the rate schedule is being amended to tax the capital gain on disposal of immovable property @10% where holding period is upto 05 years.

Under Section 236C, advance tax on sale of immovable property is being collected from seller or transferer at the rates 0.5% for filer and 1% for non filer on the gross amount. Vide Finance Bill 2016, the rates of advance tax is also being enhanced as 1% for filer and 2% for non-filer. Further it is being provided that such advance tax shall not be collected if the immovable property is held for a period exceeding five years to harmonize it with the taxability of capital gains on disposal of immovable property under section 37(1A).

Advance tax on foreign-produced TV plays and serials — Section 236E

Under Section 236E, Any licensing authority certifying any foreign TV drama serial or a play dubbed in Urdu or any other regional language, for screening and viewing on any landing rights channel, shall collect advance tax at the rates specified in Division XII of Part IV of the First Schedule.

The words "dubbed in Urdu or any other regional language" are proposed to be replaces with "in any language other than English" and the words landing rights being deleted, hence limiting the scope where dubbing in English will not be subject to tax under this section but deleting the words " landing rights" may cause to increase the tax revenue if monitored properly.

Advance tax udder chapter XII- Transitional Advance Tax Provisions — Section 236O

Through Finance Act 2015 Section 236O was as "the advance tax under this chapter shall not be collected in the case of withdrawals made by;

(a) the Federal Government or a Provincial Government;
(b) a foreign diplomat or a diplomatic mission in Pakistan; or
(c) a person who produces a certificate from the Commissioner that his income during the tax year is exempt."

There was anomaly due the wording " in the case of withdrawals", now being removed through Finance Bill 2016 by replacing these words with "or deducted from";

Advance tax on Insurance Premium paid by Non Filers — Section 236U

To penalize non-filers in another avenue a new section 236U is being inserted. Now an insurance company shall collect advance tax at the time of collection of insurance premium from non-filers in respect of general insurance premium @4% and life insurance premium if exceeding Rs. 200,000/- per annum @ 1% ; specified in Division XXV of Part IV of the First Schedule.

2) Insurance premium collected through agents of the insurance company shall be treated to have been collected by the insurance company.

(3) Advance tax collected under this section shall be adjustable.

Advance Tax on Extraction of Minerals

Section 236V, Division XXVI, Part IV of First Schedule

New section 236V is being inserted to provide that the provincial authority collecting royalty per metric ton from the lease-holder of mines or any person extracting minerals shall collect advance adjustable tax @ 5% of the value of the minerals from non-filers as specified in Division XXVI of Part IV of the First Schedule.

Advance Tax from Provincial Sales Tax Registered Persons being non-filers

Section 236W

Section 236W is being inserted to provide that every provincial revenue authority shall collect advance adjustable tax at the rate of three per cent of the turnover from a non-filer who is a provincial sales tax registered person.

The advance tax under sub-section shall be collected along with the sales tax return filed with the Provincial revenue authority & the provincial revenue authority shall not accept return for sales tax unless the tax required to be collected under this section has been collected or deposited.";

AMENDMENTS IN THE SCHEDULES TO THE INCOME TAX ORDINANCE, 2001

Following are significant amendments made in the schedules of the Income Tax Ordinance, 2001.

INCOME TAX RATES — First Schedule

Amended Rate schedule is given in the succeeding pages;

EXEMPTIONS AND TAX CONCESSIONS — Second Schedule

Exemption from total income- PART I - Second Schedule

Following are the amendments/insertion/withdrawn in Part I of Second Schedule.

Exemptions Withdrawn

Clause 66 sub clause (xviii) Part I (omitted)	Exemption available to Micro Finance Banks for any income derived for a period of five years starting from first day of July 2007 has been withdrawn by omitting sub-clause xviii of Part 1.Removed being redundant as time period of years has already been lapsed.
Clause 103A Part I (amended)	Exemption available to group companies on income from inter-corporate dividend within the group companies entitled to group relief under section 59B has been withdrawn by amending the clause 103A from Part 1.

Exemptions Granted/Amended

Clause 98 of Part I (amended)	Exemption earlier available to any income derived by any Board or other organization established in Pakistan for the purposes of controlling regulating or encouraging major games and sports recognized by Government has been limitized only to any income derived by those Board or other organizations which are established by Government. However, such exemption is not available to Pakistan Cricket Board.
Clause 126A Part I (amended)	Exemption is granted to the income derived by China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Pvt.) Ltd, Gawadar International Terminal Limited, Gawadar Marine Services Limited and Gawadar Free Zone Company Ltd. from Gawadar Port operations for a period of twenty-three years, with effect from 6th day of February, 2007. Earlier the exemption was only available to China Overseas Ports Holding Company Ltd.
Clause 126AA Part I (inserted)	Exemption is granted for profits and gains derived by a taxpayer from businesses set up in Gawadar Free Zone Area for a period of twenty three years with effect from the first day of July, 2016, by inserting a new clause namely 126AA in Part I.
Clause 126AB Part I (inserted)	Exemption is granted for profits on debts derived by any foreign lender or any local bank having more than 75 % share holding of the government or the state Bank of Pakistan under a Financing Agreement with the China Overseas Ports Holding Company Ltd., by inserting a new clause namely 126AB in Part I.
Clause 126AC Part I (inserted)	Income derived by contractors and sub-contractors of Chine Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Pvt.) Ltd, Gawadar International Terminal Limited, Gawadar Marine Services Limited and

	Gawadar Free Zone Company Ltd. from Gawadar Port operations for a period of twenty-three years, with effect from the first of July, 2016, by inserting a new clause namely 126AC in Part I.
Clause 126AD Part I (inserted)	Any Income derived by China Overseas Ports Holding Company Limited being dividend received from China Overseas Ports Holding Company Pakistan (Pvt.) Ltd, Gawadar International Terminal Limited, Gawadar Marine Services Limited and Gawadar Free Zone Company Ltd., by inserting a new clause namely 126AC in Part I. Further, any Income derived by China Overseas Ports Holding Company Pakistan (Pvt.) Ltd. being dividend received from, Gawadar International Terminal Limited, Gawadar Marine Services Limited and Gawadar Free Zone Company Ltd. These exemptions have been granted by inserting a new clause namely 126AD in Part I.
Clause 133 Part I (amended)	Exemption available for Income derived from export of computer software or IT service or IT enabled services up to the period ending June 30th, 2016 has been extended up to the period ended June 30th, 2019 provided that 80% of the export proceeds is brought into Pakistan in foreign exchange remitted from outside Pakistan through normal banking channels. Previously no such condition was existence.

Reduction in Tax Rates

PART II-Second Schedule

The Finance Bill 2016-17 provided to amend/withdraw the following from part II.

Clause 3 of Part II (substituted /amended)	The tax in respect of income from services rendered outside Pakistan, which earlier was 1%of the gross receipts, shall be 50% of the rates as specified in clause (02) of division III of Part III of the First Schedule. Shall be as follows. • 1% in case of transport services, • in case of company, 4% of the gross amount of payable, if the company is a filer and 6% if the company is a non filer. • in any other case 5% of the gross amount payable if the person is a filer and 7.5% if the person is anon-filer. Further, the tax in respect of income from construction contractors executed outside Pakistan, which earlier was 1% of the gross receipts, shall be 50% of the rates as specified in clause (03) of Division III of Part III of the First Schedule. Shall be as follows. • 5% of the gross amount payable in case of sportspersons, • in case of company, 3.5% of the gross amount of payable, if the company is a filer and 5% if the company is a non filer. • in any other case 3.75% of the gross amount payable if the person is a filer and 5% if the person is a non-filer. Provided that the receipts from services and income from contracts are brought into Pakistan in foreign exchange through normal banking channels.
Clause 3B of Part II (inserted)	The income of Pakistan Cricket board derived from sources outside Pakistan including media rights, gate money, sponsorships fee, in stadium rights, out-stadium rights, payments made by International Cricket Board shall be taxed at a rate of 4% of the gross receipts from such sources. Provided that Pakistan Cricket Board may opt to pay tax at the rate of 4% of the gross receipts from tax year 2010 onwards provided that this option shall be available subject to withdrawal of appeals, references and petitions on the issue of tax rate pending before any appellate forum or tax authority and payment of outstanding tax liability under this clause up to tax year 2015 is paid by 30th June, 2016.

Exemption from Specific Provisions | PART IV –Second Schedule

The Finance bill 2016-17 provided to amend/withdraw the following in Part IV.

Clause 11A, sub clause (xxvi) of Part IV (inserted)	Exemption from provision of section 113 of minimum tax, shall be available to China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Pvt.) Ltd, Gawadar International Terminal Limited, Gawadar Marine Services Limited and Gawadar Free Zone Company Ltd. for a period of twenty-three years, with effect from 6th day of February, 2007 by inserting new clause xxvi after clause xxv as the income is exempt from total income as per part 1 of the first schedule.
Clause 11A, sub clause (xxvii) of Part IV (inserted)	Exemption from provision of section 113 of minimum tax, shall be available to companies, qualifying for exemption under clause (126M) of Part-I of second Schedule, in respect of profits and gains derived from a transmission line project, by inserting new clause xxvii. Profit & gains of taxpayer from transmission line projects setup in Pakistan were made through Finance Act, 2015.
Clause 11B of Part IV (omitted)	Exemption from provision of section 150, deduction of tax on payment of dividend, in respect of inter-corporate dividend within the group companies entitled to group taxation under section 59AA has been withdrawn in respect of inter-corporate dividend within the group companies entitled to group relief under section 59B by amending the clause 11B of Part IV.
Clause 11C of Part IV (omitted)	Exemption from provision of section 151, deduction of tax on profit on debt, in respect of inter-corporate profits on debt within the group companies entitled to group taxation under section 59AA has been withdrawn in respect of inter-corporate profits on debt within the group companies entitled to group relief under section 59B by amending the clause 11B of Part IV.
Clause 38AA of Part IV (inserted)	The provision of section 150, deduction of tax on payment of dividend, shall not apply to China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Pvt.) Ltd, Gawadar International Terminal Limited, Gawadar Marine Services Limited and Gawadar Free Zone Company Ltd. for a period of twenty-three years.
Clause 57 of Part IV (amended)	Exemption from applicability of section 113 for the companies operating Trading Houses has been withdrawn. Now, under section 113, these companies shall pay minimum tax @ 0.5% of turnover upto tax year 2019 and 1% thereafter.
Clause 59 of Part IV (omitted)	Exemption from applicability of provision of section 151, deduction of tax on profit on debt, has been withdrawn in respect of profit or interest paid on Term Finance Certificate held by a company which has been issued on, or after the first day of July, 1999 by omitting the sub clause I of clause 59 of Part IV.
Clause 72A of Part IV (amended)	Exemption from applicability of provision of clause (1) of section 21, section 113 and section 152 available to Hajj Group Operator in respect of Hajj operations, provided that the tax has been paid at the rate of Rs. 3,500 per Hajji for the tax year 2013 and Rs. 5,000 per Hajji for tax year 2014 and 2015. The applicability of the above referred sections has been extended for tax year 2016, by amending the clause 72 A of Part IV.
Clause 72B of Part IV (amended)	Exemption from applicability of provision of section 148 available to an industrial undertaking if the tax liability for the current tax year, on the basis of determined tax liability for any of the preceding two years, whichever is higher, has been paid and a certificate to this effect is issued by the concerned commissioner. The conditions for such certificate has been extended by inserting new provisos that • The quantity of raw material to be imported which is sought to be exempted

	from tax under section 148 shall not exceed 110 per cent of the quantity of raw material imported and consumed during the previous tax year. • The Commissioner shall conduct audit of taxpayer's accounts during the financial year in which the certificate is issued in respect of consumption, production and sales of the latest tax year for which return has been filed and the taxpayer shall be treated to have been selected for audit under section 214C. • If the taxpayer fails to present accounts or documents to the Commissioner or the officer authorized by the Commissioner, the Commissioner shall, by an order in writing, cancel the certificate issued and shall proceed to recover the tax not collected under section 148 for the period prior to such cancellation and all the provisions of the Ordinance shall apply accordingly.
Clause 82 of Part IV (omitted)	Exemption from applicability of sub section (2) of section 116 available to an individual or a member of an association of persons for tax year 2014 whose last declared or assessed income, or the declared income for the year is less than one million rupees, has been withdrawn by omitting clause 82 of Part IV. Removed being redundant.
Clause 86 of Part IV (amended)	Exemption from the applicability of section 111, unexplained income or assets, available to a company for investment in an industrial undertaking; If the said investment is made on or after the 1st day of January, 2014, and commercial production commences on or before the 30th day of June, 2017. It is amended that exemption shall continue be available, if the commercial production commences on or before the 30th day of June, 2019.
Clause 95 & 96 & 97 of Part IV(Inserted)	Exemption from the provisions of sections 147, 151, 152, 231A, 231AA, 236A and 236K available to "The Second Pakistan International Sukuk Company Limited", as a Payer Exemption from the provisions of sections *147, 151 and 155 shall be available to "The Second Pakistan International Sukuk Company Limited", as a recipient, The mentioning of section 147 above seems to be typo error in the Finance Bill and further the references to the clause numbers also by mistake in the Finance Bill.
Clause 94 Part IV(amended)	Exemption from the applicability of clause (b) of the proviso to sub section (3) of section 153 available to a company being a filer, subject to payment of minimum 2% income tax on turnover and engaged in providing or rendering freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, tracking services, advertising services(other than by print or electronic media), share registrar services, engineering services or car rental services, shall continue to be available for tax year 2017 to the companies providing the earlier mentioned services and also available to the companies providing IT services and IT enabled services. Provided further that for tax year 2017, the company shall furnish irrevocable undertaking by November, 2016, to present its accounts for audit to the Commissioner. The above clause was inserted through Income Tax (Second Amendment) Ordinance 2015 dated 31.10.2015) to provide relief from applicability of minimum tax for TY 2015. Now the same is being extended for the TY 2017 as amended through Finance Bill 2016.

Rules For The Computation Of The Profits And Gains Of Insurance Business — Fourth Schedule

Following are the amendments/insertion/withdrawals in Fourth Schedule.

Capital Gains on disposal of shares and dividends (substituted) — Rule 6B

Currently, the capital gains on disposal of shares of listed companies, vouchers of Pakistan Telecommunication Corporation, Modaraba certificate or instruments of redeemable capital and derivative products are taxed separately.

Now, it is amended that the such capital gains including dividend of listed companies shall be clubbed in total income of the insurance companies & shall be taxed at the normal applicable rates to companies, as specified in Division II of Part I of First Schedule.

Recognized Provident Funds — Sixth Schedule

3. Employer's annual contributions, when deemed to be income received by employee — Rule3

That portion of the annual accretion in any year to the balance at the credit of an employee participating in a recognized provident fund), as consists of

(a) contribution made by the employer in excess of one tenth of the salary (or Rs. 100,000, whichever is low) of the employee limit of the contribution made by the employer has been increased to excess of 1/10th of the salary (or Rs. 150,000, whichever is low) of the employee and

(b) interest credited on the balance to the credit of the employee in so far as it exceeds one-third of the salary of the employee or is allowed at a rate exceeding such rate as may be fixed by the Federal Government in this behalf by notification in the official Gazette, shall be treated to have been received by the employee in that year and shall be included in his total income for that year and shall be liable to income tax.

The limit of contribution made by employer has been increased to one tenth of the salary (or Rs. 150,000, whichever is low) from existing one tenth of the salary (or Rs. 100,000, whichever is low).

Rules for the Computation of the Profits and Gains of a Banking Company and Tax Payable Thereon — Seventh Schedule

Super Tax — Rule 7C

It is amended that for tax year 2016, the provisions of section 4B, Super tax, shall continue to be applicable to the banking companies at the rate of 4% of the income, as per Division IIA of Part I of First Schedule.

RULES FOR THE COMPUTATION OF CAPITAL GAINS ON LISTED SECURITIES — Eighth Schedule

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

After sub-rule (1) the following new sub-rules shall be inserted, namely

1A: Capital gains on disposal of units of open ended mutual funds and to which section 100B apply, shall be computed and determined under this Schedule and tax thereon shall be collected and deposited by NCCPL in the prescribed manner.

1B: Gain or loss arising to persons through trading of future commodity contracts on Pakistan Mercantile Exchange, subject to tax under section 37A and to which section 100B apply, shall be computed and determined under this Schedule and tax thereon shall be collected and deposited on behalf of taxpayers by NCCPL in the manner prescribed.

Certain provisions of this Ordinance not to apply Rule 3

The respective provisions for collection and recovery of tax, advance tax and deduction of tax at source laid down in the Parts IV and V of Chapter X shall not apply on the income from capital gains subject to tax under this Schedule and these provisions shall apply in the manner as laid down in the rules made under this Ordinance, except where the recovery of tax is referred by NCCPL to the Board in terms of rule 6(3).

Now it is amended that if the said information is not furnished, NCCPL shall forward the details to the Commissioner who shall exercise powers under the Ordinance to enforce furnishing of the said information including all penalty provisions.

Certain provisions of this Ordinance not to apply Rule 3A

After sub-rule (3) the following new sub-rules (3A) shall be inserted, namely

3A: The Asset Management Companies, Pakistan Mercantile Exchange and any other person shall furnish information when required by NCCPL for discharging obligations under this Schedule.

OTHER LAWS

1. Islamabad Capital Territory (Tax on Services) Ordinance, 2001

Through Finance Act 2015, amendments have been made in the ICT (Tax on Services) Ordinance, 2001. Previously only few service were taxable @ 16% in ICT. Effective from 1st July 2016, the list of taxable services has been made parallel to the service provided in the provinces and many services have been brought under the ambit of taxable services.

Section 3 (scope of tax) of the ICT (Sales Tax on Services) Ordinance specifies that the sales tax on services mentioned in the first schedule to the Ordinance shall be levied, charged and collected in the same manner as it were levied, charged or collected under the Sales Tax Act, 1990. Further, it also specified that all the provisions of the Sales Tax Act, 1990, and rules made and notifications, orders and instructions issued thereunder shall also apply to the ICT (Sales Tax on Services) Ordinance.

However, to remove doubts & to make it clearer; sub-section (2A) is inserted after sub-section (2) of section 3 with the following amendments as under:

Sub-section (2A) The following provisions of the Sales Tax Act, 1990, shall apply, mutandis mutandis, to the services rendered or provided under this Ordinance, namely:-

(a)-Clause (b) of sub-section (2) of section (3): Empowering Federal Government to charge, collect & pay sales tax as such higher or lower rate as specify.
(b)-Sr. (2), column (1) and entries relating to fifth schedule read with section 4: Supply to diplomats, diplomatic missions, privileged persons and privileged organizations which are covered under various Acts, Orders, Rules, Regulations and Agreements passed by the Parliament or issued or agreed by the Government of Pakistan to be charged @ zero percent, Means service to such organization shall be charged @ zero percent.
(c)-Sub-sections (2), (3) (6) and (7) of section 13: Provisions relating to exemptions as per Sales Tax Act, 1990 shall also be equally applicable to the services under this Ordinance.
(d)-Sr.48, column (1), Table 1 of Sixth Schedule, Section 13: Goods imported or supplied under grants-in-aid for which a specific consent has been obtained from the Board; supplies and imports under agreements signed by the Government of Pakistan before the 30the June, 1996, provided the agreements contained the provision for exemption of tax at the time of signing of agreement.

(2B) Tax on services shall not be applicable to regulatory and licensing services rendered or provided by the organizations established by or under any Federal Statute e.g. license fee collection by OGRA, NEPRA, SECP, PTA.. etc,.

INCOME TAX RATES

FROM THE 1ST SCHEDULE (AFTER AMENDMENTS THROUGH FINANCE BILL, 2016)

Rates of tax for Individuals and AOPs — 1st Schedule Part 1, Division I

(No Change from tax year 2016)

Sr. No.	Taxable income	Tax Rate
1	Where the taxable income does not exceed Rs. 400,000	0%
2	Where the taxable income exceeds Rs. 400,000 but does not exceed Rs. 500,000	7% of the amount exceeding Rs. 400,000
3	Where the taxable income exceeds Rs. 500,000 but does not exceed Rs. 750,000	Rs. 7,000 + 10% of the amount exceeding Rs. 500,000
4	Where the taxable income exceeds Rs. 750,000 but does not exceed Rs. 1,500,000	Rs. 32,000 + 15% of the amount exceeding Rs. 750,000
5	Where the taxable income exceeds Rs. 1,500,000 but does not exceed Rs. 2,500,000	Rs. 144,500 + 20% of the amount exceeding Rs. 1,500,000
6	Where the taxable income exceeds Rs. 2,500,000 but does not exceed Rs. 4,000,000	Rs. 344,500 + 25% of the amount exceeding Rs. 2,500,000
7	Where the taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 6,000,000	Rs. 719,500 + 30% of the amount exceeding Rs. 4,000,000
8	Where the taxable income exceeds Rs. 6,000,000	Rs. 1,319,500 + 35% of the amount exceeding Rs. 6,000,000

In case of an AOP that is a professional firm prohibited from incorporating as company the rate in Slab No.8 will be 32% instead of 35%.

Tax Rates for Salaried Individuals — 1st Schedule Part 1, Division I

(1A): where the income of an individual chargeable under the head salary exceeds 50% of his taxable income, the rate of tax to be applied set out in the following table;

(No Change from tax year 2016)

Sr. No.	Taxable Income	Rate of Tax
1	up to Rs.400,000	0%
2	Rs.400,001 to Rs.500,000	2% of the amount exceeding Rs. 400,000
3	Rs.500,001 to Rs.750,000	Rs. 2,000 + 5% of the amount exceeding Rs. 500,000
4	Rs.750,001 to Rs.1,400,000	Rs. 14,500 + 10% of the amount exceeding Rs. 750,000
5	Rs.1,400,001 to Rs.1,500,000	Rs. 79,500 + 12.5% of the amount exceeding Rs. 1,400,000
6	Rs.1,500,001 to Rs.1,800,000	Rs. 92,000 + 15% of the amount exceeding Rs. 1,500,000
7	Rs.,1,800,001 to Rs.2,500,000	Rs. 137,000 + 17.5% of the amount exceeding Rs. 1,800,000
8	Rs.2,500,001 to Rs.3,000,000	Rs. 259,500 + 20% of the amount exceeding Rs. 2,500,000
9	Rs.3,000,001 to Rs.3,500,000	Rs. 359,500 + 22.5% of the amount exceeding Rs. 3,000,000
10	Rs.3,500,001 to Rs.4,000,000	Rs. 472,000 + 25% of the amount exceeding Rs. 3,500,000
11	Rs.4,000,001 to Rs.7,000,000	Rs. 597,000 + 27.5% of the amount exceeding Rs. 4,000,000
12	Rs.7,000,001 and more	Rs. 1,422,000 + 30% of the amount exceeding Rs. 7,000,000

(IB) Where the taxable income in a tax year, other than income on which the deduction of tax is final, does not exceed one million rupees of a person-

(i) holding a National Database Registration Authority's Computerized National Identity Card for disabled persons; or

(ii) a taxpayer of the age of not less than sixty years on the first day of that tax year,

The tax liability on such income shall be reduced by fifty percent

Rates of Tax for Companies — 1st Schedule Part 1, Division II

(No change from TY 2016)	
• Companies other than banking companies for the tax year 2017	***The rate for TY 2016 is 32%*** ***For TY 2017 31%*** **For TY 2018 and onwards 30%**
• Banking Companies	**35%**
• Small Company	**25%**

Rates of Super Tax — Part 1, Division IIA (Section 4B)

Inserted through Finance Act 2015, Extended for TY 2016 through Finance Bill 2016

Person	**Rate of Super Tax**
Banking company	4% of the income
Person, other than a banking, having income equal to or Exceeding Rs.500 million	3% of the income

Rates of Dividend Tax — Part 1, Division III (Section 5)

(No change from TY 2016)
(a) 7.5% for power projects of WAPDA & power generation projects.
(b) 12.5% of dividend received other than mentioned in (a) and (c)
(c) 10% in case of dividend received from mutual fund
• 12.5% on Dividends received from Stock Funds if dividend receipts are less than capital gain.
• 25% Dividend Received by a Company from collective investment Scheme, REIT Scheme or a mutual fund, other than a stock fund from TY2015 onwards.
• Dividend Received by a Person from REIT Scheme shall be reduced by 50% for three Years from 30th day of June 2018.

Rates for Profit On Debt — Part 1, Division IIIA (Section 7B)

The rate of tax for profit on debt imposed under section 7B shall be (No change from TY 2016)

S. No	Profit on Debt	Rate of Tax
1	Where profit on debt does not exceed Rs. 25,000,000	10%
2	Where profit on debt exceed Rs. 25,000,000 but does not exceed Rs. 50,000,000	2,500,000+12.5% of the amount exceeding Rs. 25,000,000
3	Where profit on debt exceed Rs. 50,000,000	Rs. 5,625,000+15% of the amount exceeding Rs. 50,000,000

Rates of Tax on Shipping or Air Transport Income of a Non-Resident Person — Part 1, Division V (Section 7) (No Change)

- In case of Shipping Income, 8% of the gross amount received or receivable.
- In case of air transport income, 3% of the gross amount received or receivable.

Income from Property

Part 1, Division VIA (Section 15) (New Insertion)

The rate of tax to be paid under section 15 in the case of individual and association of persons shall be as follows:

S. No.	***Gross Amount of Rent***	***Tax Year 2017***
(1)	*(2)*	*(3)*
1	*Where the gross amount of rent does not exceed Rs. 200,000*	*Nil*
2	*Where the gross amount of rent exceed Rs. 200,000 but does not exceed Rs. 600,000*	*5% of the amount exceeding Rs. 200,000*
3	*Where the gross amount of rent exceed Rs. 600,000 but does not exceed Rs. 1,000,000*	*Rs. 20,000 plus 10% of the gross amount exceeding Rs. 600,000*
4	*Where the gross amount of rent exceed Rs. 1,000,000 but does not exceed Rs. 2,000,000*	*Rs. 60,000 plus 15% of the gross amount exceeding Rs. 1,000,000*
5	*Where the gross amount of rent exceed Rs. 2,000,000*	*Rs. 210,000 plus 20% of the gross amount exceeding Rs. 2,000,000*

Capital Gains on Disposal of Securities

Part 1, Division VII (Section 37A)

The rate of tax to be paid under section 37A shall be as follows: **(Amended)**

S. No.	**Period**	**Tax Year 2015**	***Tax Year 2016***	***Tax Year 2017***	
				Filer	***Non-Filer***
(1)	(2)	(3)	*(4)*	*(5)*	*(6)*
1	Where holding period of a security is less than twelve months.	12.50%	15.00%	*15.00%*	*18%*
2	Where holding period of a security is more than twelve or more but less than twenty-four months.	10%	12.50%	*12.50%*	*16%*
3	Where holding period of a security is twenty-four months or more *but the security was acquired on or after 1st July, 2012.*	0%	7.5%	*7.5%*	*11%*
4	*Where the security was acquired before 1st July, 2012*	0%	0%	*0%*	*0%*
5	*Future commodity contracts entered into by the members of Pakistan Mercantile Exchange*	*0%*	*0%*	*5%*	*5%*

In case Capital Gain on disposal of Debt Securities, for companies, the rate shall be as applicable for companies under Division 1 of Part I of the First Schedule.

Provided further that a mutual fund or a collective investment scheme or a REIT scheme shall deduct Capital Gains Tax at the rates as specified below, on redemption of securities as prescribed, namely:-

Category	**Rate for Stock Funds**	**Rate for Others**
Individual and association of persons	10%	10%
Company	10%	25%

Provided further that in case of a stock fund if dividend of receipts of the fund are less than capital gains the rate of tax deductions shall be 12.5%

Provided further that no capital gain tax shall be deducted where holding period of the security is more than four years.

Capital Gains on disposal of immovable property

Part-1, Division VIII, Section 37(1A)

The rate of tax to be paid under section 37(1A) shall be as follows: **(Amended)**

Existing Rate For Tax Year 2016			New Rate For Tax Year 2017		
S.No. (1)	**Period (2)**	**Rate of tax (3)**	**S.No. (1)**	**Period (2)**	**Rate of tax (3)**
1.	Where holding period of immovable property is up to one year	10%	1.	*Where holding period of immovable property is up to five years*	10%
2.	Where holding period of immovable property is more than one year but not more than two years	5%	2.	*Where holding period of immovable property is more than five years.*	0%
3.	Where holding period of immovable property is more than two years.	*0%*			

Tax on Builders

Part 1, Division VIIIA (Section 7C) (New Insertion)

The rate of tax under section 7C on Builders shall be as follows:

(A) Karachi, Lahore and Islamabad		***(B) Hyderabad, Sukkhur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbottabad, Quetta***		***(C) Urban Area not specified in A and B***	
For Commercial Buildings					
Rs. 210/Sq. Ft.		*Rs. 210/Sq. Ft.*		*Rs. 210/Sq. Ft.*	
For Residential Buildings					
Area in Sq. Ft.	***Rate/Sq. Ft.***	***Area in Sq. Ft.***	***Rate/Sq. Ft.***	***Area in Sq. Ft.***	***Rate/Sq. Ft.***
Up to 750	*Rs. 20*	*Up to 750*	*Rs. 15*	*Up to 750*	*Rs. 10*
751 to 1500	*Rs. 40*	*751 to 1500*	*Rs. 35*	*751 to 1500*	*Rs. 25*
1501 & More	*Rs. 70*	*1501 & More*	*Rs. 55*	*1501 & More*	*Rs. 35*

Tax on Developers

Part 1, Division VIIIB (Section 7D) (New Insertion)

The rate of tax under section 7D on Developers shall be as follows:

(A) Karachi, Lahore and Islamabad	***(B) Hyderabad, Sukkhur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbottabad, Quetta***	***(C) Urban Area not specified in A and B***
For Commercial Buildings		
Rs. 210/Sq. Yd.	*Rs. 210/Sq. Yd.*	*Rs. 210/Sq. Yd.*

For Residential Buildings					
Area in Sq. Yd.	***Rate/Sq. Yd.***	***Area in Sq. Yd.***	***Rate/Sq. Yd.***	***Area in Sq. Yd.***	***Rate/Sq. Yd.***
Up to 120	*Rs. 20*	*Up to 750*	*Rs. 15*	*Up to 750*	*Rs. 10*
121 to 200	*Rs. 40*	*751 to 1500*	*Rs. 35*	*751 to 1500*	*Rs. 25*
201 & More	*Rs. 70*	*1501 & More*	*Rs. 55*	*1501 & More*	*Rs. 35*

Minimum tax

Part-1, Division IX, Section 113

S. No.	Person(s)	Minimum Tax as percentage of the person's turnover for the year
(1)	(2)	(3)
1	(a) Oil marketing companies, Oil refineries, Sui Southern Gas Company Limited and Sui Northern Gas Pipelines Limited (for the cases where annual turnover exceeds rupees one billion.);	0.5%
	(b) Pakistan International Airlines Corporation; and	
	(c) Poultry industry including poultry breeding, broiler production, egg production and poultry feed production.	
	(d) Dealers or distributors of fertilizer.	
2	(a) Distributors of pharmaceutical products, fast moving consumer goods and cigarettes;	0.2%
	(b) Petroleum agents and distributors who are registered under the Sales Tax Act, 1990;	
	(C) Rice mills and dealers; and	
	(d) Flour mills.	
3	Motorcycle dealers registered under the Sales Tax Act, 1990.	0.25%
4	In all other cases.	1%

Advance tax on Imports

Part II, (Division II, (Section 148)

S. #.	**Person(s)**	**Amended Rates**	
(1)	(2)	Filers	Non-Filers
1	(i) Industrial undertaking importing remeltable steel (PCT Heading 72.04) and directly reduced iron for its own use;	1% of import value as increased by customs-duty, sales tax and federal excise duty	1.5% of import value as increased by customs-duty, sales tax and federal excise duty
	(ii) Persons importing potassic fertilizers in pursuance of Economic Coordination Committee of the cabinet's decision No. ECC-155/12/2004 dated the 9th December, 2004;		
	(iii) Persons importing urea; and		
	(iv) Manufacturers covered under Notification No. S.R.O 1125(I)/2011 dated the 31st December, 2011 and importing items covered under SRO 1125(I)/2011, dated the 31st December, 2011		
	(v) Persons importing gold and		
	(vi) Persons importing cottons		

	(vii) Designated buyer of LNG on behalf of Govt. of Pakistan to import LNG		
2	Persons importing pulses	2% of import value as increased by customs-duty, sales tax and federal excise duty	3% of import value as increased by customs-duty, sales tax and federal excise duty
3	Commercial importers covered under Notification No. S.R.O. 1125(I)/2011 dated the 31st December, 2011.	3% of import value as increased by customs-duty, sales tax and federal excise duty	4.5% of import value as increased by customs-duty, sales tax and federal excise duty
4	Ship breakers on import of ships	4.50%	6.50%
5	Industrial undertakings not covered under S. Nos. 1 to 4	5.50%	8%
6	Companies not covered under S. Nos. 1 to 5	5.50%	8%
7	Persons not covered under S. Nos. 1 to 6	6%	9%

Advance Tax on dividend & Dividend in Specie

Part III, Division I (Section 150 & 236S) (Amended)

The rate of tax under section 150 and 236S shall be

S. No.	Person(s)	*Rate TY-2016*	*Rate TY-2017*
a)	In the case of dividends declared or distributed by purchaser of a power project privatized by WAPDA or on shares of a company set up for power generation or on shares of a company, supplying coal exclusively to power generation projects;	*7.50%*	*7.50%*
b)	Filers other than mentioned in (a) above;	*12.5%*	*12.5%*
c)	*Non-filers other than mentioned in (a) above:*	*17.5%*	*20%*

Rate of Tax on Collective Investment Scheme, RIET Scheme or a Mutual Fund

Person (1)	***Stock Fund (2)***	***Money market Fund, Income Fund or REIT scheme or any other fund***	
		Filer	***Non-Filer***
Individual	*10%*	*10%*	*15%*
Company	*10%*	*25%*	*25%*
AOP	*10%*	*10%*	*15%*
Provided that if Development of RIET Scheme with the objective of development of residential building is setup by 30th June 2018, Tax on dividend received from such scheme shall be reduced by 50% for three years from 30th June 2018.			

Tax deduction from Profit on Debt

Part III, Division *IA* (Section 151) (No Change)

S. No.	Person(s)	Amended Rate
1	Filers	10%
2	Non-filers	17.5%

* Provided that for a non-filer, if the yield or profit paid is rupees five hundred thousand or less, the rate shall be 10%.

Withholding Tax Rates on Certain Payments to Non-Residents under Section 152

Part 1, Division IV (Section 6 & Section 152 (1)
Part III, Division II (Section 152(1A)(1AA)
Part III Division IIIA (Section 152(1AAA) (No Change)

Nature of Payment		**Rate**
Royalty or Fee for technical services	Payment to non-residents u/s 152(1) & Section 6	15%
Payment to non-residents against contracts	From payments on execution of construction contract including supervisory activities & related services u/s 15(1A)	6%
Insurance premium or Re-insurance to non-resident persons	The rate of tax to be deducted under sub-section (1AA) of the section 152.	5%
Advertisement services to non- resident media persons	The rate of tax to be deducted under sub-section (1AAA) of the section 152.	10%
Payments to non-residents	In other cases. not covered under Section 152 (1),(1A), (1AA) (1AAA)(2A)	20%

Withholding Tax Rates on Certain Payments to PE of Non-Residents

Part III Division II (Section 152(2) (No Change)

Nature of Payment		**TY-2016 Rate**
Payments to a Permanent establishment of a non resident person for payments against sales of goods	The rate of tax to be deducted from a payment under clause (a) of Section 152 (2A) i. If the company is filer ii. If the company is non-filer iii. In any other case if the person is a filer iv. In any other case if the person is a non-filer	 4% 6% 4.5% 6.5%
Payments to a Permanent establishment of a non resident person for payments against services	The rate of tax to be deducted from a payment under clause (b) section 152(2A) i. In case of transport services ii. In case other than transport a) In case of company If the company is filer If the company is non-filer b) In any other case (other than company) If the person is filer If the person is non-filer	 2% 8% 12% 10% 15%
Payments to a Permanent establishment of a nonresident person for payments against contracts	• The rate of tax to be deducted from a payment referred to in clause (c) section 152 (2A) i. In case of sportspersons ii. In case of company If the company is filer If the company is non-filer iii. In any other case (other than company) If the person is filer If the person is non-filer	 10% 7% 10% 7.5% 10%

Tax deduction at source tax on payments for goods , services and contracts — Part III, Division III (Section 153) (Amended)

Nature of Payment	Nature of Income	Existing Rate TY-2016		Current Rate TY-2017	
		Rate (Filers)	Rate (Filers)	Rate (Filers)	Rate (Non-Filers)
Supplies (Section 153 (1)(a)	In case of sale of rice, cotton seed or edible oil	1.5%	1.5%	1.5%	1.5%
	In case of sale of goods on amount by payable to companies.	*4%.*	*6%.*	*4%*	*6%*
	In case of sale of goods -on payments to other taxpayers i.e other than companies	*4.5%*	*6.5%*	*4.5%*	*6.5%*
	In case of supplies made by the distributors of fast moving consumer goods				
	In case of companies.			*3%*	
	In case of other than companies			*3.5%*	
Services (Section 153(1)(b)	In the case of transport services	*2%*	*2%*	*2%*	*2%*
	In case of other services on amount payable to Companies	*8%*	*12%*	*8%*	*12%*
	In case of other services on payments to other tax payers i.e other than companies	*10%*	*15%*	*10%*	*15%*
	In Case of persons making payments to electronic and print media for advertising services (in case payment to a Company)	*1%*	*12%*	*1.5%*	*12%*
	In Case of persons making payments to electronic and print media for advertising services (in case payment to other that a company)	*1%*	*15%*	*1.5%*	*15%*
Contracts (Section 153(1) (c)	In case of contracts on payments to companies	*7%*	*10%*	*7%*	*10%*
	In case of contracts on payments to other tax payers i.e. other than companies	*7.5%*	*10%*	*7.5%*	*10%*
	In case of contracts on payments to sportspersons	*10%*	*10%*	*10%*	*10%*

Deduction of tax on Exports — Part III, Division IV (Section 154)

- 1% of the proceeds of the export.
- 5% in case of indenting commission as per provisions of subsection 2 of section 154.
- 1% in case of services of stitching, dying, printing, embroidery, washing, sizing and weaving provided as per provisions of subsection 2 of section 153. Currently the rate is 0.5%.

WHT on Income From Property — Part III, Division V (Amended)

(a)	**The rate of tax to be deducted under section 155, against (payments to) individual/AOPs**					
	Existing Rates TY-2016			**Amended Rates TY-2017**		
	S.No.	**Gross Amount of Rent**	**Rate of Tax**	**S.No.**	**Gross Amount of Rent**	**Rate of Tax**

	1	Where the gross amount of rent does not exceed Rs.150,000.	Nil.	*1*	*Where the gross amount of rent does not exceed Rs.200,000*	*Nil*
	2	Where the gross amount of rent exceeds Rs.150,000 but does not exceed Rs.1,000,000.	10% of the gross amount exceeding Rs.150,000.	*2*	*Where the gross amount of rent exceeds Rs.200,000 but does not exceed Rs.600,000*	*5% of the gross amount exceeding Rs.200,000*
	3	Where the gross amount of rent exceeds Rs. 1,000,000	Rs.85,000 plus 15 per cent of the gross amount exceeding Rs.1,000,000	*3*	*Where the gross amount of rent exceeds Rs.600,000 but does not exceed Rs.1,000,000*	*Rs. 20,000 plus 10% of the gross amount exceeding Rs.600,000.*
				4	*Where the gross amount of rent exceeds Rs.1,000,000 but does not exceed Rs.2,000,000*	*Rs. 60,000 plus 15% of the gross amount exceeding Rs.1,000,000*
				5	*Where the gross amount of rent exceeds Rs. 2,000,000*	*Rs. 210,000 plus 20% of the gross amount exceeding Rs.2,000,000*
(b)	The rate of tax to be deducted under section 155, against **(payment to) company**, shall be **15%**					

In case of Company, the above rate of tax is for withholding only. Company shall pay tax at the applicable rates to Company as per Division II of Part I to the First Schedule of the ITO, 2001. Any Tax deducted u/s 155 shall be adjustable against total liability. The net taxable property income shall be computed as per Section 15 of the ITO, 2001.

Withholding tax on Prizes and Winnings — Part III, Division VI (Section 156) (Amended)

	Filers	Non-Filers
• *On a prize on prize bond or cross-word puzzle*	*15% of the gross amount paid*	*20% of the gross amount paid*
• On winnings from a raffle, lottery, prize on winning a quiz, prizes offered by a company for promotion of sale	20% of the gross amount paid	20% of the gross amount paid

Withholding Tax on Petroleum Products — Part III, Division VIA (Section 156A) (No Change)

12% of the amount for filers
15% of the amount for non-filers

Rate of tax on Cash Withdrawal from Bank — Part IV Division VI (Section 231A) (No Change)

The rate tax to be deducted under section 231A shall be

Cash Withdrawal From Bank	Amended Rate
Aggregate amount of cash withdrawal from a bank account exceeding Rs. 50,000 in a day for filers	0.3%
Aggregate amount of cash withdrawal from a bank account exceeding Rs. 50,000 in a day for	0.6%

non-filers	

Advance Tax on Transactions in Bank

Part IV Division VIA (Section 231AA) (No Change)

Advance Tax on Transaction in Bank	**Amended Rate**
Aggregate amount of cash transaction through bank exceeding Rs. 25,000 in a day for filers	0.3%
Aggregate amount of cash transaction through bank exceeding Rs. 25,000 in a day for non-filers	0.6%

Advance Tax on purchase of private Vehicles

Part IV Division VII (Section 231B (No Change)

Tax rates for new registration of vehicles –Section 231B(1) or sales by manufacturers-Section 231B(3)

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

Tax rates for transfer of registration or ownership of motor vehicles –Section 231B(2)- applicable if transfer of vehicle is executed within five years from the date of first registration in Pakistan)

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

Provided that the rate of tax to be collected shall be reduced by 10% each year from the date of first registration in Pakistan.

Withholding tax on Brokerage and Commission

Part IV, Division II (Section 233) (Amended)

Existing Rate			***Amended Rate***			
					TY-2017	
S. No.	**Person(s)**	**TY-2016**	**S. No.**	***Person(s)***	***Filer***	***Non-Filer***
1	In case of filers					

	(a) Advertising Agents	10%	1	*Advertising agents*	*10%*	*15%*
	(b) In all other cases	12%	2	*Life Insurance Agents where commission received is less than Rs. 0.5 million per annum*	*8%*	*16%*
2	In case of non-filers	15%	3	*Person not covered in 1 and 2 above*	*12%*	*15%*

Rate for Collection of Tax by a Stock Exchange Registered in Pakistan

Part IV, Division IIA (Section 233A) (Amended)

- Existing rate was 0.01% of the share purchase value

S. No. (1)	Description (2)	Rate (3)
1	In case of purchase of shares as per clause (a) of sub-section (1) of section 233A	0.02% of purchase value
2	In case of sale of shares as per clause (b) of sub section (1) of section 233A	0.02% of sale value

Rate for Collection of Tax by NCCPL

Part IV, Division II B (Section 233AA) (No Change)

- 10% of profit or mark-up or interest earned by the member, margin financier or securities lender.

Tax on Motor Vehicles

Part IV, Division III (Section 234) No Change)

(i.)Rate of collection of tax under section 234,

Transport vehicle	Amended Rate for Filers	Amended Rate for non- filer
In case of goods transport vehicle for laden weight	Rs.2.5/KG	Rs. 4/KG

(ii) In the case of passenger transport vehicles plying for hire with registered seating capacity of---

Transport vehicle	Filers	Non-filers
(a) Four or more persons but less than ten persons.	50`	100
(b) Ten or more persons but less than twenty persons.	100	200
(c) Twenty persons or more	300	500

S. No.	Engine Capacity	for Filers	for non-Filers
(1)	(2)		
1	upto 1000cc	*Rs.800*	*Rs.1,200*
2	1001cc to 1199cc	*Rs.1,500*	*Rs.4,000*
3	1200cc to 1299cc	*Rs.1,750*	*Rs.5,000*
4	1300cc to 1499cc	*Rs.2,500*	*Rs.7,500*
5	1500cc to 1599cc	*Rs.3,750*	*Rs.12,000*
6	1600cc to 1999cc	*Rs.4,500*	*Rs.15,000*
7	2000cc & above	*Rs.10,000*	*Rs.30,000*

Motor Vehicle tax is collected in lump sum

Part IV, Division III (Section 234(2) (No Change)

S. No.	Engine Capacity	Rate For Filers	Rate For Non-filers
(1)	(2)	*(3)*	*(4)*

1	upto 1000cc	*Rs. 10,000*	*Rs. 10,000*
2	1001cc to 1199cc	*Rs. 18,000*	*Rs. 36,000*
3	1200cc to 1299cc	*Rs. 20,000*	*Rs. 40,000*
4	1300cc to 1499cc	*Rs. 30,000*	*Rs. 60,000*
5	1500cc to 1599cc	*Rs. 45,000*	*Rs. 90,000*
6	1600cc to 1999cc	*Rs. 60,000*	*Rs. 120,000*
7	2000cc & above	*Rs. 120,000*	*Rs. 240,000*

Collection of tax from CNG Stations — Part III, Division VIB (Section 234A) (No Change)

The rate of tax to be collected under section 234A shall be 4% of the gas consumption charges of CNG station.

Advance Tax on Electricity Consumption — Part IV, Division IV (Section 235) (Amended)

- Rate of collection of tax under section 235 are slabs rates from Rs.80 to Rs.1500 upto the bill amount less than 20,000.
- *Where the amount of electricity bill exceeds Rs. 20,000: 5% for industrial consumers and 12% for commercial consumers*

Advance Tax on Domestic electricity Consumption (inserted through FA2015) — Part IV, Division XIX (Section 235A) (Amended)

Existing TY-2016			**Amended TY-2017**		
S. No.	***Bill Amount***	***Amended rate***	***S. No.***	**Bill Amount**	**Amended rate**
1	*if the amount of monthly bill is Rs.75,000 or more*	*7.5%*	*1*	if the amount of monthly bill is Rs.75,000 or more	7.5%
2	*0% the amount of monthly bill is less than Rs.100,000.*	*0%*	*2*	0% the amount of monthly bill is less than Rs.75,000.	0%

Advance tax from Telephone Users — Part IV Division V (Section 236) (No Change)

(a)	in the case of a telephone subscriber (other than mobile phone subscriber) where the amount of monthly bill exceeds Rs.1000.	10% of the exceeding amount of bill
(b)	in the case of subscriber of internet, mobile telephone and pre-paid internet or telephone card	*14% of the amount of bill* or sales price of internet pre-paid card or prepaid telephone card or sale of units through any electronic medium or whatever form.

Advance tax at the time of sale by auction — Part IV Division VIII (Section 236A) (No Change)

- 10% of the gross sale price of any property or goods sold by auction

Advance tax on Purchase of Air Ticket — Part IV Division IX (Section 236B) (No Change)

- The rate of tax to be deducted under section236B shall be 5% of the gross amount of air ticket.

Advance Tax on Sale or Transfer of Immovable Property

Part IV Division X (Section 236C) (Amended)

Amended vide Finance Bill 2016

	TY-2016		TY-2017	
	Filer	**Non-Filer**	**Filer**	**Non-Filer**
Advance tax on sale or transfer of Immovable Property	0.5% of the gross amount	1% of the gross amount	1% of the gross amount	2% of the gross amount

Advance tax on functions and gatherings

Part IV, Division XI, Section 236 D (No Change)

- *5% of the bill amount*

Advance tax on foreign-produced Films & TV Plays

Part IV, Division XII, Section 236 E (No Change)

(a)	Foreign-produced TV drama serial	Rs.100,000/-per episode
(b)	Foreign-produced TV play (single episode)	Rs. 100,000/-

Advance tax on Cable Operators and other Electronic Media

Part IV, Division XIII (Section 236F) (No Change)

1. The rate of tax to be collected in case of Cable Television Operator shall be as per following table;

License Category as provided in PEMRA Rules	**Tax on License Fee**	**Tax on Renewal**	**License Category as provided in PEMRA Rules**	**Tax on License Fee**	**Tax on Renewal**
H	Rs. 7,500	Rs. 10,000	B-4	Rs. 75,000	Rs. 100,000
H-1	Rs. 10,000	Rs. 15,000	B-5	Rs. 87,500	Rs. 150,000
H-II	Rs. 25,000	Rs. 30,000	B-6	Rs. 175,000	Rs. 200,000
R	Rs. 5,000	Rs.30,000	B-7	Rs. 262,500	Rs. 300,000
B	Rs. 5,000	Rs. 40,000	B-8	Rs. 437,500	Rs. 500,000
B-1	Rs. 30,000	Rs. 50,000	B-9	Rs. 700,000	Rs. 800,000
B-2	Rs. 40,000	Rs. 60,000	B-10	Rs. 875,500	Rs. 900,000
B-3	Rs. 50,000	Rs. 75,000			

2. The rate of tax to be collected in case of IPTV , FM Radio, MMDS, Mobile TV, Mobile Audio, Satellite TV Channel, Landing Rights shall be **20%** of the permission fee or renewal fee, as the case may be.

Advance tax on sale to Distributors, Dealers or Wholesalers

Part IV, Division XIV (Section 236G) (No Change)

Category of Salle	*Amended Rate of Tax*

	Filer	*Non-Filer*
Fertilizers	*0.7%*	*1.4%*
Other than Fertilizers	*0.1%*	*0.2%*

Advance tax on sale to Retailers

Part IV, Division XV (Section 236H) (No Change)

0.5% of the gross amount of sales by every manufacturer, distributor, dealer, wholesaler or commercial importer of the specified sectors mentioned in section 236H

Collection of Advance Tax by Educational Institution

Part IV, Division XVI (Section 236I) (No Change)

5% of the amount of Fee/Charges

Advance Tax on Dealers, Commission Agents and Arhatis etc.

Part IV, Division XVII (Section 236J) (No Change)

- The rate of collection of tax will be as follows by every Market Committee

Group	**Amount of Tax (per annum)**	**Group**	**Amount of Tax (per annum)**
Group or Class A:	Rs. 10,000	Group or Class C:	Rs. 5,000
Group or Class B:	Rs. 7,500	Any other category:	Rs. 5,000.

Advance Tax on purchase of immovable property

Part IV, Division XVIII (Section 236K) (Amended)

Amended vide Finance Bill 2016

S. No.	**Period*	*Rate of Tax TY-2016*	*Rate of Tax TY-2017*
(1)	*(2)*	*(3)*	
1	*Where value of Immovable property is up to 3 million.*	*0%*	0%
2	*Where the value of Immovable property is more than 3 million*	*Filer 1%* *Non-Filer 2%**	Filer 2%* Non-Filer 4%*

Provided that the rate of tax for Non-Filer shall be 1% upto the date appointed by the Board through notification in official gazette.

Advance Tax on international air ticket

Part IV, Division XX (Section 236L) (No Change)

Sr.No.	**Type of Ticket**	**Amended Rate**
1	First/Business/Club class	16,000 per person
2	Other excluding economy	12,000 per person
3	Economy	0%

Advance Tax on Banking Transactions Otherwise Than Through Cash

Part IV, Division XXI (Section 236P) (No Change)

The rate of tax to be collected under section 236P shall be **0.6%** of the transaction for the non-filers.

Payment to a resident person for right to use machinery and equipment

Part IV, Division XXIII (Section 236Q) (No Change)

Rate of collection of tax under section 236Q shall be 10% of the amount of the payment.

Collection of advance tax on education related expenses remitted abroad

Part IV, Division XXIV (Section 236R) (No Change)

Rate of collection of tax under section 236R shall be **5%** of the amount of total education related expenses.

Advance tax on insurance premium

Part IV, Division XXV (Section 236U)(New Insertion)

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

New Insertion vide Finance Bill 2016

S.No. (1)	Type of Premium (2)	Rate (3)
1	*General insurance premium*	*4%*
2	*Life insurance premium if exceeding Rs. 0.2 million per annum*	*1%*
3	*Others*	*0%*

Advance tax on extraction of minerals

Part IV, Division XXVI (Section 236U) (New Insertion)

New Insertion vide Finance Bill 2016

The rate of tax to be collected under section 236V shall be as under:-

S.No. (1)	Type of Premium (2)	Rate For Filers	Rate For Non-Filers
	Rate of tax to be collected on the value of the minerals	*0%*	*5%*

DISCLAIMER

The Commentary on Finance bill, 2015-16 has been prepaid as a general guide line for the benefits of Corporate Sector Organizations, Industries, Consulting Services and management Accountants.

We hope that the commentary on Finance bill, 2015-16 will be beneficial to all.

Although every care has been taken in the publication of commentary on Finance bill, 2015-16. The Institute shall not be responsible for any loss or damage cause to any person on account of errors or omission which might have crept in.

For clarification original document may be consulted.