FOREWORD

Institute of Cost and Management Accountants of Pakistan (ICMA Pakistan) is a leading professional accounting body that is engaged in the economic uplift of Pakistan. ICMA Pakistan is committed to build a strong corporate culture enabling the Pakistan economy to achieve the desired growth in future.

I am delighted to present the Budget Commentary for the year 2015-16 on behalf of the ICMA Pakistan. This commentary has been prepared to provide a deep insight of the Federal Budget 2015-16, which will enable the readers to better understand the Federal Budget.

ICMA Pakistan has always played a vital role in the pre-budget and post budget process 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.

To prepare the Budget Commentary, Chairman TSPD Committee constituted a task force comprising the following:-

- Mian Muhammad Ramzan, FCMA
- Mr. Riasat Khan, FCMA
- Mr. Tariq Khan, FCMA
- Mr. Arshad Bashir, FCMA

I would like to express my deep appreciation to all our members and their teams who have contributed in putting up these proposals.

We value your suggestions. Please 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.

Kashif Mateen Ansari, FCMA
President & Chief Executive

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ECONOMIC REVIEW

The third Federal Budget was presented by the current elected Government. Although there were some challenges of political instability and law & order situation in country in the beginning of the year. Power and energy crisis are still there for the last many years. However, due to consistency in government policies and by overcoming law & order situation, some improvements in the economic situation are witnessed during the current financial year to be ended on 30th June 2015 and Pakistan has achieved 4.24% growth, which is indicator towards the right direction. An over view is as under;

- Pakistan China economic corridor will open new areas towards economic development and can boast the current economic activity and is positive indicator for economy of Pakistan. China has become major strategic partner in trade and commerce with the Pakistan and provides the opportunities to uplift the socio-economic conditions of the common man in the country and will also help to increase the trade & commerce activity for both countries & can generate the lots of employment opportunity as well.

- Agriculture sector can play vital role in economic growth of the country. God has blessed us with four pleasant weather, having two major crops, Kharif & Rabbih. The agriculture sector considered the back bone of Pakistan economy. Recorded growth in agriculture sectors is 20.9 % Of GDP & 43.5 % of employment. This sectors include Corps, livestock, Fisheries and Forestry.

- The industrial sector also play integral role for our economy to contributes 20.30 % in the GDP, after agriculture sector industrial sector is the 2nd strongest sector for revenue generation of the government and also involve towards the job providing activities.

- Large scale manufacturing grown by 2.5% and mining and quarrying sector by 3.8%. These sectors shows growth in manufacturing of wooden products, paper & boards, food beverages and tobaccos, chemicals, pharmaceuticals products, exploration of crude oil, soap stone, gypsum, coal and lime etc. would contribute in every segment of the economy.

- During the year 2014-15 fiscal deficit is recorded 3.8 % against last year deficit are recorded 3.9%. Expenditure incurred during the year are recorded 5,642.4 billion 2014-15 against 4,462.3 billion last year. Development expenditure grew 6.9 % during 2014-15 it can reached 594 billion against 555.8 billion in the last year. Indirect taxes increased 10.1 % in first ten month of current fiscal year and for 61.0 % of total FBR collection. FBR has collected Rs 1972.4 billion as provincial tax revenue against Rs. 1744.9 billion for previous year, which shows 13% growth in this sector.

- Roads & transportation plays in vital role in development of economy & provide easy excess to the market from the ruler area of country. Government of Punjab & Federal government joint hand to complete the metro bus service for the twin city Rawalpindi & Islamabad which cost 44.21 billion. The Pakistan railway network tracks of 90 KMs has been rehabilitated & doubling of 57 KMs of old track during the year 2014-15. Pakistan national shipping corporation (PNSC) earned revenue of Rs. 12.20 billion as compare to last year Rs. 11.37 billion.

Technology advancement of 3G/4G spectrum would help in improving the progress of socio economic activity in the country. This the major achievement of the government in telecom sector & has brought the investment US $ 1790 million. Cellular mobile user reached to 134.9 million by the end of the year.

Gwadar port has contributed a lot toward the economic growth of the country & has opened new corridors of economic development by strengthening the Pak – China economic relationship. The port stood at cargo handling of 6.279 million tons against 5.764 million tons over the last year which shows the growth of 8.9%.

Pakistan as under develop countries has faced a lot in terms of energy and power crises during the year. Asian development Bank take the steps to overcome the energy crises for economy, Pakistan has to obtained loan form Asian development Bank which help to complete the Jamsharo Power Generation Project which will complete by the end of 2018 and add 1,300 megawatts (MW). The World Bank also approved the financing in order to expend Hydro – electricity generation through the development of Dasu Hydro Power stage-1 Project which has expend to 4,320 megawatts.

The environment condition of the country has been improved as compare to the past year. National Impact Assessment Program (NIAP) conducted by Pakistan environment Protection Agency is aimed to contribute to sustainable development in Pakistan through strengthening the environment impact. Plan for government is to increase the water storage capacity as per requirement of each Province according to the defined strategic need of & International bench mark. Government also established institutional mechanism in order to effectively management of all resources of water.

Government of Pakistan has formulated number of national & international polices & has signed MOUs with international strategic partner in order to build the momentum & accelerate the progress in development economy of Pakistan. God has blessed lot of natural resources which can be used for the betterment of the country. Gwadar port if used at its best optimum level can uplift the social-economic activates of a common man and also enhance macroeconomics of Pakistan and make it enable to compete with the other nations in the region.

BUDGET AT A GLANCE

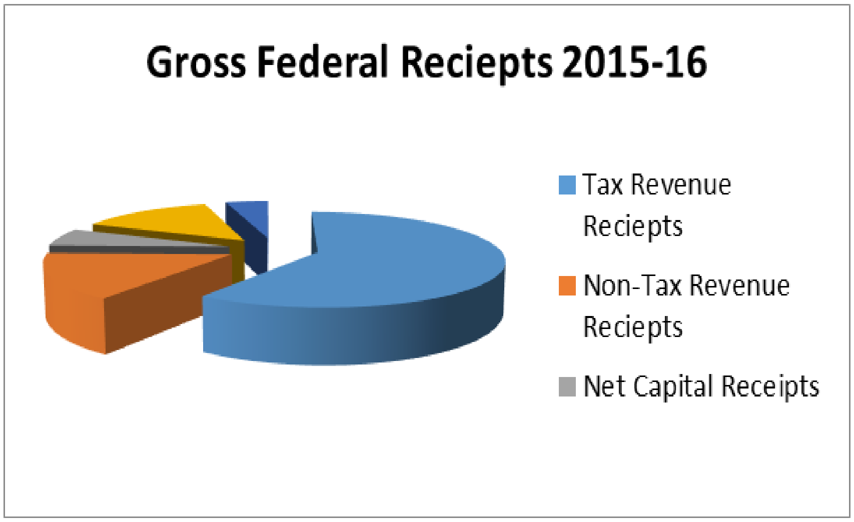
Budget 2015-16

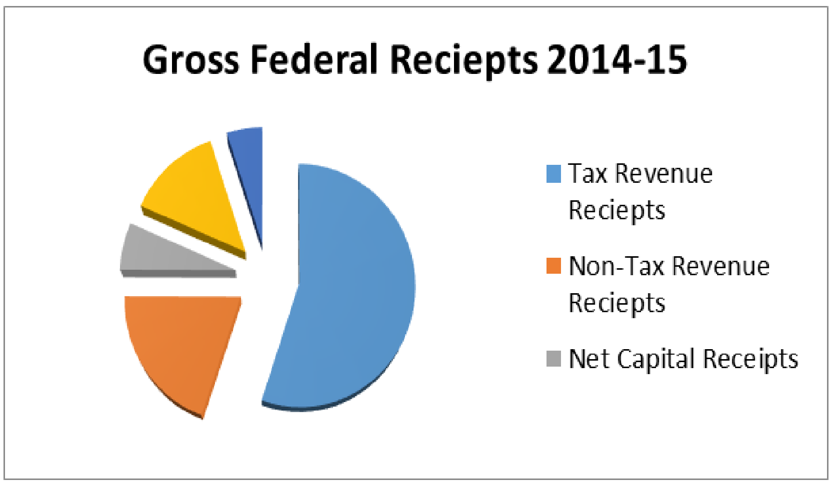
Comparative Analysis with Previous Budget

Rs.in million

	Budget Estimates 2014-15	Revised Estimates 2014-15	Budget Estimates 2015-16	%age Increase
(i) Resources				
Revenue Receipts (NET)				
Tax Revenue Receipts	3,129,210	2,910,180	3,418,221	9.24
Non-Tax Revenue Receipts	816,294	1,042,292	894,523	9.58
Capital Receipts	484,259	332,425	352,033	(27.30)
External Receipts	868,610	710,461	801,511	(7.72)
Public Accounts Receipts	270,528	270,528	254,270	(6.01)
Gross Federal Resources	**5,568,901**	**5,265,886**	**5,720,558**	2.72
Less: Provincial share in federal taxes	1,720,182	1,574,709	1,849,394	7.51
Net Federal Resources	3,848,719	3,691,177	3,871,164	0.58
Cash balance built up by provinces	289,289	141,561	297,173	2.73
Credit from banking sector	227,906	402,373	282,940	24.15
TOTAL RESOURSES	**4,365,914**	**4,235,111**	**4,451,277**	**1.96**
(ii) Expenditures				
Current Expenditure	3,527,414	3,480,790	3,482,238	(1.28)
Development Expenditures (PSDP)	838,500	754,321	969,039	15.57
TOTAL EXPENDITURES	**4,365,914**	**4,235,111**	**4,451,277**	**1.96**

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


Gross Federal Reciepts 2015-16
Tax Revenue Reciepts
Non-Tax Revenue Reciepts
Net Capital Receipts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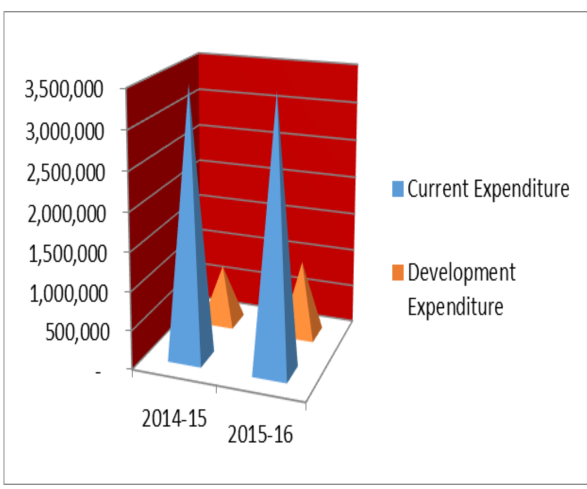
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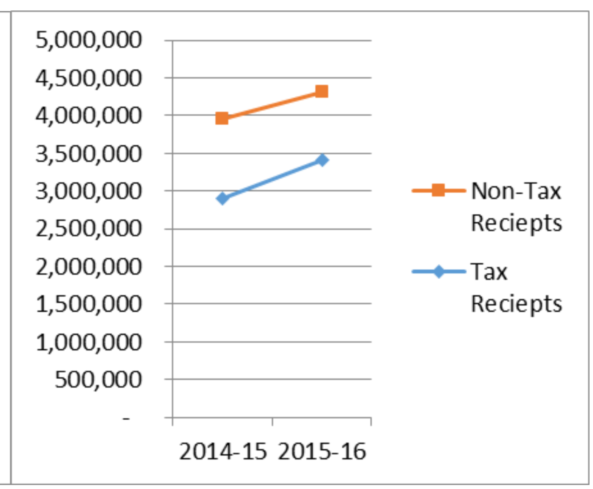
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Non-Tax Reciepts
Tax Reciepts

DETAILED BUDGET SUMMARY

(Rs.in million)

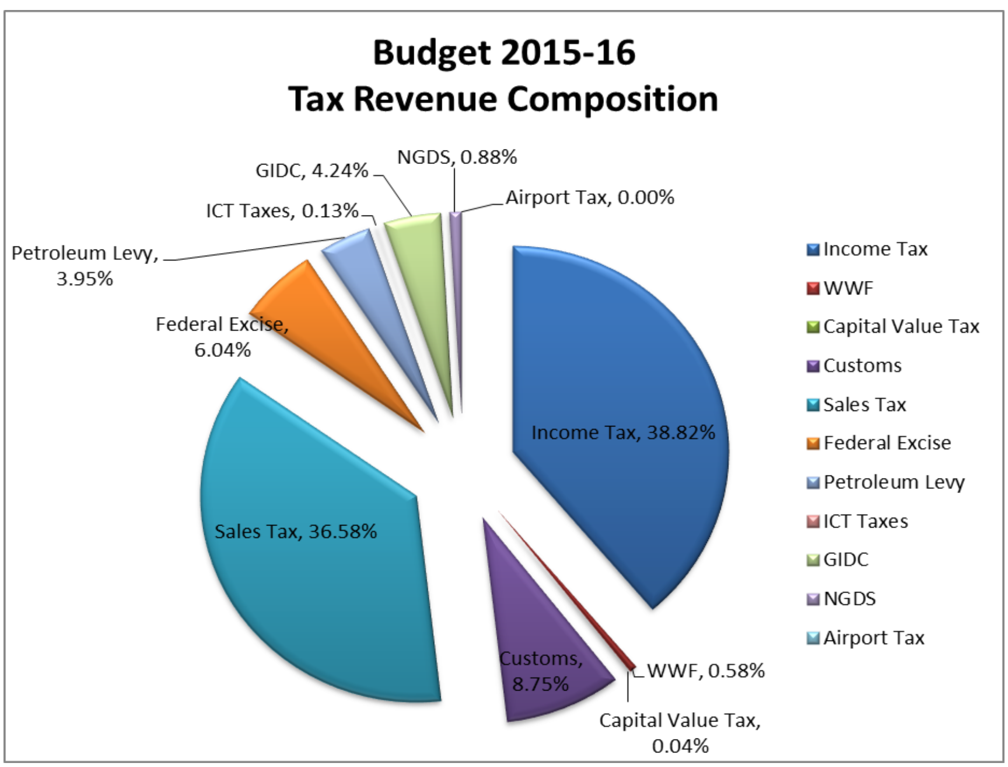
RECEIPTS	Budget 2014-15	Revised 2014-15	%age	Budget 2015-16	%age
Tax Revenue					
Direct Taxes	1,180,000	1,109,000	28.06%	1,347,872	31.25%
Indirect Taxes	1,630,000	1,496,000	37.85%	1,755,834	40.71%
Other Taxes	319,210	305,180	7.72%	314,515	40.71%
	3,129,210	2,910,180	73.63%	3,418,221	79.26%
Non Tax Recenue					
Proper and Enterprises	191,992	221,101	5.59%	227,680	5.28%
Civil Admin & Other Functions	417,453	610,894	15.46%	444,295	10.30%
Misc. Receipts	206,850	210,297	5.32%	222,548	5.16%
	816,295	1,042,292	26.37%	894,523	20.74%
Gross Revenue Receipts	3,945,505	3,952,472	100.00%	4,312,744	100.00%
Less:Provincial Share	1,720,182	1,574,709		1,849,394	
Net Revenue Receipts	2,225,323	2,377,763		2,463,350	
Net Capital Receipts	690,618	602,954		606,303	
Estimated Provincial Surplus	289,289	141,561		297,173	
External Receipts (Foreigh Loans and Grants)	868,610	710,461		801,511	
ESTIMATED NET RESOURCES AVAILABILITY	4,073,840	3,832,739		4,168,337	
EXPENDITURE					
Current Expenditure					
Running Civil Government	290,660	313,294	9.00%	326,331	9.37%
Defence Affairs and Services	700,148	720,002	20.69%	781,162	22.43%
Pensions (Military & Civil)	215,000	219,958	6.32%	231,000	6.63%
Provision for Pay & Pension	25,000	-	0.00%	-	0.00%
Grants and Transfers (provinces and Others)	370,782	418,665	12.03%	409,875	11.77%
Subsidies	203,248	243,248	6.99%	137,603	3.95%
Interest Payment (on Domestic and Foreign Loans)	1,325,232	1,270,037	36.49%	1,279,895	36.75%
Foreign Loan Repayment	333,174	295,586	8.49%	316,373	9.09%
	3,463,244	3,480,790	100.00%	3,482,239	100.00%
Development Expenditure					
Federal PSDP	525,000	542,000		700,000	
Dev. Loans & Grants to Provinces	151,688	80,029		104,639	
Other Dev. Exp. (Outside PSDP)	161,813	132,292		164,400	
	838,501	754,321		969,039	
TOTAL EXPENDITURE	4,301,745	4,235,111		4,451,278	
Short fall	-227,905	-402,372		-282,941	
Bank Borrowings	227,906	402,373		282,940	

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

BREAKUP OF TAX REVENUE RECEIPTS

Rs.in million

	Budget 2014-15	Revised 2014-15	%age of T.Rev.	Budget 2015-16	%age of T.Rev.
Direct Taxes					
Income Tax	1,163,821	1,091,691	37.51%	1,326,835	38.82%
WWF*	15,500	16,216	0.56%	19,709	0.58%
Capital Value Tax	697	1,093	0.04%	1,328	0.04%
	1,180,018	1,109,000	38.11%	1,347,872	39.43%
Indirect Taxes					
Customs	281,000	255,000	8.76%	299,125	8.75%
Sales Tax	1,171,000	1,082,000	37.18%	1,250,272	36.58%
Federal Excise	178,000	159,000	5.46%	206,437	6.04%
Petroleum Levy	123,000	126,000	4.33%	135,000	3.95%
ICT Taxes	4,720	4,105	0.14%	4,365	0.13%
Gas Infrastructure Development Cess (GIDC)	145,000	145,000	4.98%	145,000	4.24%
Natural Gas Development Surcharge (NGDS)	46,400	30,000	1.03%	30,000	0.88%
Airport Tax	90	75	0.00%	150	0.00%
	1,949,210	1,801,180	61.89%	2,070,349	60.57%
Total Tax Revenue Receipts	3,129,228	2,910,180	100.00%	3,418,221	100.00%



BUDGET HIGHLIGHTS

LAYOUT/GENERAL

The total outlay of budget 2015-16 is Rs. 4,451.3 billion. This size is 3.5% higher than the size of budget estimates 2014-15.

The resource availability during 2015-16 has been estimated at Rs. 4,168.3 billion against Rs. 4,073.8 billion in the budget estimates of 2014-15.

The net revenue receipts for 2015-16 have been estimated at Rs. 2,463.4 billion indicating an increase of 10.7% over the budget estimates of 2014-15.

The provincial share in federal taxes is estimated at Rs. 1,849.4 billion during 2015-16, which is 7.5% higher than the budget estimates for 2014-15.

The external receipts in 2015-16 are estimated at Rs. 751.5 billion. This shows an increase of 12.1% over the budget estimates for 2014-15.

The net capital receipts for 2015-16 have been estimated at Rs 606.3 billion against the budget estimates of Rs 690.7 billion in 2014-15 i.e. a decline of 12.2%.

The overall expenditure during 2015-16 has been estimated at Rs 4,451billion, out of which the current expenditure is Rs 3,482 billion and development expenditure is Rs 969 billion. Current expenditure has been estimated to be higher than the revised estimates for 2014-15 by around 0.041%, while development expenditure increased by 28.46% in 2015-16 over the revised estimates of 2014-15.

The share of current expenditure in total budgetary outlay for 2015-16 is 78.23% as compared to 82.18% in revised estimates for 2014-15.

The expenditure on General Public Services is estimated at Rs 2,446 billion which is 70.25% of the current expenditure.

The size of Public Sector Development Programme (PSDP) for 2015-16 is Rs 1,513.7 billion. Out of this, Rs 813.7 billion has been allocated to provinces. Federal PSDP has been estimated at Rs 700 billion, out of which Rs 252.6 billion to Federal Ministries / Divisions, Rs 271.9 billion to Corporations, Rs 20 billion to Pak Millennium Development Goals and Community Development Programme (MDGs), Rs 28.5 billion to Special Federal Development Programme, Rs 7 billion to Earthquake Reconstruction and Rehabilitation Authority (ERRA), 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.

The other development expenditure outside PSDP for 2015-16 has been estimated at Rs 164 billion

To meet expenditure, bank borrowing has been estimated at Rs 283 billion which is lower than the revised estimates of 2014-15 at Rs 403 billion.

Exports of perishable goods namely fruits, vegetables, dairy products and meat shall be allowed against Pak currency instead of dollars w.e.f. 1-7- 2015.

In order to facilitate the small growers and to reduce heavy expenditure incurred on diesel/electricity tube wells interest free loans of upto Rs.1 Million for setting up new solar tube wells or replacing the existing tube wells with solar tube wells shall be provided.

INCOME TAX

The corporate tax rate reduced by one per cent to 32% for tax year 2016 in continuation of the policy to bring it to 30% gradually from 35% from the TY2014 @ 1% each year.

Exemption to Electricity Transmission Projects for a period of 10 years, provided that the project is set up by June, 2018.

Threshold limit of for the amount eligible for tax credit on investment in new listed companies' shares for individual investors is being enhanced to Rs.1.5 million from Rs.1 million.

At present, a 15% tax credit is available to a company, if it opts for enlistment in any registered stock exchange in Pakistan. To encourage enlisting of companies on stock exchange, the credit is being be enhanced to 20%.

Reduction in Withholding Tax on Token Tax and Transfer of Vehicles but for non filers rates increased.

The limit of capital at Rs 25 million for qualifying as a small company is proposed to be enhanced to Rs 50 million.

Salaried taxpayers and Individuals and AOPs earning taxable income from Rs 400,001 to Rs 500,000 are chargeable to tax at a rate of 5% and 10% respectively. To provide relief to this class the rate of tax is proposed to be reduced to by 03 percent and now rates for the income between 400,001 to 500,000 would be 2% and 7% for Salaried Individuals and Other individuals/AOPs respectively. Resultantly decrease in tax liability by Rs.3,000 in subsequent slabs also.

Currently the tax on export proceeds is subject to final tax. Now option be being given to Exporters to Opt Out of the Final Tax Regime

Change in Rate of Tax and Taxable Holding Period for Securities from 02 years to 04 years: The rates for capital gains tax on securities are being fixed as under:

- Held upto a period of 12 months will be 15% presently it is 12.5%

- Held upto a period from 12 months to 24 months will be 12.5% presently it is 10%
- Held upto a period from 2 years to 4 years will be 7.5% presently there is no tax.

The scope of the distinction between a compliant and non-compliant taxpayer by prescribing high withholding tax rates for those not filing income tax returns.

Adjustable advance income tax at the rate of 0.6% of the amount of transaction is proposed to be collected on all banking instruments and other modes of transfer of funds through banks in the case of persons who do not file Income Tax returns.

Presently, tax rate of 35% is applicable to banking companies from all sources except income from dividend and income from capital gains. Rate differential for different sources is being removed.

Tax rate on dividend being increased in case of non-filers from 15% to 17.5% of which 5% shall continue to be adjustable whereas rate on dividend under section 5 increased from 10% to 12.5% for filers whereas withholding rate under section 150 remained unchanged i.e. 10% but for non-filers increased from 15% to 17.5%. For Mutual Funds the existing rate of 10% shall continue.

The threshold of deduction of withholding tax on electricity consumption being reduced from Rs. 100,000 to Rs. 75,000.

At present there is no withholding tax on either use or right to use of commercial, industrial and scientific equipment or on renting out of machinery. It is proposed that a 10% withholding tax be imposed on renting out machinery and for use or right to use commercial, scientific or industrial equipment, in case of residents also, and be treated as final tax liability.

In order to encourage public listed companies to distribute dividend which would encourage investment in stock markets, it is proposed that in the case of a listed company other than a scheduled bank or a Modaraba, which does not distribute cash dividends within six months of the end of the said income year or distributes dividends to such an extent that its reserves, after such distribution, are in excess of hundred percent of its paid up capital, the excess amount may be taxed at the rate of 10%.

To meet enhanced revenue needs for the rehabilitation of Temporarily Displaced Persons, it is proposed to levy a one-time tax on the affluent and rich individuals, association of persons and companies earning income above Rs. 500 million in tax year 2015 at a rate of 4% of income for banking companies and 3% of income for all others.

The exemption from withholding tax on payments to electronic and print media in respect of the advertising services may be withdrawn.

Cash withdrawals by exchange companies are exempt from withholding. Now exemption withdrawn and withholding tax at a reduced rate of 0.15% shall be applicable instead of being exempt.

Withholding tax at the rate of 12% as is applicable to commission agents, however, tax on commission of advertising agencies is withheld at a reduced rate of 7.5%. It is proposed that this rate be increased to 10%.

For Agricultural Delivery Chain Income Tax Holiday for 3 years is being introduced for new industrial undertakings engaged in (i) setting up and operating cold chain facilities, and (ii) setting up and operating warehousing facilities for storage of agriculture produce.

The exemption for 4 years for Halal' Meat Production Companies which set up 'halal' meat production plant and obtain 'halal' certification by 31st December 2016

For Rice Mills exemption from minimum tax for the Tax Year 2015 is being granted.

Exemption from withholding tax on supply of agricultural produce is to be extended to supply of fish.

On import of Agricultural Machinery withholding tax being reduced from 6% to 0%. Customs duty also reduced to 2%. On import and supply of agricultural machinery sales tax shall be charged at reduced rate of 7%.

Threshold limit for tax credit against housing loans increased from Rs.750,000 to Rs.1,000,000.

Minimum tax on builders payable under section 113A (introduced through Finance Act 2013) is being suspended upto 30th June 2018.

Capital Gains of any person who sells a property to a REIT development scheme formed for the development of housing sector will be exempt from Income Tax up to 30.6.2018.

If a development REIT Scheme for the development of housing sector is set up by 30.6.2018, for the first three years the rate of Income tax chargeable on dividend income of such REIT shall be reduced by 50%.

Employment credit to manufacturers is being granted for reduction of tax liability @1% for every 50 employees upto maximum of 10%.

Exemption from tax for investment in greenfield project being granted upto 30th June 2017.

Domestic Production of Solar and Wind Energy Equipment Manufacturing is being granted exemption from tax for 05 years.

Five years Income Tax holiday on all new manufacturing units set up in Khyber Pakhtunkhwa between 1-7-2015 and 30-6-2018.

SALES TAX & FEDERAL EXCISE

Rationalization of sales tax on steel sector melters, re-rollers and, ship breakers

The rate of further tax for supplies to unregistered persons is being enhanced to 2% from 1%.

Increase in the rate of sales tax on mobile phones to Rs. 300, 500 and 1000, from Rs. 150, 250 and 500, respectively, depending on features in the mobile set.

Restricting zero-rating on dairy products to milk only baby formula.

Enhancement of rates of Federal Excise Duty on locally produced cigarettes. Average tax incidence to increase from 58% to 63%.

The rate of Federal Excise Duty on aerated waters is being enhanced from 9% to 12% of retail price.

Exemption of sales tax on local supply of raw hides and skins to be granted as under the existing provisions of law.

Sales Tax Rules regarding temporary registration are being introduced to facilitate the importers-cum-manufacturers.

The electronic monitoring system is proposed to be introduced to monitor the production of specified sectors i.e. cigarettes, beverages, cement, fertilizer and sugar; and also to monitor the sales of restaurants etc.

The limit of utility bills for cottage industry is being enhanced from 700,000 to 800,000 rupees for the promotion of cottage industry.

Sales tax exemption on appliances for colostomy, colostomy / urosotomy bags and tubular daylight devices is being granted.

Input tax adjustment on Pre-fabricated buildings being allowed.

Supply of bricks and crushed stone will be exempted from Sales Tax for three years up to 30.6.2018.

On Import and Local Supply of Agricultural Machinery and Equipment non- adjustable sales tax at reduced rate of 7%, instead of existing rate of 17% is being imposed.

Air routes in Gilgit Baltistan, Makran Coastal belt, Azad Jammu and Kashmir, Chitral and FATA are proposed to be exempted from payment of FED and withholding tax.

Concessionary regime under various SROs and Schedules are being reviewed minimally utilized concessions are being withdrawn. Socially sensitive concessions retained. Remaining concessions either withdrawn or continued on enhanced rates.

Powers of FBR to grant exemptions withdrawn. Federal Government may grant exemptions and concessions in emergency circumstances with the approval of Economic Coordination Committee but all those SROs need to be tabled before he National Assembly in a financial year for ratification otherwise those SROs shall stand rescinded.

The services in Islamabad Capital Territory (ICT) being brought into the list taxable services @16% including construction, beauty parlors, hotels/marriage halls/guest houses, clubs, consultancy services, software services, property dealers, tour operators, man power suppliers, fashion designers, architects, cable TV operators, event management services, call centers and car dealers in order to align the taxation regime on services with that being followed by the provinces.

CUSTOMS ACT

Maximum general tariff rate of 25% reduced to 20%.

Items chargeable to customs duty @ 1% substituted with 2% customs duty, last year zero % duty was substituted with 1%.

Custom duty on import of agricultural machinery and equipment is being reduced to 2% from different higher duty rates.

On import of construction machinery in used condition by the Construction Companies registered with Pakistan Engineering Council and SECP, the Customs Duty is reduced to 10%.

To curb the menace of under invoicing, specific penal provision introduced for ensuring compliance of mandatory condition of invoice and packing list.

SALES TAX ACT, 1990

Through Finance Bill 2015, following amendments have been proposed in the Sales Tax Act, 1990.

Active Taxpayer (new insertion) | Section 2(1) , section 21A

In the definition the active taxpayer has been defined. Currently, the concept of Active Taxpayer is in practice in relation to non-filing of monthly sales tax return for the consecutive two months. Though, the taxpayer becomes active on filing of the due sales tax returns. However, Active/in-active taxpayer was not defined in the Act.

Now, definition of "Active Taxpayer" is introduced as clause (1) of section 2. This is like the definition of Filer/non-filer in the Income Tax Ordinance, 2001, which was introduced in the Finance Act, 2014,
Any of the following may render the taxpayer as in-active taxpayer.

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

In consequence of above a new section 21A is inserted which empowers Board to maintain the list of active taxpayers & to make rules there in.

Cottage Industry | Section 2 Clauses, 5AB

Definition of cottage industry was introduced through Finance Act, 2007 to encourage the small manufacturers, being run at small scale as its supplies are exempt from sales tax as per sixth schedule to the Act.

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. Now, this limit is increased to eight hundred thousand rupees.

Supply | Section 2 Clauses (33)

Clause 33 of Section 2 defines "supply" which is being amended by adding "manufacturer of goods belonging to another person, the transfer or delivery of such goods to the owner or to a person nominated by him to remove the anomaly as toll manufacturing is subject to sales tax as provided under clause (E) of STGO 3 of 2004 where procedure for payment of sales tax on goods produced by vendor from the raw material supplied by the principal.

Scope of Tax- Further Sales Tax to Un-registered Persons — Section 3(1A)

Concept of further sales tax @ 1%, in addition to standard sales tax to such un-registered persons, who require to be registered, was introduced through Finance Act, 1998, which later on was abolished through Finance Act, 2004.

The same was re-introduced through Finance Act, 2013. Now, the rate of further sales tax is proposed to enhance from 1% to 2% at the time of supply to un-registered persons other than end consumers.

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

Section 7 of the Act describes the determination of tax liability. In case taxpayer claims input against imported goods into Pakistan, he should hold the proper import documents duly cleared by the Customs. Now, it is proposed that taxpayer can claim input tax on provisional determination of tax liability by Customs under section 81 of the Customs Act, 1969.

Tax Credit not Allowed — Section 8

Section 8 describes the terms & conditions of allow ability of input tax adjustment against output tax. Now, following additions for input adjustment are made:

- Input adjustment is not allowable on goods used in, or permanently attached to immovable property such as building and construction material, paints, electrical and sanitary fittings, pipes, wires and cables. Now it is provided that input can be claimed on the purchase of pre-fabricated buildings.
- Input tax adjustment cannot be claimed on services in respect of which input tax adjustment is barred under the respective provincial sales tax law;
- Input against import or purchase of agricultural machinery or equipment subject to sales tax at the rate of 7% under Eighth Schedule shall not be adjustable.
- From the date to be notified by the Board, such goods and services which, at the time of filing of return by the buyer, have not been declared by the supplier in his return will not be claimable as input adjustment.

Joint & Several liability — Section 8A

Section 8A held liable to the a registered person receiving a taxable supply from another registered person is in the knowledge or has reasonable grounds to suspect that some or all of the tax payable in respect of that supply or any previous or subsequent supply of the goods supplied would go unpaid, such person as well as the person making the taxable supply shall be jointly and severally liable for payment of such unpaid amount of tax.

This is very harsh provision where one may become responsible for the wrong doings of others. Now it is being inserted to establish joint and several liabilities on the person receiving the supply, the burden to prove that tax would go unpaid and involvement of the purchaser shall be on the department.

Exemptions — Section 13

Currently, section 13 of the Act and also under other federal tax laws, Federal Government and Board are empowered to issue exemptions subject to certain conditions and limitation specified therein. It is proposed to withdraw the powers of the Board to issue such exemptions. Further, the Federal Government shall have the powers to issue such exemptions on the approval of Economic Coordination Committee of cabinet, whenever circumstances exist to take immediate action for the purposes of national security, natural disaster, national food security in emergency situations, protection of national economic interests in situations arising out of abnormal fluctuation in international commodity prices, removal of anomalies in taxes, development of backward areas and implementation of bilateral and multilateral agreements.

All such notification issued, by the Federal Government with the approval of Economic Coordination Committee of the Cabinet, in a financial year shall be placed before the National Assembly in a financial year. Further, any notification issued by the Federal Government after 1st July 2015 shall, if otherwise not rescinded, stand rescinded on the expiry of the financial year in which it was issued.

Registration — Section 14

Currently section 14 read with Rule 4 of Sales Tax Rules, 2006 deals with the registration requirements & procedures. Now, it is proposed to substitute the whole section 14. Following persons are required to be registered.

Every person engaged in making taxable supplies in Pakistan, including zero-rated supplies, in the course or furtherance of any taxable activity carried on by him, falling in any of the following categories, if not already registered, is required to be registered under this Act;

- Manufacturers other than a cottage industry as defined under section 2 (5AB) of the Act.
- Retailers who are liable to pay sales tax under the Act/Rules, excluding such retailers who are required to pay sales tax through electricity bills as per section 3(9) of the Act.
- Importer
- Exporter who claims refunds against his zero rated supplies.
- Wholesalers, dealers & distributors
- Persons required under any other Federal of Provincial Laws, to be registered for the purpose of any duty or tax collected or paid as if it were a levy of sales tax to be collected under the Act.

- Persons may apply for registration if not engaged in making of taxable supplies in Pakistan, but if required to be registered for making imports/exports, or under any provisions of the Act or any other Federal Law.

Audit by Special Audit Panels — Section 32A

Through Finance Act, 1998, concept of audit of the records of the taxpayer through appointment of Cost & Management Accountant or Firms of Chartered Accountants was introduced.

Now, the same is being replaced with the concept of audit by special audit panels. It is proposed that Board may appoint as many special audit panels as may be necessary, comprising two or more members from the following to conduct audit of a registered person or persons, including audit of refund claims and forensic audit and the scope of such audit shall be determined by the Board or the Commissioner Inland Revenue on a case-to-case basis. In addition, the Board may, where it considers appropriate, also get such audit conducted jointly with similar audits being Conducted by provincial administrations of sales tax on services.

- an officer or officers of Inland Revenue;
- a firm of chartered accountants
- a firm of cost and management accountants
- any other person as directed by the Board

Each audit panel will be headed by a chairman who shall be an officer of Inland Revenue.

Heading the penal by an Officer Inland Revenue is not appropriate. It should be at least the rank of the Commissioner or other member should be the chairman of the penal and officer Inland Revenue may act as secretary of the penal. Further, it has not been provided that who can represent a firm of chartered accountant or cost accountants appointed in the audit panel.

Offences Penalties — Section 33

Currently, penalty of Rs. 5,000/- is levyable on late filing of monthly sales tax return which is 18th of every month of previous month. However, penalty @ Rs. 100/- per day is levyable, if return is filed within 15 days of due date.

Through amendment it is proposed that penalty of Rs. 5,000/- will be applicable after 10 days.

Similarly, if a taxpayer, who fails to pay amount of tax due within due date i.e. 15 days of end of month, such persons is liable to pay penalty of higher of Rs. 10,000/- or 5% of the amount of sales tax. However, if the amount of tax is paid within 15 days from the due date, such person shall pay a penalty of Rs. 500/- for each day of default. Here 15 days also substituted with 10 days.

Monitoring or Tracking by Electronic or Other Means — Section 40C

This section was introduced through Finance Act, 2013 for e-monitoring or tracking of sales tax activities, but till to date, no significant practical measures have been taken to enforce its provisions. It is provided that when monitoring will start, no taxable goods shall be removed or sold without affixing stamp, banderole, stickers, labels in such manner and style as may be prescribed by the Board. Now the word "barcodes" added in the above as barcodes are also commonly used technology.

Further it has been added that such stamp, banderole, stickers, labels , barcodes etc including equipment to printing of labels, barcodes etc shall be acquired from a licensee appointed by the Board on a price approved by the Board.

Agreement for the Exchange of Information & Disclosure of Information by a Public Servant — 56A and 56B

Through insertion if new section i.e. 56A & 56B; it is proposed to empower Federal Government to enter into bilateral or multilateral agreements with provincial governments or with governments of foreign countries for the exchange of information, including electronic exchange of information, with respect to sales tax imposed under this Act or any other law of Pakistan and under the corresponding laws of such countries and may, by notification in the official Gazette, make such provisions as may be necessary for implementing such agreements. Further section 56B bounds public servant that such information should not be disclosed, except as required under section 216 of the ITO, 2001.

Prize Schemes to Promote Tax Culture — Section 56C

A new section 56C is proposed which empowers Board to announce/prescribe prize schemes to encourage the general public to make purchase from the registered persons who are issuing tax invoices.

Whistleblowers & Reward to Whistleblowers — Section 2, clause 46A & 72D

It is proposed to introduce rewards to the whistleblowers, a person(s) who provide(s) credible information of cases of concealment or evasion of tax, tax fraud, corruption or misconduct leading to detection & collection of tax from such information.

The Board may grant rewards to the whistleblowers on providing credible information leading to detection of evasion of tax.

The claim for reward by the whistleblower shall be rejected if-

(a) the information provided is of no value;

(b) the Board already had the information;

(c) the information was available in public records; or

(d) no collection of tax is made from the information provided from which the Board can pay the reward;

The above concept to give reward to "informers" was introduced in introduced in Income Tax Law through Finance Act 2013. Now concept of "whistleblower" is being introduced in all the federal tax laws.

Zero Rating of Goods — Fifth Schedule

Effective from 26th June, through Finance Act, 2014 List of items has been added to fifth schedule being zero rated supplies including dairy and stationary industry and input materials of these industries has also been added in the Fifth schedule as previously such zero rating was available through SRO 670(I)/2013 dated 18.07.2013 which now has been rescinded through SRO 573(1)2014 dated 26th June 2014.

Zero rating facility on supplies of such locally manufactured plant and machinery to the Export Processing Zones has been withdrawn from serial number 6, in column (2), through amending by finance Act 2015 i.e. Supplies of such locally manufactured plant and machinery [and to petroleum and gas sector Exploration and Production companies, their contractors and sub-contractors] as may be specified by the Federal Government, by notification in the official Gazette, subject to such conditions and restrictions as may be specified in such notification.

After serial number 6, amended as aforesaid, the following new serial number and the entry relating thereto in column (2) shall be inserted, namely:-

"6A. Supplies of locally manufactured plant and machinery of the following specifications, to manufacturers in the Export Processing Zone, subject to the conditions, restrictions and procedure given below, namely:-

i. Plant and machinery, operated by power of any description, as is used for the manufacture or production of goods by that manufacturer;

ii. Apparatus, appliances and equipment's specifically meant or adapted for use in conjunction with the machinery specified in clause (i);

iii. Mechanical and electrical control and transmission gear, meant or adapted for use in conjunction with machinery specified in clause (i); and

iv. Parts of machinery as specified in clauses (i), (ii) and (iii) identifiable for use in or with such machinery.

<u>Conditions, restrictions and procedures:-</u>

a) The supplier of the machinery is registered under the Act;

b) Proper bill of export is filed showing registration number;

c) The purchaser of the machinery is an established manufacturer located in the Export Processing Zone and holds a certificate from the Export Processing Zone Authority to that effect;

d) the purchaser submits an indemnity bond in proper form to the satisfaction of the concerned Commissioner Inland Revenue that the machinery shall, without prior permission from the said Commissioner, not be sold, transferred or otherwise moved out of the Export Processing Zone before a period of five years from the date of entry into the Zone;

e) if the machinery is brought to tariff area of Pakistan, sales tax shall be charged on the value assessed on the bill of entry; and

f) breach of any of the conditions specified herein shall attract legal action under the relevant provisions of the Act, besides recovery of the amount of sales tax along with default surcharge and penalties involved.";

Facility of zero rating on Goods exempted under section 13, if exported by a manufacturer ''who makes local supplies of both taxable and exempt goods'' has been withdrawn from serial number 9, in column (2), through amending by finance Act 2015 i.e.

Goods exempted under 13, if exported by a manufacturer.
Facility of zero rating on Goods exempted under section 13, if exported by a manufacturer ''who makes local supplies of both taxable and exempt goods'' has been withdrawn from serial number 9, in column (2), through amending by finance Act 2015 i.e.
Goods exempted under 13, if exported by a manufacturer.

The words "including flavored milk" and the word and figure "and 0402.9900" shall be omitted in clause (ix), in column (2) of serial number 12.

Further, following clauses (x) to (xvi) also shall be omitted:-

(x) Yogurt (PCT heading 0403.1000)
(xi) Cheese (PCT heading 0406.1010)
(xii) Butter (PCT heading 0405.1000)
(xiii) Cream (PCT heading 04.01 and 04.02)
(xiv) Desi ghee (PCT heading 0405.9000)

EXEMPTION OF GOODS — Sixth Schedule

Exemption on Cereals and products of milling industry PCT Heading "1006.1010," in column (3) against serial number 19, shall be omitted;

Following PCT Headings of Seeds, fruit and spores of a kind used for sowing in column (3) , serial number 20, shall be substituted:-

Sr. No.	Description	Previous Heading No.	New Heading No.
1.	Seeds, fruit and spores of a kind used for sowing.	1209.1000	1006.1010, 1209.1000

Exemption on Poultry feed and Cattle feed including their all ingredients except soyabean meal of PCT heading 2304.0000 and oil-cake of cottonseed falling under PCT heading 2306.1000 in serial number 28, Incinerators of disposal of waste management, motorized sweepers and snow ploughs in serial number 39 and Incinerators of disposal of waste management, motorized sweepers and snow ploughs applying zero-rate of customs duty under the Customs Act, 1969. In columns (2) and (3) shall be omitted.

In Sixth Schedule serial numbers 73 to 80 and the entries relating thereto in columns (2) and (3), the following serial numbers and the entries relating thereto shall be substituted, namely:-

Sr. No.	Description	PCT Heading
73.	Milk	04.01
73A.	Milk and cream, concentrated or containing added sugar or other sweetening matter, excluding that sold in retail packing under a brand name	04.01 and 04.02
74.	Flavored milk, excluding that sold in retail packing under a brand name	0402.9900
75.	Yogurt, excluding that sold in retail packing under a brand name	0403.1000
76.	Whey, excluding that sold in retail packing under a brand name	04.04

77.	Butter, excluding that sold in retail packing under a brand name	0405.1000
78.	Desi ghee, excluding that sold in retail packing under a brand name	0405.9000
79.	Cheese, excluding that sold in retail packing under a brand name	0406.1010
80.	Processed cheese not grated or powdered, excluding that sold in retail packing under a brand name	0406.3000

Serial number 105, in column (2) shall be amended through Finance Bill 2015

Against serial number 105, in column (2), after the word "Schedule", the words "or Fifth Schedule" shall be inserted;

Before insertion	**After insertion**
Raw materials for the basic manufacture of pharmaceutical active ingredients and for manufacture of pharmaceutical products, provided that in case of import, only such raw materials shall be entitled to exemption which are liable to customs duty not exceeding ten per cent advalorem, either under the First Schedule to the Customs Act, 1969 (IV of 1969) or under a notification issued under section 19 thereof.	Raw materials for the basic manufacture of pharmaceutical active ingredients and for manufacture of pharmaceutical products, provided that in case of import, only such raw materials shall be entitled to exemption which are liable to customs duty not exceeding ten per cent advalorem, either under the First Schedule **or fifth Schedule** to the Customs Act, 1969 (IV of 1969) or under a notification issued under section 19 thereof.

Against serial number 114,-

in column (2), in clause (1), after the word "equipment", the words and comma "consisting of plastic covering and mulch film, anti-insect net and shade net" shall be inserted;

and in column (3), for the figures and comma "8430.3100, 8430.3900", the figures and commas "3920.1000, 3926.9099, 5608.1900, 5608.9000" shall be substituted;

Serial No. 114 before Insertion and substituted		**Serial No. 114 after Insertion and substituted**	
	PCT Heading		**PCT Heading**
Green House Framing and Other Green House Equipment (If used for Agriculture Sector) 1. Tunnel farming equipment 2. Green houses (prefabricated)	8430.3100, 8430.39900	Green House Framing and Other Green House Equipment (If used for Agriculture Sector) 1. Tunnel farming equipment consisting of plastic covering and mulch film, anti-insect net and shade net 2. Green houses (prefabricated)	3920.1000, 3926.9099, 5608.1900, 5608.9000

After serial number 116 in Sixth Schedule Table No. 1, following new serial numbers and entries relating thereto in columns (1), (2) and (3) shall be added, namely:-

Sr. No.	Description	PCT Headings
117	Appliances for colostomy	3006.9100
118	Colostomy and urostomy bags	3926.9050
119	Tubular day lightning devices (TDDs)	8539.3930
120	Diagnostic Kits or equipment, namely:- HIV Kits 4C Es Trionyx 5C Cell control Lnormal Bovine precision multi sera Pregnancy test DNA SSP DRB Generic IC Reticulocyte count (control) retic C Control Kit for vitamin B12 estimation Ferritin kit HEV (Hepatitis E virus) ID-DA Cell Urine Analysis Strips Albumin beg Cratinin sysi Ring Detektiion cups ISE Standard Alkaline phosphatase (Alb) Bilirubin kit HDL Cholesterol Ck creatinin kinase (mb) Ck nac Glulcose kit Ammonia Modular Lac Ldh kit (lactate dehydrogenase kit) Urea uv kit Ua plus Tina quant Crp control Aslo tin Proteins Lipids HDL/LDL cholesterol Protein kit U Control Sera Pac Control	3822.0000

	HCV UIBC (Unsaturated iron binding capacity) U/CSF Inorganic Phosphorus kit Kit amplicon kit (for PCR) Ige Lc hsv Oligo NA/K/CL Hcy Standard [or calibrated] Hla B27 Liss Coombs Typhoid kit HCV amp Urine test strips Strips for sugar test Blood glucose test strips Kits for automatic cell separator for collection of platelets Elisa or Eclia kit PCR kits Immunoblast (western blot test). I.C.T. (Immunochromatographic kit) CBC Reagent (For hematology analyzer) Complete blood count reagent	
121	Blood Bag CPDA-1 with blood transfusion set pack in aluminum foil with set	Respective headings
122	Urine drainage bags	Respective headings
123	Aircraft, whether imported or acquired on wet or dry lease	Respective headings
124	Maintenance kits for use in trainer aircrafts of PCT headings 8802.2000 and 8802.3000	Respective headings
125	Spare parts for use in aircrafts, trainer aircrafts or simulators	Respective headings
126	Machinery, equipment and tools for setting up maintenance, repair and overhaul (MRO) workshop by MRO company recognized Aviation Division.	Respective headings
127	Operational tools, machinery, equipment and furniture and fixtures on one-time basis for setting up Greenfield airports by a company authorized by Aviation Division.	Respective headings
128	Aviation simulators imported by airline company recognized by Aviation Division.	Respective headings

In Table-2

a) Serial numbers 13 and 14 and entries relating thereto in columns (2) and (3) shall be omitted;

Sr. No.	Description	
13.	Reclaimed lead, if supplied to recognized manufacturer of lead batteries	Omitted
14.	Waste paper	Omitted

b) After Serial No. 16 in Sixth Schedule, the following new serial numbers and entries relating thereto in column (1), (2) and (3) shall be added, namely;-

Sr. No.	Description	PCT headings
17.	Raw and pickled hides and skins, wet blue hides and skins	41.01, 41.02, 41.03, 4104.1000, 4105.1000, 4106.2100, 4106.3000, 4106.9000
18.	Supplies made by manufacturers of marble and granite having annual turnover less than five million rupees even if their annual utility bill is more than eight hundred thousand rupees	Respective headings
19.	Bricks (up to 30th June, 2018)	6901.1000
20.	Crushed stone (up to 30th June, 2018)	2517.1000

in Table-3, in the Annexure, in column (1), serial numbers 10 and 16 and entries relating thereto in columns (2), (3) and (4) shall be omitted;

Sr. No.	Description	PCT Headings	Conditions	
10.	Machinery, equipment, raw materials, components and other capital goods for use in buildings, fittings, repairing or refitting of ships, boats or floating structures imported by Karachi Shipyard and Engineering Works Limited.	Respective Heading	Nil	Omitted
16.	Plant, machinery, equipment and specific items used in production of bio-diesel.	Respective Heading	The Alternative Energy Development Board (AEDB), Islamabad shall certify in the prescribed manner and format as per Annex-B that the imported goods are bonafide project	Omitted

			requirement. The goods shall not be sold or otherwise disposed of within a period of five years of their import except with the prior approval of the FBR and payment of customs duties and taxes leviable at the time of import.	

REDUCE RATED GOODS

Eighth Schedule

a) in Table-1, in column (1),-

i. against serial No. 1, in column (4), for the figure "5%", the figure "10%" shall be substituted;

Sr. No.	Description	Heading No.	Rate of Sales Tax (existing)	New Sales Tax Rate
1.	Soyabean meal	2304.0000	5%	10%

ii. serial number 3, and entries relating thereto in columns (2), (3), (4) and (5) shall be omitted;

Sr. No.	Description	Heading No.	Rate of Sales Tax	
3.	Directly reduced iron	72.03	5%	Omitted

iii. against serial numbers 4 and 6, in column (4), for the figure "5%", the figure "10%" shall be substituted; and

Sr. No.	Description	Heading No.	Rate of Sales Tax (existing)	New Sales Tax Rate
4.	Oilseeds meant for sowing.	Respective headings	5%	10%
6.	Plant and machinery not manufactured locally and having no compatible local substitutes	Respective Headings	5%	10%

iv. after serial number 6 and the entries relating thereto in columns (2), (3), (4) and (5), amended as aforesaid, the following new serial numbers and entries relating thereto in columns (1), (2), (3), (4) and (5) shall be inserted; namely:-

Sr. No.	Description	PCT headings	Rate of Sales Tax	Condition
7.	Flavored Milk	0402.9900	10%	Sold in retail packing under a brand name
8.	Yogurt	0403.1000	10%	Sold in retail

				packing under a brand name
9.	Cheese	0406.1010	10%	Sold in retail packing under a brand name
10.	Butter	0405.1000	10%	Sold in retail packing under a brand name
11.	Cream	04.01 and 04.02	10%	Sold in retail packing under a brand name
12.	Desi ghee	0405.9000	10%	Sold in retail packing under a brand name
13.	Whey	04.04	10%	Sold in retail packing under a brand name
14.	Milk and cream, concentrated and added sugar or other sweetening matter	0402.1000	10%	Sold in retail packing under a brand name
15.	Poultry feed, cattle fee, and their ingredients except soya bean meal of PCT heading 2304.0000 and oil-cake of cottonseed falling under PCT heading 2306.1000	2301.2090, 2305.0000, 2306.2000, 2306.3000, 2306.4100, 2306.5000, 2309.9010, 2309.9020, 2309.9090, 2936.2100, 2936.2200, 2936.2300, 2936.2400, 2936.2500, 2936.2600, 2936.2700, 2936.2800, and 2306.4900 (Rape Seed Meal), 2308.9000 (Guar Meal), 2303.1000 (Corn Gluton Feed/Meal), 2303.1000 (Residues of starch manufacture and similar residues), 3507.9000	5%	

		(Enzymes-other), 2302.1000 (Maize Bran), 2302.2000 (Rice Bran), 2302.3000 (Wheat Bran), 2302.4000 (Other Cereals), 2302.5000 (Bran of Leguminous Plants), 2306.7000 (Oil- cake and other solid residues of Maize (corn) germ), 2306.4900 (Sesame Cake), 2306.9000 (Sesame Meal/other Meal), 2842.1000 (Double or complex silicates, Including aluminosili cates whether or not chemically defined), 2301.2010 (Fish Meal), 0505.9000 (Poultry by product Meal), and the following items only of Feed Grade: 2827.6000 (Potassium Lodide), 2833.2990 (Manganese Sulphate), 2833.2600 (Zinc Sulphate), 2817.4000 (Zinc Oxide), 2833.2500 (Copper Sulphate), 2833.2910 (Ferrous Sulphate), 2915.5000 (Propionic		

		acid, its salts and esters), 2930.4000 (DL Methionine), 2930.4000 (Methionine Hydroxy Analogue (liquid)), 2922.4100 (Lysine Monohydro Chloride /sulphate), 2923.2000 (Lecithins), 2923.9000 (Betafin), 2922.4290 (Arganine), 2934.9910 (Furazolidone), 2922.5000 (Threonine), 2835.2600 (Mono Calcium Phosphate), 2835.2500 (Di Calcium Phosphate) , and 2835.2600 (Mono Di Calcium Phosphate)		
16.	Incinerators of disposal of waste anagemen, motorized sweepers and snow ploughs	8417.8000, 8430.2000 and 8479.8990	5%	
17.	Re-importation of foreign origin goods which were temporarily exported out of Pakistan	99.18	5%	Subject to similar conditions as are envisaged for the purposes of customs duty under the Customs Act,1969, and taxable value shall be the value determined under PCT heading 99.18 of the said Act increased by

				customs duty payable
18.	Reclaimed lead	Respective headings	5%	If supplied to recognized manufactures of lead and lead batteries
19.	Waste paper	47.07	5%	
20.	Plant, machinery, equipment and specific items used in production of bio-diesel	Respective headings	5%	The Alternative Energy Development Board (AEDB), Islamabad shall certify in the prescribed manner and format as per Annex-B, as given in the Sixth Schdule, that the imported goods are bonfide project requirement. The goods shall not be sold or otherwise disposed of within a period of five years of their import except with the prior approval of the FBR and payment of customs and duties and taxes leviable at the time of import
21.	Rapeseed, sunflower seed and canola seed	1205.0000, 1206.0000	16%	On import by solvent extraction industries
22.	Soya bean seed	1201.1000	6%	On import by solvent extraction industries, subject to the condition that no refund of input tax shall be admissible";
23.	Secondhand and worn clothing or footwear	6309.0000	5%	
25.	Agricultural tractors	8701.9020	10%	

26.	Tillage and seed bed prepration equipment: i. Rotavator ii. Cultivator iii. Ridger iv. Sub soiler v. Rotary Slasher vi. Chisel plow vii. Ditcher viii. Border disc ix. Disc harrow x. Bar harrow xi. Mould board plow xii. Tractor rear or front blade xiii. Land leveler or land planer xiv. Rotary tiller xv. Disc plow xvi. Soil-scrapper xvii. K.R. Karundi xviii. Tractor mounted trancher xix. Land leveler	 8432.8010 8432.2910 8432.8090 8432.3090 8432.8090 8432.1010 8432.1090 8432.2990 8432.2100 8432.2990 8432.1090 8430.6900 8430.6900 8432.8090 8432.1090 8432.8090 8701.9020 8430.6900	7%	
27.	Seeding or planting equipment: i. Seed-cum-fertilizer drill (wheat, rice barley, etc.) ii. Cotton or maize planter with fertilizer attachment iii. Potato planter iv. Fertilizer or manure spreader or broadcaster v. Rice transplanter vi. Canola or sunflower drill vii. Sugarcane planter	 8432.3010 8432.3090 8432.3090 8432.4000 8432.3090 8432.3010 8432.3090	7%	
28.	Irrigation, drainage and agro-chemical application equipment: i. Tube wells filters or strainers ii. Knapsack sprayers iii. Granular applicator iv. Boom or field sprayers v. Self propelled sprayers vi. Orchard sprayer	8421.2100, 8421.9990 8424.2010 8424.2010 8424.2010 8424.2010 8424.2010	7%	
29.	i. Harvesting, threshing and storage equipment: ii. Wheat thresher iii. Maize or groundnut thresher or sheller iv. Groundnut digger v. Patato digger or harvester vi. Sunflower thresher vii. Post hole digger	8433.5200 8433.5200 8433.5900 8433.5300 8433.5200 8433.5900 8433.4000 8433.5900 8433.5900 8433.5900 8433.5900 8433.5200	7%	

	viii. Straw balers ix. Fodder rake x. Wheat or rice reaper xi. Chaff or fodder cutter xii. Cotton picker xiii. Onion or garlic harvester xiv. Sugar harvester xv. Tractor trolley or forage wagon xvi. Reaping machines xvii. Combined harvesters xviii. Pruner/shears	8433.5200 8716.8090 8433.5900 8433.5100 8433.5900		
30.	Post-harvest handling and processing & miscellaneous machinery: i. Vegetables and fruits cleaning and sorting or grading equipment ii. Fodder and feed cube maker equipment	8437.1000 8433.4000	7%	

(b) In Table-2,-

In the preamble, after the words "five percent" , the commas and words", except goods mentioned in serial numbers 1,5 and 6 of the Annexure which shall be charged at the rate of ten percent," shall be inserted; and

i. In the Annexure, in column (1), serial numbers 3 and 7 and entries relating thereto in columns (2), (3) and (4) shall be omitted; and

Ninth Schedule

In the Ninth Schedule, Following figures shall be substituted in column (1), against serial number 2, in columns (3) and (4), -

Sr. No.	Mobile Types	Previously Sales Tax Chargeable/Cell Rs.	Newly Sales Tax Chargeable/Cell Rs.
1.	Low Priced Cellular Mobile Phones or Satellite Phones	150	300
2.	Medium Priced Cellular Mobile Phones or Satellite Phones	250	500
3.	Smart Cellular Mobile Phones or Satellite Phones	500	1000

ISLAMABAD CAPITAL TERRITORY (TAX ON SERVICES) ORDINANCE, 2001

Through Finance Bill 2015, amendments are proposed in the ICT (Tax on Services) Ordinance, 2001. Currently only five service sectors come under the ambit of sales tax on services in ICT. Now, it is proposed to levy average rate of sales tax @ 16% on almost all types of services being provided in ICT, as parallel to the service provided in the provinces.

This amendment is very harsh which will directly affect a large number of service providers. In our opinion it should be rationalized or at least rate should be reduced. Sales tax rate should not be more than 5%, as normally there is no input tax against services which otherwise available in case of supplies.

The list of services is provided in the schedule which is produced as under

TAXABLE SERVICES UNDER THE FEDERAL SALES TAX ON SERVICES ORDINANCE 2001 (after changes though FB2015)

(Italic font shows services already taxable in Islamabad Capital Territory)

S. No.	Description	PCT Heading, if	Rate of Tax
(1)	(2)	(3)	(4)
1.	*Services provided or rendered by hotels, motels, guest houses, marriage halls and lawns (by whatever name called) including "pandal" and "shamiana" services, clubs including race clubs, and caterers.*	9801.1000 9801.3000 9801.4000 9801.5000 9801.6000	Sixteen per cent
2.	*Advertisement on television and radio, excluding advertisements-* *a. Sponsored by an agency of the Federal or Provincial Government for the health education;* *b. Sponsored by the population promotion campaign;* *c. Financed out of funds provided by a Government under grant-in-aid agreement; and* *d. Conveying public service massages, if telecast on television by the World Wide Fund for Nature (WWF) or United Nations Children's Fund (UNICEF)*	9802.1000 and 9802.2000	Sixteen per cent
3.	*Services provided by persons authorized to transact business on behalf of others–* *a) stevedore;* *b) customs agents; and* c) *Ship chandlers.*	9805.2000 9805.4000 and 9805.8000	Sixteen per cent
4.	*Courier services and cargo services by road provided by courier companies;*	9808.0000 9804.9000	Sixteen per cent
5.	Construction services, excluding: i. Construction projects (industrial and	9824.0000 and 9814.2000	Sixteen per cent

S. No.	Description	PCT Heading, if	Rate of Tax
	commercial) of the value (excluding actual and documented cost of land) not exceeding Rs. 50 million per annum. ii. The cases where sales tax is otherwise paid as property developers or promoters. iii. Government civil works including Cantonment Boards. iv. Construction of industrial zones, consular buildings and other organizations exempt from income tax. v. Construction work under international tenders against foreign grants-in-aid. vi. Residential construction projects where the covered area does not exceed 10,000 square feet for houses and 20,000 square feet for apartments		
6.	Services provided by property developers and promoters (including allied services) excluding the actual purchase value or documented cost of land.	9807.0000 and respective sub-headings of heading 98.14	Rs. 100 per Square yard for land development, and Rs. 50 per square feet for building construction
7.	Services provided by persons engaged in contractual execution of work, excluding: i. annual total value of the contractual works or supplies does not exceed Rs.50 million; ii. The contract involving printing or supplies of books.	9809.000	Sixteen per cent
8.	Services provided for personal care by beauty parlours, clinics and slimming clinics, body massage centres, pedicure centres; including cosmetic and plastic surgery by such parlours/clinics, but excluding: i. annual turnover does not exceed Rs.3.6 million; or ii. The facility of air-conditioning is not installed or available in the premises.	9810.0000 9821.4000 and 9821.5000	Sixteen per cent
9.	Management consultancy services	9815.4000, 9819.9300	Sixteen per cent
10.	Services provided by freight forwarding agents, and packers and movers.	9805.3000, 9819.1400	Sixteen per cent or Rs. 400 per bill of landing, whichever is higher
11.	Services provided by software or IT-based system	9815.6000	Sixteen per

S. No.	Description	PCT Heading, if	Rate of Tax
	development consultants.		cent
12.	Services provided by technical, scientific and engineering consultants	9815.5000	Sixteen per cent
13.	Services provided by other consultants including but not limited to human resource and personnel development services; market research services and credit rating services.	9815.9000 9818.3000 9818.2000	Sixteen per cent
14.	Services provided by tour operators and travel agents including all their allied services or facilities (other than Hajj and Umrah)	9805.5100 9805.5000 9803.9000	Sixteen per cent
15.	Manpower recruitment agents including labour and manpower supplies.	9805.6000	Sixteen per cent
16.	Services provided by security agencies.	9818. 1000	Sixteen per cent
17.	Services provided by advertising agents	9805.7000	Sixteen per cent
18.	Share transfer or depository agents including services provided through manual or electronic book-entry system used to record and maintain securities and to register the transfer of shares, securities and derivatives.	9805.9000	Sixteen per cent
19.	Business support services.	9805.9200	Sixteen per cent
20.	Services provided by fashion designers, whether relating to textile, leather, jewellery or other product regimes, including allied services, marketing, packing, delivery and display, etc.	9819.6000	Sixteen per cent
21.	Services provided by architects, town planners and interior decorators.	9814.9000	Sixteen per cent
22.	Services provided in respect of rent-a-car.	9819.3000	Sixteen per cent
23.	Services provided by specialized workshops or undertakings (auto workshops; workshops for industrial machinery, construction and earth-moving machinery or other special purpose machinery etc; workshops for electric or electronic equipments or appliances etc. including computer hardware; car washing or similar service stations and other workshops).	98.20	Sixteen per cent
24.	Services provided for specified purposes including fumigation services, maintenance and repair (including building and equipment maintenance and repair including after sale services) or cleaning services, janitorial services, dredging or desilting services and other similar services etc.	98.22	Sixteen per cent
25.	Services provided by underwriters, indenters, commission agents including brokers (other than stock) and auctioneers	9819.1100, 9819.1200, 9819.1300 and 9819.9100	Sixteen per cent

S. No.	Description	PCT Heading, if	Rate of Tax
26.	Services provided by laboratories other than services relating to pathological or diagnostic tests for patients.	98.17	Sixteen per cent
27.	Services provided by health clubs, gyms, physical fitness centers, indoor sports and games centers and body or sauna massage centers	9821.1000 and 9821.2000 9821.4000	Sixteen per cent
28.	Services provided by laundries and dry cleaners.	9811.0000	Sixteen per cent
29.	Services provided by cable TV operators. Technical analysis and testing services	9819.9000 9819.9400	Sixteen per cent
30.	Services provided by TV or radio program production houses.	---	Sixteen per cent
31.	Transportation through pipeline and conduit services.	---	Sixteen per cent
32.	Fund and asset (including investment) management services.	---	Sixteen per cent
33.	Services provided by inland port operators (including airports and dry ports) and allied services provided at ports and services provided by terminal operators including services in respect of public bonded warehouses, excluding the amounts received by way of fee under any law or by-law.	---	Sixteen per cent
34.	Technical inspection and certification services and quality control (standards' certification) services	---	Sixteen per cent
35.	Erection, commissioning and installation services.	---	Sixteen per cent
36.	Every management services	---	Sixteen per cent
37.	Valuation services (including competency and eligibility testing services)	---	Sixteen per cent
38.	Exhibition or convention services	---	Sixteen per cent
39.	Services provided in respect of mining of minerals, oil & gas including related surveys and allied activities	---	Sixteen per cent
40.	Services provided by property by property dealers and realtors.	---	Sixteen per cent
41.	Call centers.	---	Eighteen and a half per cent
42.	Services provided by car/automobile dealers.	---	Sixteen per cent

FEDERAL EXCISE ACT, 2005

Following amendments have been proposed in the Federal Excise Act, 2005 through the Finance Bill 2015.

Whistleblower and Reward to Whistleblowers — Section 2(24A) Section 42D

The definition of "whistleblower" inserted and defined in section 42D(4) where "whistleblower" means a person who reports concealment or evasion of duty leading to detection or collection of duty, corruption or misconduct, to the competent authority having power to take action against the person or a federal excise authority committing fraud, corruption, misconduct, or involved in concealment or evasion of duty.

The Board may grant rewards to the whistleblowers on providing credible information leading to detection of evasion of duty.
The claim for reward by the whistleblower shall be rejected if-

(a) the information provided is of no value;

(b) the Board already had the information;

(c) the information was available in public records; or

(d) no collection of duty is made from the information provided from which the Board can pay the reward;

The above concept to give reward to "informers" was introduced in the Income Tax Law through Finance Act 2013 where provision for reward to informers was introduced if they provide credible information for the purpose of collection of tax. Now concept of "whistleblower" is being introduced in all the federal tax laws.

Exemptions — Section 16

Under Section 16 of Federal Excise Act 2005 and also in the Income Tax and Sales Tax Law Federal Government and the Board have powers to grant exemptions which have distorted the taxation system.
Now the Board will have no powers to grant any exemption, however, Federal Government may grant exemption in special emergency circumstances with the approval of Economic Coordination Committee of the Cabinet.

All such notification issued, by the Federal Government with the approval of Economic Coordination Committee of the Cabinet, in a financial year shall be placed before the National Assembly in a financial year. Further, any notification issued by the Federal Government after 1st July 2015 shall, if otherwise not rescinded, stand rescinded on the expiry of the financial year in which it was issued.

Power of the Board or Commissioner to pass certain orders — Section 34

This is technical amendment to remover anomaly. The Board or the Commissioner may take suo moto action to call for or examine records regarding any order passed satisfying to the legality or proprietary of any decision by his subordinate officer and may pass another order. The words "otherwise" are added after "suo moto" as the taxpayer or any other person may also submit application to the Commissioner or the Board for rectification of any order passed by subordinate officer.

Monitoring or Tracking by electronic or other means — Section 45A

Through Finance Act 2013 this section was inserted empowering Board to specify any registered person or class of registered person or good or any class of goods for monitoring or tracking of production, sales, clearances, stocks or any other activity. It is provided that when monitoring will start, no excisable goods shall be removed or sold without affixing stamp, banderole, stickers, labels in such manner and style as may be prescribed by the Board. The word "barcodes" added in the above as barcodes are also commonly used technology.

Further it has been added that such stamp, banderole, stickers, labels , barcodes etc including equipment to printing of labels, barcodes etc shall be acquired from a licensee appointed by the Board on a price approved by the Board.

Audit / Special Audit Panels — Section 46

From the heading of the section "departmental audit" the word "departmental" removed as now the audit may be conducted by special audit panels as may be appointed by the Board comprising two or more members from the following;

- an officer or officers of Inland Revenue;
- a firm of chartered accountants
- a firm of cost and management accountants
- any other person as directed by the Board

The above penal shall be appointed to conduct audit of a registered person or persons, including audit of refund claims and forensic audit and the scope of such audit shall be determined by the Board or the Commissioner Inland Revenue on a case-to-case basis. In addition, the Board may, where it considers appropriate, also get such audit conducted jointly with similar audits being conducted by provincial administrations of sales tax on services

It has been mentioned that each audit penal shall be headed a chairman who shall be an officer of inland revenue and if any member of the audit penal other than the chairman is absent, the audit proceedings shall continue and shall be valid.

The Board may prescribe rules in respect of constitution, procedures and working of special audit panel.
Every member of the audit panel shall have powers of officers Inland Revenue under section 23, 45 and section 46(1) 46(3).

Same concept of audit panel(s) has been introduced in the income tax and sales tax law also.

Heading the penal by an Officer Inland Revenue is not appropriate. It should be above the rank of commissioner or other member should be the chairman of the penal and officer Inland Revenue may act as secretary of the penal. Further, it has not been provided that who can represent a firm of chartered accountant or cost accountants appointed in the audit panel.

Agreement for the Exchange of Information & Disclosure of Information by a Public Servant

47A and 47B

Meeting the requirements of international requirements, the new insertion made in the all the taxation laws including income tax and sales tax law.

Section 47A inserted empowering Federal Government to enter into bilateral or multilateral agreements with provincial governments or with governments of foreign countries for the exchange of information, including electronic exchange of information, with respect to sales tax imposed under this Act or any other law of Pakistan and under the corresponding laws of such countries and may, by notification in the official Gazette, make such provisions as may be necessary for implementing such agreements. The provisions of Section 107 (Agreements for avoidance or double taxation and prevention of fiscal evasion) of the ITO, 2001, shall apply.

Further section 47B bounds public servant that any information acquired shall be confidential and not be disclosed except if other was required as provided under section 216 of the ITO, 2001.

Excisable Goods & Rate of Duty

1st Schedule- Table 1

Duty on Excisable Goods has been amended as follows effective from 1st July 2015 and amendment in Sr.9 and 10 shall be effective from 5th June 2015 enforced through SRO 481(1)2015 dated 5th June 2015.

Sr.No.	Description	Previous Rates	New Rates
4.	Aerated waters	9%	12%
5.	Aerated waters, containing added sugar or other sweetening matter or flavoured	9%	12%
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	9%	12%
9	Locally produced cigarettes if their on-pack printed retail price exceeds Rs.2,706 per 1000 cigarettes Locally produced cigarettes if their on-pack printed retail price exceeds Rs.3350 per 1000 cigarettes.	Rs.2632 per 1000 cigarettes	Rs.3,030 per 1000 cigarettes
10	Locally Produced Cigarettes if their on pack printed price does not exceed Rs.2706 per 1000 cigarettes Locally produced cigarettes if their on-pack printed retail price does not exceeds Rs.3350 per 1000 cigarettes.	Rs.1,085 per 1000 cigarettes	Rs.1,320 per 1000 cigarettes
55 (New)	Filter Rod for Cigarettes (heading 5502.0090)		0.75 per filter rod

Excisable Services & Rate of Duty

1st Schedule- Table II

Duty on Excisable Services is proposed to be amended as follows effective from 1st July 2015.

Sr. No.	Description	Previous Rates	New Rates
3.	Facilities for travel a)services provided or rendered in respect of travel of passengers within the territorial jurisdiction of Pakistan (i) Long routes (ii) Short routes (iii) Socio economic routes "Socio economic routes" re-explained which means "journeys along the Balochistan coastal belt" b) travel by air of the passengers embarking on international journey from Pakistan i. Economy and Economy Plus ii. Club, Business or First Class	 Rs.2500/- Rs.1250/- Rs.500/- Rs.5,000 Rs.10,000	 Rs.2500/- Rs.1250/- (Omitted) Rs.5,000 (no change) Rs.10,000 (no change)

Exemption of Goods & Services from Federal Excise — 3rd Schedule- Table I

Exemption of the following excisable goods is proposed effective from 1st July 2015.

S No.	Description	Heading/sub heading number
18.	White Cement	25.23
19	Motor Cars and other motor vehicles principally designed for the transport of persons including station wagons and racing cars of cylinder capacity exceeding 850cc	87.03

Exemption of Services from Federal Excise — 3rd Schedule- Table II

Exemption of the following excisable services is proposed effective from 1st July 2015.

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

THE CUSTOMS ACT, 1969

Following have been proposed in the Customs Act, 1969 through Finance Bill, 2015.

General Power to Exempt from Custom Duties — Section 19, Section

It is proposed that change in rates/exemption will be mad by the Federal Government subject to approval of the Economic Coordination Committee of Cabinet, whenever circumstances exist to take immediate action for the purposes of national security, natural disaster, national food security in the 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 thinks fit to impose, may, by notification in the official Gazette, exempt any goods imported into, or exported from, Pakistan or into or from any specified port or station or area therein, from the whole or any part of the customs-duties chargeable thereon and may remit fine, penalty, charge or any other amount recoverable under this Act.

However, all such notification issued by the approval of Economic Coordination Committee in a financial year shall be placed before the National Assembly. Further, any notification if not approved by the National Assembly or earlier rescinded, shall stand be rescinded on the expiry of the financial year in which it was issued.

Further it is also proposed to withdraw the power asserted to FBR to issue exemptions under the Act.

False Statement, Errors etc. — Section 32, sub-section 3

This section empowers the custom authorities to recover the amount where they think that the duties have been paid short. Currently custom authorities can initiate the recovery proceedings where the amount in dispute is even Rs. 100/- only. Now, to rationalize, it is proposed to enhance this amount to Rs. 20,000/-. This amendment will definitely reduce the litigation & consequently time & efforts of both the authorities

Punishment for Offences — Section 156

It is proposed that where any person does not provide the invoice and packing list inside the import container or consignment; such person shall be liable to a penalty, not exceeding Rs. 50,000/- (rupees fifty thousand only).

Further, if a person makes an untrue declaration relating to transit goods or illegally removes or conceals any transit goods, such person including the custodian and inland carrier shall be liable to a penalty up to twice the value of the goods and upon conviction by a Special Judge be further liable to imprisonment for a term not exceeding five years, and the goods in respect of which such offence has been committed shall also be liable to confiscation.

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

Through Finance Bill 2015 the amendments in the duty structure in the first schedule has been made effective from 6th June 2015. Maximum duty rate is being reduced from 25% to 20% and items subject to rate of duty @1% shall be charged to duty @2%.

Other Changes in the Duty Rates are given below;

1. **Items on which rate of Duty changed**
   (other than where duty rate has been decreased from 25% to 20% or from 1% to 2%)

PCT Code/Heading/sub heading	Description	CD% (Previous)	CD% (New)
2901.2100	- - Ethylene	5	2
3206.4990	colouring chemicals- - - Other	10	15
3402.1300	- - Non-ionic	20	15
3817.0000	Mixed alkylbenzenes and mixed alkylnaphthalenes, other than those of heading 27. 07 or 29. 02.	5	2
3903.1990	Polymers of styrene, in primary forms- - - Other	5	10
3903.9000	Polymers of styrene, in primary forms- Other	5	10
4011.2010	New pneumatic tyres, of rubber. - Of a kind used in light trucks	20	15
7605.2900	aluminum wire- - Other	20	15
7606.9290	aluminum plates/sheets- - - Other	20	15
8479.8960	- - - 3D printer	5	15
8482.1000	- Ball bearings	5	10
8517.6100	Telecom equipment- - Base stations	20	10
8517.6290	Telecom equipment- - - Other	20	15
8517.6990	Telecom equipment- - - Other	10	15
8529.1090	Parts used with apparatus- - - Other	20	15

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

The fifth schedule to the Customs Act has been substituted where certain reduced rates of duty have been provided subject to certain conditions, limitations and restrictions as provided in the schedule.

- Custom duty on import of agricultural machinery and equipment reduced to 2% from different higher duty rates.

- On import of construction machinery in used condition by the Construction Companies registered with Pakistan Engineering Council and SECP, the Customs Duty is reduced to 10%.

INCOME TAX ORDINANCE, 2001

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

Consumer Goods and Fast Moving Consumer Goods | **Section 2, Clause 13AA & 22A**

Consumer goods has been defined in the Income Tax Ordinance, 2001 as the goods consumed by end consumer rather than used in the production of another goods and fast moving consumer goods has been defined as the consumer goods which are supplied in retail marketing as per daily demand of consumer.

Imputable Income | **Section 2, Clause 28A**

Earlier imputable income was not defined in the Income Tax Ordinance, 2001 for the persons whose income falls under the PTR/ FTR regime. In order to compute the income in relation to an amount subject to final tax it is defined as the income which would have resulted in the same tax, had this amount not been subject to final tax.

Bonus Shares by Non Listed Companies | **Section 2, Clause 29**

It is proposed to include bonus shares issued by non-listed companies in the definition of income.

PMEX, Collection of Tax by PMEX | **Section 2, Clause 42A, Section 236T, Division XXI, Part –IV of First Schedule**

It is proposed that definition of PMEX be inserted as the Pakistan Mercantile Exchange Limited a future commodity exchange company incorporated under the Companies Ordinance, 1984 and is licensed and regulated by the SECP. The PMEX is prescribed as withholding / collection agent U/s 236T to collect advance income tax from its members:

- at the rate of 0.1% on purchase and sale of future commodity contracts
- at the rate of 0.1% on commission earned by its members on sale and purchase of future commodity contracts.

The tax so collected under this section shall be minimum tax

Real Estate Investment Trust (REIT) | **Section 2, Clause 47A, 47B, Second Schedule, Part-I, Clause-99A**

The gain on disposal of immovable property to a REIT scheme is exempt from tax upto June 30,2015. This period of exemption is proposed to be extended to June 30, 2020 for sale of immovable property to a Developmental REIT Scheme with the objective of development and construction of residential buildings.

Furthermore, dividend income from Developmental REIT Scheme set up by June 30, 2018 shall be allowed a rebate of 50% for three years from June 30, 2018. The aforesaid concession is also required to be extended to the dividend income on such REITs which are established or set up before the said date.

In line with mutual funds and Collective Investment Schemes, REIT Schemes have also been obliged to collect Capital Gains Tax on redemption of securities at the applicable rates.

Small Company — Section 2, Clause 59A

Paid up capital limit being small company is enhanced from twenty five million to fifty million.

Whistleblower — Section 2 Clause 75, Section 227B

It is proposed that Prize scheme be introduced to get information regarding concealment or evasion of taxes, fraud, corruption or misconduct leading to detection or collection of taxes and the person who will be providing the credible information in this regard will be called whistleblower. The reward to subject to collection of taxes based upon the information provided by him.

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

It is proposed to impose a 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. 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 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 newly defined under section 2(28A) of the Ordinance .

One time super tax shall also be applicable on companies engaged in the extraction and production of petroleum and mineral deposits if such companies are taxable at the rate prescribed under the Ordinance not being those subject to special rates of tax under the respective overriding Agreements with Government of Pakistan.

The 'income' from profit on debt, dividends and brokerage and commission are susceptible to be included separately as well as under the imputable income basis. This matter needs to be clarified.

Super tax is payable for tax year 2015 which includes cases having special tax years other than June 30, 2015 such as Banking companies, insurance companies, sugar companies, etc. already ended. This effectively represents unjustified charge in the cases where financial statements have already been finalized.

The Commissioner is also empowered to collect the tax if not paid by a person liable to pay.

Tax on undistributed Reserves — Section 5A

In order to encourage public listed companies to distribute dividend which would encourage investment in stock markets, it is proposed that in the case of a listed company other than a scheduled bank or a modaraba, which does not distribute cash dividends within six months of the end of the said income year or distributes dividends to such an extent that its reserves, after such distribution, are in excess of hundred percent of its paid up capital, the excess amount may be taxed at the rate of 10%. Effective from tax year 2015.

A special provision has been introduced that any cash distribution before the date of filing of the return shall be considered as distribution for tax year 2015.

This provision is not applicable to the companies in which not less than fifty percent shares are held by the Government.

The term 'reserves' has been defined in a subsection to this provision, however, in case this provision is to be retained then the term 'reserves' shall be required to be defined as the amount reflected in the financial statements prepared under the accounting framework.

This provision in essence levies a tax on entire undistributed accumulated reserves. This tax is effectively chargeable on reserves that have arisen out of taxed income. When the identical levy was introduced under the repealed 1979 Ordinance, similar issues were raised and consequently this tax was effectively related to income for the year and was not applicable where distribution for the year was lower of 40% of the profit for the year or 50% of the paid up capital. This is either an omission or a serious defect and need attention to address the practical problems.

The economic rationale of this tax regime is to be examined in the context that accumulated reserves will effectively be used in the payment of tax if there is no distribution of profits in cash which may arise for various reasons including non-availability of reserves in liquid form. Further, this tax is also payable for tax year 2015 which includes cases having special tax year already ended. This effectively represents unreasonable charge in the cases where financial statements have already been finalized.

Tax on Shipping of Resident Person — Section 7A

Presumptive tax regime has been introduced for resident shipping companies. Presently, in case of a loss, the presumptive regime of tax was effectively not applicable. Now, such cases will also be subject to presumptive tax regime applicable to shipping companies.

Now ships and all floating crafts including tugs, dredgers, survey vessels and other specialized craft purchased or bare-boat chartered and flying Pakistan flag shall pay tonnage tax of an amount equivalent to one US $ per gross registered tonnage per annum; and ships, vessels and all floating crafts including tugs, dredgers, survey vessels and other specialized craft not registered in Pakistan and hired under any charter other than bare-boat charter shall pay tonnage tax of an amount equivalent to fifteen US cents per ton of gross registered tonnage per chartered voyage provided that such tax shall not exceed one US $ per ton of gross registered tonnage per annum and provisions of this section are applicable till June 30, 2020.

For the purpose of this section equivalent amount will be taken into account by converting US$ into Rupees according to the exchange rate applicable on first day of December in case of company and by applying exchange rate applicable on first day of September in other cases.

Tax on Profit on Debt

Section 7B, Section 151, Division IIIA of Part-I, Division IA of Part-III of First Schedule,

The tax regime for profit on debt derived by resident taxpayers has been revamped. Henceforth, all profits on debt received from persons who are withholding tax agent for section 151 shall be taxed at the slab rates ranging from 10% to 15%. The tax rate for profit on debt upto Rs.25 million will be 10%, for profit on debt exceeding 25 million but does not exceeds Rs.50 million will be 12.5% plus 2.5million and tax rate for profit on debt exceeding Rs.50 million will be 15% plus 5.625 million..

Rate of withholding tax U/S 151 for filers is still 10% but for non-filers rate of withholding tax has been enhanced to 17.5%. If the non-filer files tax return, the tax will be applicable as per the rates ranging 10% to 15% whichever is applicable and any excess deduction will be adjustable.

This effectively means that except for banking companies which are taxed under special provisions of Seventh Schedule, the gross amount of profit on debt shall be taxed at the newly prescribed rates. The taxability of profit on debt in the case of companies (other than banking companies) needs to be examined.

Note. There seems to be typing error while giving the corresponding reference of earlier section in newly inserted section 151(3)(b) and Division IIIA of Part I of first schedule. The corresponding reference of section should be 7B instead of 5A under both insertions.

Deduction in Computing Property Income

Section 15A

An important amendment has been proposed in respect of income from property. Expenses incurred to the extent of 6% of rent chargeable wholly and exclusively for the purpose of deriving rent are admissible against rental income. Previously, such expenses were limited to collection charges only. This amendment has principally brought the taxability of rental income in line with other heads of income.

Restriction on Powers of Federal Government and FBR to issue Exemptions and Concessions through SROs

Section 53, 148(2), 159(3), 159(4) , 159(5)

Being a policy matter, it is proposed that the powers of Federal Government and FBR to grant exemptions and concessions through SROs be eliminated. Now, such action if required under special circumstances and in emergency need can only be undertaken by way of decision and approval of Economic Coordination Committee of Cabinet. The notification so issued will automatically be rescinded on expiry of financial year in which it was issued unless it is rescind earlier.

Under sections 148(2) and 159(3), (4) and (5) of the Income Tax Ordinance, 2001 various SROs have been issued which provide concessions or exemptions on collection of advance tax on imports and other withholding tax provisions.

It is proposed to omit section 148(2) and 159(3), (4) and (5) of the Ordinance. The relevance of the SROs already in force prior to omission of this section will be ascertained on the basis of principle of prospective application of legal provision. It is considered that retrospective application is not envisaged, however, in order to avoid unnecessary litigation and disputes at field level, it is essential that the protection / savings for the substantive provision be introduced.

Tax Credit for Investment in Shares and Insurance — Section 62

The monetary threshold for claiming tax credit on investment in shares of public company and life insurance premium is enhanced from Rs 1.00 million to Rs 1.50 million.

Tax Deduction for Profit on Debt on House Building Loan — Section 64 & Section 64A

A new provision has been introduced to allow deduction for profit on debt or share in appreciation of house by an individual on loan from a scheduled bank or non-banking financial institutions, obtained for the construction of a new house or acquisition of a house. Presently, a tax credit is allowed on this account which is now proposed to be removed.

The maximum amount of deduction allowed under the section shall be equal to 50% of taxable income or Rs 1 million, whichever is lower and any excess allowance which is not fully deducted in a year cannot be carried forward to subsequent year.

Tax Credit on Employment Generation — Section 64B

A tax credit has been introduced for companies in relation to their employment generation. 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.

This is a good step in relation to economic need for employment generation therefore it is imperative that this regime should be applicable for all persons including non-corporate taxpayers and also to persons engaged in activities other than manufacturing.

Exemption from Minimum Tax and Final Tax by Newly established Industrial Undertaking — Section 65, Section 113(1)(d), Section 169(2)(d)

It is proposed that provisions of minimum tax U/s 113 and final tax U/s 169 shall not be applicable in case of companies establishing industrial undertakings to qualify to get tax credits U/s 65B, U/s 65D or U/s 65E.

Enhancement in Tax credit for Enlistment in Stock Exchange. — Section 65C

In order to encourage the enlistment of companies on registered stock exchanges tax credit has been enhanced from 15% to 20% .

Enhancement in Period of Tax credit for Industrial Undertakings Established Through 100% Equity Investment. — Section 65E

The period of tax credit for the companies to set up industrial undertaking between Ist day of July, 2011 to 30th June, 2016 is proposed to enhance from 4 years to 5 years beginning from the date of setting up or commencement of commercial production from the new plant or expansion project, whichever is later.

Agreements for Avoidance of Double Taxation and Prevention of Fiscal Evasion and Provision of Information Regarding Non-Residents — Section 107, Section 165B

It is proposed to allow Government of Pakistan to enter into Agreements for Exchange of Information and such allied matters in addition to the existing provision relating to Agreements for Avoidance of Double Taxation and Prevention of Fiscal Evasion.

This amendment has been introduced to empower the government and FBR to obtain or render information in respect of transactions or activities undertaken in other countries or Pakistan respectively and the information exchanged will be treated as confidential.

Furthermore, a new section 165B has been introduced to enable the banks and financial institutions to provide information in relation to non-resident persons to FBR that may be required to be furnished to any other country under the agreement referred above and all such information will be used for only tax and related matters and will be kept confidential.

These amendments have apparently been made to cater for reporting and other requirements introduced in various countries but at the same time these can be used to broaden tax base in Pakistan.

Minimum Tax on Builders — Section 113A

This section was introduced through the Finance Act, 2013. Through Finance Bill, 2013, minimum tax at the rate of Rs.25 per square foot as per the construction or site plan had was proposed. However, at the time of enactment, the rate of minimum tax was not incorporated in the legislation and instead the rate was deferred until notification in the official gazette and till now no notification issued for the rate.

Now the application of the provisions of Section 113A has been deferred till 30 June 2018. It should be noted that in the absence of a notification specifying the rate of minimum tax, the existing provisions were, for all practical purposes, not operational.

Minimum Tax on Land Developers — Section 113B

This section was introduced through Finance Act, 2013. In the Finance Bill, 2013 minimum tax at the rate of Rs.50 per square yard as per the layout or site plan was proposed. However, at the time of enactment, the rate of minimum tax was not incorporated in the legislation instead, the rate was deferred until notification in the official gazette by Federal Government but no notification issued.

It is now proposed to levy minimum tax at the rate of two percent of the value of land notified by any authority for the purpose of stamp duty.

Revision of Income Tax Return — Section 114

Section 114 specify the persons obliged to file the return, It also specify the manners to revise the return subject to approval of Commissioner Inland Revenue.

It is proposed that the return can be revised without seeking approval from Commissioner Inland Revenue if revised within 60 days of filing of return.

Audit by Special Panel — Sections 121, 176, 177, 210 & 211

Under the existing provisions of Section 177, the Board is inter-alia, empowered to appoint a firm of Chartered Accountants or a firm of Cost and Management Accountants to conduct tax audit of any person or classes of person within the parameters as determined by the Board.

It is proposed that sub-section (11) be inserted to provide for appointment of special audit panels by the Board for the purpose of conducting tax audit including a forensic audit of a person or classes of person within the parameters as determined by the Board.

The special audit panels so appointed will comprise of two or more members among the following –

(a) an officer or officers of Inland Revenue;

(b) a firm of Chartered Accountants;

(c) a firm of Cost and Management Accountants; or

(d) any other person as directed by the Board.

It is also proposed that the special audit panel will be headed by a Chairman who will be an officer of Inland Revenue. The officer or officers Inland Revenue being members of the special audit panel (duly authorized by the Commissioner) will be authorized to exercise the powers available under Section 175 and 176 of the Ordinance for the purpose of conducting tax audit under the proposed provisions. In case where the person being audited fails to comply with the requirements of the audit, best judgment assessment can be framed under Section 121 of the Ordinance against the person. It is further provided that if any member of the special audit panel, other than the Chairman is absent from the audit proceedings, the audit may continue and such audit will not be invalid or called in question due to absence of the member. It is also proposed that functions performed during the audit by an officer or officers of Inland Revenue as members of special audit panel shall be treated to have been performed by the special audit panel. The Board will be authorized to prescribe the mode and manner of constitution, procedure and working of the special panel.

Heading the penal by an Officer Inland Revenue is not appropriate. It should be above the rank of commissioner or other member should be the chairman of the penal and officer Inland Revenue may act as secretary of the penal. Further, it has not been provided that who can represent a firm of chartered accountant or cost accountants appointed in the audit panel.

Stay Against Recovery by Commissioner Inland Revenue Appeals) — Section 128

Presently the Commissioner Inland Revenue (Appeals) is empowered to grant stay to a taxpayer from recovery of tax demand for an aggregate period not exceeding 30 days. It is experienced that in certain cases while the stay was granted, the appeal remained undecided beyond 30 days in which case the taxpayers had to approach the Appellate Tribunal or the High Court for further stay.

It is now proposed to grant powers to the Commissioner (Appeals) to grant stay from recovery of tax demand for a further period of 30 days subject to the condition that the appeal shall be decided within the extended period of 30 days

Due Date for Recovery of Tax Demanded — Section 137

Originally when the Income Tax Ordinance, 2001 was promulgated, 30 days' time was provided for payment of tax demand arising from an order passed by the tax authorities, from the date the order was communicated to the taxpayer. Vide Finance Act, 2008 the period of 30 days was reduced to 15 days.

Now it is proposed to revert to the earlier position whereby 30 days would be available for payment of tax demand arising from an order passed by the tax authorities.

The period of payment of tax demand arises from the provisional assessment framed under section 122C is reduced to 45 days.

Advance Tax Payments — Section 147

Presently a company or an AOP is required to pay advance tax in four equal instalments on a quarterly basis. Where they estimate that the tax payable for the relevant tax year is likely to be more than the amount based on latest assessed income and tax liability they can make an estimate at any time before the last instalment is due and pay the advance tax accordingly.

It is proposed that the above taxpayers required to estimate the tax payable for the relevant tax year at any time before the second instalment is due i.e. even before completion of half year after such estimation. The proposed amendment requires payment of 50% of the estimated advance tax by the due date of the second quarter of the relevant tax year. The remaining 50% is required to be paid in the 3rd and 4th instalments

Tax on Local Purchase of Cooking Oil or Vegetable Ghee by Certain Persons — Section 148A, 169

A new Section 148A is proposed to be inserted whereby the manufacturers of cooking oil or vegetable ghee shall be chargeable to tax at the rate of two percent on purchase of locally produced edible oil. Such tax shall be final tax in respect of income accruing from locally produced edible oil.

Being a final tax, corresponding amendment has also been made in Section 169.

Powers of Commissioner to Issue Reduced Rate or Nil rate Certificate to Permanent Establishment of Non-Resident Person — Section 152(4A)

Previously, withholding of tax on payments for goods and services made to a Permanent Establishment (PE) of a non-resident person were provided within the ambit of Section 153. The provisions of Section 153(4) permit the Commissioner to issue a nil or reduced withholding certificate in certain specific circumstances.

Pursuant to the amendments made by the Finance Act, 2012, the withholding requirements on payments made to a PE of a non-resident person were transferred to Section 152. However, no corresponding powers were given to the Commissioner in respect of providing a nil or reduced withholding certificate in respect of such payments. Therefore, presently, PEs of non-resident persons, cannot obtain a nil or reduced withholding tax certificate since the same cannot be issued in such circumstances under Section 159, and no other powers exist for the provision of such a certificate. This has resulted in significant financial burdens for such taxpayer.

In order to address the above issues, it is proposed to insert sub section (4A) in Section 152 which confers powers to the Commissioner to provide nil or reduced withholding tax certificates in appropriate circumstances to PEs of non-resident persons.

Withholding Tax on Services Rendered or Provided — Section 153, Clause (79) Part-IV, Second Schedule

Through the Finance Act, 2009, an amendment was made to make the tax withheld on payment against services rendered or provided as a minimum tax. However, there was ambiguity on the interpretation of this provision whereby applicability of such minimum tax on the corporate sector was unclear. However, in the circular No. 06 of 2009 ,dated 18 August 2009 issued by the Board on amendments introduced via the Finance Act, 2009, it was clarified that tax withheld from payments relating to services rendered would only be considered minimum tax in case of non-corporate taxpayers. Subsequently, Clause (79) was inserted in Part IV of the Second Schedule via SRO 1003 (I)/2011 dated 31 October 2010 for the purpose when the whole section 153 was substituted vide Finance Act, 2011. The matter however, remained in dispute at various forums. Directions were issued by FTO and the said notification issued by FBR /Federal Government was declared illegal. However, the matte was decided by Appellate Tribunal in favour of the taxpayers in number of cases and declared that minimum tax is not applicable on companies.

This alignment has been undertaken to address the matter raised by the Federal Tax Ombudsman. FTO had questioned the right of the Federal Government to allow concessions through a notification instead of an enactment by the Parliament. Accordingly, this provision has been proposed to take effect from tax year 2009 being the year in which the minimum tax provision was first introduced.

It is proposed to substitute Clause (b) in the proviso to sub section (3) of section 153 to provide that in case of companies, the tax deducted under section 153(1)(b) is adjustable effective from the tax year 2009 and that in case of a person other than a company, the tax so withheld will be a minimum tax. Correspondingly, the clause (79) in the part-IV of second schedule is to be deleted.

Exports — Section 154

Presently the tax deductible on proceeds of an exporter or an indenting commission agent and payments by a direct exporter to an indirect exporter is considered final tax on such transactions.

It is proposed an irrevocable option to such person to opt out of final taxation at the time of filing the return U/s 114. However, the option suggests that the tax deducted under this section shall be treated as minimum tax instead of a final tax of the person opting out of FTR.

This effectively means that the taxpayer so opting out could be taxed at normal tax rate based on his quantum of income and the tax so deducted would be adjustable against his ultimate tax liability.

However, it needs to be appreciated that in case the tax liability works out to less than the amount of tax withheld, then in such a case the tax withheld will be considered as minimum tax liability and practically not feasible for exporters because no refund of excess tax deduction on export transactions will be allowed

It appears that the exporters will not opt out of FTR for the following reasons –

(a) The exporter is still required to pay the amount of tax withheld which will be treated as minimum tax and therefore he will not benefit from opting out of FTR.

(b) It should be noted that the current rate of minimum tax under section 113 is also 1% for all taxpayers except for certain classes of persons that have been allowed a reduced rate of less than 1%. Therefore, unless a reduce rate of minimum tax is provided in section 113 for exporters, there would not be any benefit of opting out of FTR.

Reduction in Default Surcharge In Case Tax not Collected by a Person who was Liable to Collect — Section 161(IB)

Section 161 applies where a person fails to collect or deduct tax as required under the Income tax Ordinance, 2001 or where having collected or deducted the tax fails to deposit the same with the Government Treasury. This section empowers the tax authorities to collect such tax from the withholding agent by treating him as an assessee in default under specific circumstances. The said section also imposes a default surcharge on the amount of tax not collected, deducted or paid at the rate of eighteen percent in case the tax has been paid by the person from whom the same was to be deducted. It is proposed to reduce the rate of default surcharge payable by such a person to twelve percent.

Additional payment for Delayed Refunds — Section 171

In case refund due is not paid within specified period Commissioner is liable to pay compensation to the taxpayer@ 15% per annum and this rate of compensation for delayed refund is now changed to KIBOR plus 0.5%

Taxpayer's Registration — Section 181

The government is taking different initiatives to broaden the tax base by increasing the number of taxpayers which is insignificant as regard the country's population and as a result, the tax to GDP ratio is not at the desired level.

It is proposed to adopt, effective tax year 2015, in the case of individuals, Computerized National Identity Cards issued by the National Database and Registration Authority (NADRA) as NTN. This would mean that every CNIC holder would become NTN holder regardless of the fact whether he has taxable income or not. Accordingly, such an individual will be required to file a tax return since under section 114 of the Ordinance, the requirement of filing a return of income is also on a person who has obtained NTN.

This measure appears to be in the right direction however substantive provisions need to be aligned in relation to the persons holding CNIC not required to comply with the tax filing and other requirements for NTN holders.

This amendment also implies that henceforth, there is no requirement for an individual to obtain an NTN for filing the return of income. Now, a return of income can be filed with reference to the CNIC of that person. If the objective is limited to this aspect then through this amendment the process of obtaining NTN for filing of return is removed.

Note: In finance bill reference of section 181A seems to be typing error. The insertion is in section 181.

Offences and Penalties — Section 182, Clause (16) Part-III, Second Schedule

Penalties for non-compliance had been provided in Section 182. It is proposed to amend S. No (1A) and (1AA) of Section 182 of the Ordinance in the following manner:

a) Minimum penalty of Rs.50,000 is proposed to be reduced to Rs.10,000 for failure to file final tax statement under Section 115, withholding tax statement under Section 165 or failure to furnish information under Section 165A. Such a reduction had previously been offered by virtue of Clause (16) of Part III of the Second Schedule which has now been proposed to be incorporated in the provisions of Section 182. The aforementioned clause has correspondingly been deleted.

b) Penalty for failure to furnish wealth statement or wealth reconciliation statement under Section 116 has been proposed to be charged at 0.1% of the taxable income per week or Rs.20, 000, whichever is higher instead of Rs.100 for each day of default.

Default Surcharge — Section 205

The rate of default surcharge, for failure to pay any tax or advance tax by the due date or payment of at least 90% of the advance tax liability, is 18% per annum which is proposed to reduce to 12% per annum.

Income Tax Authorities — Section 207

In order to give legal cover to the newly introduced special audit panel in section 177 amendment is proposed to treat special audit panel as Inland Revenue Authority.

Automatic selection of Retailers for Audit — Section 214D

A new section is proposed to be inserted for selection of cases for audit of retailers. As per this section retailers who are registered under Rules (4) and (6) of Sales Tax Special Procedures Rules, 2007 i.e. large retailers either operating as unit of a national or international chain of stores, operating an air-condition mall, retailer who has a credit and debit card machine, retailer whose annual preceding electricity bill exceeds Rs.600, 000 and a wholesaler-cum-retailer engaged in bulk import and other retailers who pay sales tax on electricity bills. The aforesaid retailers proposed to be automatically selected for audit if they do not fulfill the following conditions –

(a) enlistment on the active taxpayer list in case of large retailer registered under Rule (4)

(b) Complete return of income furnished within due dates

(c) The tax payable alongwith the return has been duly paid

(d) 2% tax is paid under section 113 i.e. on turnover basis in case of small retailer registered under Rule (6) who files the return below taxable limit and in the preceding tax year has either declared income below taxable limit or not filed the return

(e) In case of small retailer who has declared taxable income in previous year he must pay 25% higher tax than the previous tax year

The proposed section provides that the scheme will become effective from the date notified by the Board in the official Gazette.

Based on past history where we understand that after abolition of minimum tax on retailers, most of them are still non-compliant , the conditions provided above for avoiding an audit by retailers seem to be tough and it would be difficult to assess whether those retailers who are non-filers at present would agree to file their returns.

Advance Tax Under Chapter XII — Section 231A, 231AA, 236O,236C, 236D, 236I, 236K ETC

Exemptions available to various persons under Sections 231A, 231AA, 236B, 236C, 236D, 236I and 236K are proposed to be deleted from their respective sections. The bill proposes to insert a new Section 236O, whereby the following persons shall be exempted from collection of advance tax under the entire chapter XII:

(a) the Federal Government or a Provincial Government

(b) a foreign diplomat or a diplomatic mission in Pakistan

(c) a person who produces a certificate from the Commissioner that his income during the tax year is exempt.

It should be noted that in providing the exemption, Section 236O uses the words "the advance tax under this chapter shall not be collected in the case of withdrawals made by…..". It may be observed that the specific drafting of the proposed section may in practice restrict its applications. It is, therefore, proposed that the Section 236O should appropriately be re-drafted to avoid any adverse inferences at a later stage.

Advance Tax on Private Motor Vehicles — Section 231B

Presently, every manufacturer of motor car or jeep is required to collect advance tax at the time of sale.
However, the scope of advance tax collection under this section is proposed to be broaden by replacing the words "car or jeep" with "vehicle ". As per the proposed amendment motor vehicle includes car, jeep, van, sports utility vehicle, pickup trucks, caravan automobile, limousine, wagon or any other automobile

used for private use. 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 Telephone and Internet Users — Section 236, Division V, Part-IV of First Schedule.

Presently, under Section 236 advance tax is collected on telephone bill, prepaid card and sales of units through electronic medium. Now it is proposed to include internet bills and prepaid card for internet within the ambit of this section. Tax is to be collected at the rate of fourteen percent of the amount of bill except Telephone bills for which rate of 10% will be applicable.

Advance Tax on Purchase of Air Tickets — Section 236B

Presently, advance tax on purchase of domestic air tickets is collected under this Section irrespective of flight routes. Now it is proposed to provide exemption from collection of advance tax on purchase of domestic air ticket for the following routes:

(a) Baluchistan coastal belt

(b) Azad Jammu and Kashmir

(c) FATA

(d) Gilgit-Baltistan and Chitral

The exemption available to Federal Government, Provincial Government and the person who produces certificate of exemption of income from collection of advance tax under this section is proposed to be deleted from this section but to be consolidated in a newly proposed Section 236O.

Advance Tax on Sale to Retailers — Section 236H

Currently, every manufacturer, distributor, dealer, wholesaler or commercial importer of various items listed in this section including fertilizer are required to collect advance tax on sale to a retailer. Now it is proposed to exclude sales of fertilizer from collection of advance tax under this section.

Furthermore, in order to broaden the scope of collection of advance tax under this section, it is also proposed to include sale to wholesalers along with sale to retailers under this section. It should be noted that the sale to wholesaler by manufacturers or commercial importers of the specified items is already covered in Section 236G. Hence the proposed amendments may lead to double collection of advance tax from wholesalers in case of sales made by manufacturers, both under Sections 236G and 236H. If the intent of the legislation is to broaden the collection of advance tax by including sales to wholesalers made by distributors and dealers, the law should be rationalized by omitting wholesalers from the provisions of Section 236G to avoid double collection of tax from the wholesalers.

Advance Tax on Banking Transactions otherwise Than through Cash By Non-Filers — Section 236P

In order to enhance the incidence of taxation on non-filers using the banking system, the non-cash Banking transaction of such persons are now also proposed to be subject to collection of tax @ 0.6% at the time of issuance of Demand draft, Pay order, Special deposit receipt, Cash deposit receipts, Short term deposit receipts , Call deposits receipts ,Rupees traveler cheque, Sale of any instrument .

It is also proposed that tax may be collected from non-filers on transfer of any sum through –

- Cheque or clearing
- Interbank or intra bank transfers through cheques
- Online transfer
- Telegraphic transfer
- Mail transfer
- Direct debit
- Payment through internet
- Payment through mobile phone
- Account to account fund transfer
- Third party account to account fund transfer
- Real time account to account fund transfer
- Real time third party account fund transfer
- Automated teller machine (ATM) transfers
- Any other mode of electronic or paper base transfer

The tax is required to be collected @ 0.6% on the total payments for all above transactions exceeding Rs.50, 000 in a day.

It is further proposed that tax will not be collected in the case of Pakistan Real-time Interbank Settlement Mechanism (PRISM) or to payments made for federal, provincial and local government taxes.

Advance Tax Collection for Payment to Resident Person for Use of Machinery and Equipment

Section 236Q, Division XXIII Part IV of First Schedule

It is proposed to insert a new section which provides for withholding of tax @ 10% from payments to a resident person for use of or right to use industrial, commercial and scientific equipment as well as on account of rent of machinery. It is further proposed that the tax deducted under this section shall be final tax of the person. The obligation to withhold tax under this section has been proposed on a "prescribed person" as per the definition given in section 153(7) of the Ordinance.

Collection of Advance Tax on Educational Related Expenses Remitted Abroad

Section 236R, Division XXIIV Part IV of First Schedule

It is proposed to insert a new section 236R requiring collection of advance tax @ 5% on the amount of education expenses remitted abroad by a person. Education expenses have been defined to include tuition fee, boarding and lodging expenses, any payment for distant learning to any institution or university in a foreign country and any other expense related or attributable to foreign education.

The obligation to collect tax from education related expenses is on banks, financial institutions, foreign exchange companies or any other person responsible for remitting foreign currency from the payer of education related expenses.

The tax collected under this section is proposed to be advance tax which would be available for adjustment against the tax liability of the person who is paying education related expenses.

Collection of Advance Tax on Dividend in Specie

Section 236S, Division I Part III of First Schedule

The dividend in specie is proposed to be subject to withholding tax @12.5% of the gross amount.

AMENDMENTS IN THE SCHEDULES TO THE INCOME TAX ORDINANCE, 2001

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

Exemptions Withdrawn

Clause 20 Part I (omitted)	Any income received by a person from an annuity issued under the Pakistan Postal Annuity Certificate Scheme on or after the 27th July, 1977, not exceeding ten thousand rupees per annum being withdrawn by omitting clause 20 of Part 1.
Clause 113 of Part I (omitted)	Exemption available for Any income chargeable under the head "capital gains", being income from the sale of shares of a public company set up in any Special Industrial Zone referred to in clause (126) of Second Schedule, derived by a person for a period of five years from the date of commencement of its commercial production shall be withdrawn by omitting the clause 113 from Part 1.
Clause 126F Part I (omitted)	Exemption available for Profits and gains derived by a taxpayer located in the most affected and moderately affected areas of Khyber Pakhtunkhwa, FATA and PATA for a period of three years starting from the tax year 2010 shall be withdrawn by omitting the clause 126F from Part 1. Removed being redundant.

Exemptions Granted/Amended

Clause 61 of Part I (insertion)	Exemption from total income for any amount paid as donation to The Indus Hospital, Karachi by inserting a new sub-clause xlv after sub-clause xliv in clause (61) of the Part 1 of the second schedule. Consequently the donations paid to Indus Hospital will be subject to deduction from taxable income subject to limitations as provided in proviso in clause 61 of the part 1 of the Second schedule.
Clause 66 Part I (insertion)	Any income derived by M/s The Indus Hospital, Karachi shall be exempted by inserting a clause XXXiii in clause 66 of the Part 1 of the second schedule.
Clause 99A of Part I	Profits and gains accruing to a person on sale of immovable property to a REIT Scheme upto thirtieth day of June 2015 has been amended provided that profit and gain on sale of immovable property to a Development REIT Scheme with the object of development and construction of residential buildings shall be exempted upto thirtieth day of June 2020 by

(amended)	inserting a provision in the clause 99A in Part 1 of the second schedule. Previously this exemption was provided upto 30th June 2015.
Clause 103A of Part I (amended)	Any income derived from inter-corporate dividend within the group companies entitled to group taxation under section 59AA or section 59B shall continue to be exempted subject to the conditions that return of the group has been filed for the tax year. Previously no such condition of return filing existed.
Clause 126A Part I (amended)	Exemption available for income derived by M/s China Overseas Ports Holding Company Limited from Gwadar Port operations for a period of twenty years with effect from the sixth day of February, 2007 shall be extended for a period of twenty three years, by amending clause 126A in Part 1.
Clause 126I Part I (insertion)	Profits and gains derived by a taxpayer, from an industrial undertaking set up by 31st day of December, 2016 and engaged in the manufacture of plant, machinery, equipment and items with dedicated use (no multiple uses) for generation of renewable energy from sources like solar and wind, for a period of five years beginning from first day of July, 2015 shall be exempted by inserting a new clause as 126 I in Part 1.
Clause 126J Part I (Insertion)	Profits and gains derived by a taxpayer, from an industrial undertaking set up between 1st day of July, 2015 and 30th day of June, 2016 engaged in operating warehousing or cold chain facilities for storage of agriculture produce for a period of three years beginning with the month in which the industrial undertaking is set up or commercial operations are commenced, whichever is later, shall be exempted by inserting a new clause as 126J in Part 1
Clause 126K Part I (insertion)	Profits and gains derived by a taxpayer, from an industrial undertaking set up between 1st day of July, 2015 and 31st day of December, 2016 which is engaged in operating halal meat production and has obtained halal certification, for a period of four years beginning with the month in which the industrial undertaking is set up or commercial production is commenced, whichever is later shall be exempted by inserting a new clause as 126K in Part 1
Clause 126L Part I (insertion)	Profits and gains derived by a taxpayer, from a manufacturing unit set up in Khyber Pukhtunkhwa Province between 1st day of July, 2015 and 30th day of June, 2018 for a period of five years beginning with the month in which the industrial undertaking is set up or commercial production is commenced, whichever is later shall be exempted by inserting a new clause as 126L in Part 1.The exemption under this clause shall be admissible. where the manufacturing unit is setup between the first day of July, 2015 and 30th day of June, 2018, both days inclusive; and the manufacturing unit is not established by the splitting up or reconstruction or reconstitution of an undertaking already in existence or by transfer of machinery or plant from an undertaking established in Pakistan at any time before 1st July 2015.
Clause 126M Part I	Profits and gains derived by a taxpayer from a transmission line project set up in Pakistan on or after the 1st day of July, 2015 shall be exempted by inserting a new clause as 126M

(insertion)	in Part 1. The exemption under this clause shall apply to such project which is (a) owned and managed by a company formed for operating the said project and registered under the Companies Ordinance, 1984 (XLVII of 1984), and having its registered office in Pakistan (b) not formed by the splitting up, or the reconstruction or reconstitution, of a business already in existence or by transfer to a new business of any machinery or plant used in a business which was being carried on in Pakistan at any time before the commencement of the new business; and (c) owned by a company fifty per cent of whose shares are not held by the Federal Government or Provincial Government or a Local Government or which is not controlled by the Federal Government or a Provincial Government or a Local Government: Provided that the exemption under this clause shall not apply to projects set up on or after the thirtieth day of June, 2018.
Clause 141 Part I (insertion)	Profit and gains derived by LNG Terminal Operators and Terminal Owners for a period of five years beginning from the date when commercial operations are commenced shall be exempted with the insertion of a new clause as 141 in Part 1
Clause 142 Part I (insertion)	Income from social security contributions derived by Balochistan Employees' Social Security Institution, Employees' Social Security Institution Khyber Pakhtunkhwa, Punjab Employees' Social Security Institution and Sindh Employees' Social Security Institution shall be exempted with the insertion of a new clause as 142 in Part 1.But all incomes other than social security contributions shall not be exempt.

Reduction in Tax Rates

PART II-Second Schedule

The Finance Bill 2015-16 proposes to amend/withdraw the following from part II.

Clause 13C of Part II (omitted)	Reduced withholding income tax rate of 2% of the purchase price on purchase of locally produced edible oil in respect of manufacturers of cooking oil or vegetable ghee or both, shall be withdrawn by omitting the clause 13C of Part II.
Clause 14, 14A and 14B of Part II (omitted)	Clauses (14), (14A) and (14B) relate to reduce rates for goods transport vehicles and passenger transport vehicles shall be withdrawn by omitting these clauses of Part II. Now the rate reduction has been provided in the rate schedule, Part 1V, Division III of the First Schedule
Clause 21 of Part II (omitted)	Reduced tax rate available to any resident person engaged in the business of shipping shall be withdrawn by omitting clause 21 of Part II.

Clause 28B of Part II (insertion)	Through insertion of clause 28B in Part II of the second schedule the rate of tax shall be 0.15% under section 231A on cash withdrawal by an exchange company, duly licensed and authorized by the State Bank of Pakistan, exclusively dedicated for its authorized business related transactions, subject to the condition that a certificate issued by the concerned Commissioner Inland Revenue for a financial year mentioning details and particulars of its Bank Account being used entirely for business transactions is provided. Previously, the exchange companies were exempt from withholding of income tax under clause 61A of part IV of Second Schedule. Now the same being omitted.

Reduction in Tax Liability — PART III –Second Schedule

The Finance Bill 2015-16 proposes to amend/withdraw the following in Part III.

Clause 16 of Part III (omitted)	The minimum penalty of fifty thousand rupees for failure to furnish statement under section 115, 165 or 165A as mentioned in column (3) against serial No. (1A) in the Table given in sub-section (1) of section 182 was reduced to ten thousand by inserting this clause and now clause 16 of Part III is omitted and same concession is inserted under section 182 against serial No, (1A). Now, minimum penalty for non-filing of statement or return of income shall remain at Rs.10,000 as provided in clause 1A of section 182 of the ITO,2001

Exemption from Specific Provisions — PART IV –Second Schedule

The Finance Bill 2015-16 proposes to amend/withdraw the following in Part IV.

Clause 11A(i) of Part IV (amended)	Exemption from provision of section 113, regarding minimum tax, available to a real estate investment trust approved and authorized under the Real Estate Investment Trust Rules, 2006 under sub-clause (i) of clause 11A of Part IV shall now be available to real estate investment trust approved and authorized under the Real Estate Investment Trust Regulations 2015. This clause amended consequent to the amendment in the legislation regarding RIET.
Clause 11A(iv) of Part IV (omitted)	Exemption available from the applicability of section 113 as minimum tax to Kot Addu Power Company Limited (KAPCO) for the period it continues to be entitled under clause (138) of Part-I of this Schedule shall be withdrawn by omitting the sub-clause (iv) of clause 11A of Part IV.
Clause 11A(v) of Part IV (inserted)	Exemption made available to companies through Finance Act, 2014 from the applicability of section 113 as minimum tax engaged in coal mining projects in the Province of Sindh supplying coal exclusively to power generation projects shall be withdrawn by omitting the word clause 132(b) from the sub-clause (v) of clause 11A of Part IV and again provided by inserting a new sub clause (xviii) in clause 11A of Part IV
Clause	Exemption from the applicability of section 113 as minimum tax shall be provided to

11A(xx) of Part IV (inserted)	taxpayers located in the most affected and moderately affected areas of Khyber Pakhtunkhwa, FATA and PATA for tax year 2010, 2011 and 2012 excluding manufacturers and suppliers of cement, sugar, beverages and cigarettes by inserting a new sub clause (xx) in clause 11A of Part IV. Although the income was made exempt under clause 126F Part I of the second schedule.
Clause 11A(xxi) of Part IV (inserted)	Exemption from the applicability of section 113 as minimum tax shall be provided to Rice Mills for the Tax Year 2015 by inserting a new sub clause (xxi) in clause 11A of Part IV.
Clause 11A(xxii) of Part IV (inserted)	Exemption from the applicability of section 113 as minimum tax shall be provided to taxpayers qualifying for exemption under clauses (126I) of Part-I of this Schedule in respect of income from manufacture of equipment with dedicated use for generation of renewable energy by inserting a new sub clause (xxii) in clause 11A of Part IV.
Clause 11A(xxiii) of Part IV (inserted)	Exemption from the applicability of section 113 as minimum tax shall be provided to taxpayers qualifying for exemption under clauses (126J) of Part-I of this Schedule in respect of income from operating warehousing or cold chain facilities for storage of agriculture produce by inserting a new sub clause (xxiii) in clause 11A of Part IV
Clause 11A(xxiv) of Part IV (inserted)	Exemption from the applicability of section 113 as minimum tax shall be provided to taxpayers qualifying for exemption under clauses (126K) of Part-I of this Schedule in respect of income from operating halal meat production, during the period mentioned in clause (126K) by inserting a new sub clause (xxiv) in clause 11A of Part IV.
Clause 11A(xxv) of Part IV (inserted)	Exemption from the applicability of section 113 as minimum tax shall be provided to taxpayers qualifying for exemption under clauses (126L) of Part-I of this Schedule in respect of income from a manufacturing unit set up in Khyber Pukhtunkhwa Province between 1st day of July, 2015 and 30th day of June, 2018 by inserting a new sub clause (xxv) in clause 11A of Part IV.
Clause 11 D of Part IV (inserted)	Exemption from the applicability of section 113C shall be provided to LNG Terminal Operators and LNG Terminal Owners by inserting a new clause (11D) in Part IV.
Clause 16A of Part IV (omitted)	Exemption from the provisions of section 153(1)(b) available to the persons making payments to electronic and print media in respect of the advertisement services shall be withdrawn by omitting the clause 16A of Part IV.
Clause 46 of Part IV (amended)	Exemption to the Permanent Exploration and Production (E&P) Companies from applicability of provisions of sub-section (2A) of section 152 shall be provided which requires every prescribed person to withhold tax (including sales tax, if any) while making payment to a permanent establishment in Pakistan of a non-resident person for sale of goods, rendering of or providing services and on the execution of a contract, other than a contract for the sale of goods or the rendering of or providing services by amending clause 46 of Part IV.

Clause 56 of Part IV (amended)	Exemption from applicability of provision of section 148 regarding withholding of tax on import shall be withdrawn from the goods classified under Pakistan Customs Tarrif falling under chapter 27 and for PCT Heading 9918 by amending sub-clause (i) of clause 56 of Part IV.
Clause 56B of Part IV (new insertion)	Exemption from applicability of provision of section 148 regarding withholding of tax on import to Petroleum oils and oils obtained from bituminous minerals crude (PCT Code 2709.0000), Furnace-oil (PCT Code 2710.1941), High speed diesel oil (PCT) Code 2710.1931), Motor spirit (PCT Code 2710.1210), J.P.1 (PCT Code 2710.1912), base oil for lubricating oil (PCT Code 2710.1993) imported by Pakistan State Oil Company Limited, Shell Pakistan Limited, Attock Petroleum Limited, Byco Petroleum Pakistan Limited, Admore Gas Private Limited, Chevron Pakistan Limited, Total-PARCO Pakistan(Private) Limited, Hascol Petroleum Limited, and oil refineries, shall be provided by inserting new sub-clause (ia) of clause 56 of Part IV.
Clause 56B of Part IV (omitted)	Exemption from applicability of provision of section 148 regarding tax on import in respect of import of potatoes between 5th of May, 2014 and 31st of July, 2014, provided that such imports shall not exceeds 200,000 metric tons in aggregate during the said period, shall be withdrawn by omitting the clause 56B of Part IV.
Clause 56H of Part IV (omitted)	Exemption from applicability of provision of section 148 regarding tax on import in respect of import of potatoes between 5th of May, 2014 and 15th of November, 2014, provided that such imports shall not exceeds 300,000 metric tons in aggregate during the said period, shall be withdrawn by omitting the clause 56H of Part IV.
Clause 57 of Part IV (amended)	Exemption available from provision of section 113 and 153 to companies operating Trading Houses with some conditions and proviso shall be amended by inserting a new paragraph numbered (ii) after Explanation which shall be numbered as (i) in clause 57 of Part IV, where in it is further clarified that in-house preparation and processing of food and allied items for sale to customers shall not disqualify a company from being treated as a Trading House, provided that all the conditions in this clause are fulfilled and sale of such items does not exceed two per cent of the total sales.
Clause 61 of Part IV (omitted)	Exemption available regarding provision of section 231A in respect of any cash withdrawal by exchange companies duly licensed and authorized by the State Bank of Pakistan on their bank account exclusively dedicated for their authorized business related transactions shall be withdrawn by omitting the clause 61A of Part IV. Now the withholding at reduced rate 0.15% shall be made as provided in Part III of the Second Schedule.
Clause 72S of Part IV (omitted)	Exemption from the provision of clause (l) of section 21, sections 113 and 152 available in case of a 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 the tax year 2014 in respect of income from Hajj operations shall be withdrawn by omitting the clause 72A of Part IV.
Clause 77 of Part	Exemption from provision of sections 148 and 153 shall be provided on import and subsequent supply of tubular daylighting devices such as solatube by amending the

IV(amended)	clause 77 of Part IV
Clause 79 of Part IV (omitted)	Exemption from the provisions of clause (b) of the provisio to the sub-section (3) of section 153 wherein the tax deductible on payments receives by a company for providing or rendering of services shall be a minimum tax, shall be withdrawn here by omitting the clause 79of Part IV and shall be provided by making it a part of section 153 by substituting the clause (b) of the proviso to the sub-section (3) of section 153.
Clause 86 of Part IV (omitted)	Exemption available regarding provision of sub-section (4) of section 116 for tax year 2013 to a person other than a company or a member of an association of persons falling under Final Tax Regime(FTR) and has paid tax less than thirty five thousand shall be withdrawn by omitting the clause 83 of Part IV. Consequently such individuals shall be required to file the wealth statement as required under section 116 of the ITO,2001.
Clause 86 of Part IV (amended)	Exemption from the provision of section 111 available to investment made by an individual, in a Greenfield industrial undertaking directly or as an original allottee in the purchase of shares of a company establishing an industrial undertaking or capital contribution in an association of persons establishing an industrial undertaking and investment made by an association of persons and company in an industrial undertaking shall be continued to be available 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.This shall be done by amending the clause 86 of Part IV.
Clause 89 & 90 of Part IV (Omitted)	Exemption with regard to the provision of section 236I (Collection of Advance Tax by Educational Institutions) and 236D (Advance Tax on Functions and Gatherings) available to the Federal Govt. or a Provincial Govt., an individual entitled to privileges under the United Nations (Privileges and Immunities)Act, 1948, a foreign diplomat or a diplomatic mission in Pakistan or a person who is a non resident in Pakistan, shall be withdrawn by omitting the clause 89 & 90 which were inserted through SRO 17(I)/2014 dated 07-01-2014 in Part IV.
Clause 93 of Part IV (new insertion)	Exemption regarding provision of section 154 to the taxpayers operating halal meat production and qualifying for exemption under clause (126K) of the part-I of this schedule for the period specified in clause (126K), shall be provided by inserting anew clause 93 in Part- IV of this schedule.

Exemption with regards to section 148 shall be available by inserting a new clause 91

(i) to the Tillage and seed bed preparation equipment as specified below,

	Equipment	PCT Code
(i)	Rotavator	8432.8010
(ii)	Cultivator	8432.2910
(iii)	Ridger	8432.8090
(iv)	Sub soiler	8432.3090
(v)	tary slasher	8432.8090
(vi)	Chisel plow	8432.1010
(vii)	Ditcher	8432.1090
(viii)	Border disc	8432.2990
(ix)	Disc harrow	8432.2100
	Bar harrow	8432.2990
	Mould board plow	8432.1090
	Tractor rear or front blade	8430.6900
	Land leveller or land planer	8430.6900
	Rotary tiller	8432.8090
	Disc plow	8432.1090
	Soil-scrapper	8432.8090
	K.R.Karundi	8432.8090
	Tractor mounted trancher	8701.9020
	Land leveler	8430.6900

(ii) Seeding or planting equipment

	Equipment	PCT Code
(i)	Seed-cum-fertilizer drill (wheat, rice barley, etc.)	8432.3010
(ii)	Cotton or maize planter with fertilizer attachment	8432.3090
(iii)	Potato planter	8432.3090
(iv)	Fertilizer or manure spreader or broadcaster	8432.4000
(v)	Rice transplanter	8432.3090
(vi)	Canola or sunflower drill	8432.3010
(vii)	Sugarcane planter	8432.3090

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

	Equipment	PCT Code
(i)	Tubewells filters or strainers	8421.2100, 8421.9990
(ii)	Knapsack sprayers	8424.2010
(iii)	Granular applicator	8424.2010
(iv)	Boom or field sprayers	8424.2010
(v)	Self propelled sprayers	
(vi)	Orchard sprayer	8424.2010

(iv) Harvesting, threshing and storage equipment

	Equipment	PCT Code
(i)	Wheat thresher	8433.5200
(ii)	Maize or groundnut thresher or sheller	8433.5200

(iii)	Groundnut digger	8433.5900
(iv)	Potato digger or harvester	8433.5300
(v)	Sunflower thresher	8433.5200
(vi)	Post hole digger	8433.5900
(vii)	Straw balers	8433.4000
(viii)	Fodder rake	8433.5900
(ix)	Wheat or ice reaper	8433.5900
(x)	Chaff or fodder cutter	8433.5900
(xi)	Cotton picker	8433.5900
(xii)	Onion or garlic harvester	8433.5200
(xiii)	Sugar harvester	8433.5200
(xiv)	Tractor trolley or forage wagon	8716.8090
(xv)	Reaping machines	8433.5900
(xvi)	Combined harvesters	8433.5100
(xvii)	Pruner/shears	8433.5900

v) Post-harvest handling and processing & miscellaneous machinery

	Equipment	**PCT Code**
(i)	Vegetables and fruits cleaning and sorting or grading equipment	8437.1000
(ii)	Fodder and feed cube maker equipment	8433.4000

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

Rules For The Computation Of The Profits And Gains Of Insurance Business

Fourth Schedule

Following are the proposed amendments/insertion/withdrawn in Fourth Schedule.

Exemption from the Capital Gains from the sale of Shares (Omitted) Rule 6A

Rule 6A of the fourth schedule ,which deals in computing income under fourth Schedule, there shall not be included "capital gains", being income from the sale of modaraba certificates or any instrument of redeemable capital as defined in the Companies Ordinance, 1984 (XLVII of 1984), listed on any stock exchange in Pakistan or shares of a public company (as defined in sub-section (47) of section 2) and the Pakistan Telecommunications Corporation vouchers issued by the Government of Pakistan, derived up to tax year ending on the thirtieth day of June, 2010, shall be omitted.

Capital Gains on disposal of Shares of listed companies (Omitted) Rule 6B

Capital gains on disposal of shares of listed companies, vouchers of Pakistan Telecommunication corporation, modaraba certificate or instruments of redeemable capital and derivative products shall be taxed at the following rates:

S.No.	Period	Tax Year 2015	Tax Year 2016
(1)	(2)	(3)	(4)
1	Where holding period of securities is less than twelve months	12.5%	15%
2	Where holding period of securities is twelve months or more but less then twenty four months	10%	12.5%
3	Where holding period of securities is twenty four months or more but less then four years	0%	7.5%

Rule 6B (new Insertion)

Due to the insertion of new rule 6D, a Super tax @3% of total income shall be applicable on income of the profit and gains of insurance companies, where the total income for the tax year 2015 will equals to or exceed Rs. 500 million. It shall be applicable by the insertion of new section 4B of the Ordinance.

Rules For The Computation Of The Profits And Gains From The Exploration And Production Of Petroleum

Fifth Schedule

Following are the proposed amendments/insertion/withdrawn in Fifth Schedule.

As per insertion of new rule 4AA and 2A of this schedule, a Super tax @3% of total income shall be applicable on income of the profit and gains from the exploration and production of petroleum, where the total income for the tax year 2015 will equals to or exceed Rs. 500 million. It shall be applicable by the insertion of new section 4B of the Ordinance.

Rules For The Computation Of The Profits And Gains Of A Banking Company And Tax Payable Thereon

Seventh Schedule

Tax on income computed

It is proposed that all types of incomes of banking companies shall be taxed at the rate of 35% as per Division II of Part I of First Schedule from tax year 2015 and onward. Further Super tax @ 4% of total income for tax year 2015 will also be applicable on banking companies through insertion of new section 4B of the Ordinance.

RULES FOR THE COMPUTATION OF CAPITAL GAINS ON LISTED SECURITIES

Eighth Schedule

As per insertion of new rule 8 of the is schedule, a Super tax @3% of total income shall be applicable on income computed as capital gains on listed securities, where the total income for the tax year 2015 will equals to or exceed Rs. 500 million. It shall be applicable by the insertion of new section 4B of the Ordinance.

INCOME TAX RATES

FROM THE 1ST SCHEDULE (AFTER AMENDMENTS THROUGH FINANCE BILL, 2015)

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

Proposed in the finance bill 2015

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

(1.) Existing Rates

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. 750,000	10% of the amount exceeding Rs. 400,000
3	Where the taxable income exceeds Rs. 750,000 but does not exceed Rs. 1,500,000	Rs. 35,000 + 15% of the amount exceeding Rs. 750,000
4	Where the taxable income exceeds Rs. 1,500,000 but does not exceed Rs. 2,500,000	Rs. 147,500 + 20% of the amount exceeding Rs. 1,500,000
5	Where the taxable income exceeds Rs. 2,500,000 but does not exceed Rs. 4,000,000	Rs. 347,500 + 25% of the amount exceeding Rs. 2,500,000
6	Where the taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 6,000,000	Rs. 722,500 + 30% of the amount exceeding Rs. 4,000,000
7	Where the taxable income exceeds Rs. 6,000,000	Rs. 1,322,500 + 35% of the amount exceeding Rs. 6,000,000

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;

Proposed in the Finance bill 2015

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

Existing Rates

Sr. No.	Taxable Income	Rate of Tax
1	up to Rs.400,000	0%
2	Rs.400,001 to Rs.750,000	5% of the amount exceeding Rs. 400,000
3	Rs.750,001 to Rs.1,400,000	Rs. 17,500 + 10% of the amount exceeding Rs. 750,000
4	Rs.1,400,001 to Rs.1,500,000	Rs. 82,500 + 12.5% of the amount exceeding Rs. 1,400,000
5	Rs.1,500,001 to Rs.1,800,000	Rs. 95,000 + 15% of the amount exceeding Rs. 1,500,000
6	Rs.1,800,001 to Rs.2,500,000	Rs. 140,000 + 17.5% of the amount exceeding Rs. 1,800,000
7	Rs.2,500,001 to Rs.3,000,000	Rs. 262,500 + 20% of the amount exceeding Rs. 2,500,000
8	Rs.3,000,001 to Rs.3,500,000	Rs. 362,500 + 22.5% of the amount exceeding Rs. 3,000,000
9	Rs.3,500,001 to Rs.4,000,000	Rs. 475,000 + 25% of the amount exceeding Rs. 3,500,000
10	Rs.4,000,001 to Rs.7,000,000	Rs. 600,000 + 27.5% of the amount exceeding Rs. 4,000,000
11	Rs.7,000,001 and more	Rs. 1,425,000 + 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-

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

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

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

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

• Companies other than banking companies for the tax year 2016	***32% for tax year 2016 The rate for TY 2015 is 33%***
• Banking Companies	**35%**
• Small Company	**25%**

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

Inserted through Finance Bill 2015 applicable for TY 2015

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)

Existing Rates	Proposed Rates
10% of the gross amount of dividend.	12.5% of the gross amount of dividend
7.5% for power projects of WAPDA & power generation project.	7.5% for power projects of WAPDA & power generation project.
12.5 on Dividends received from Stock Funds if dividend receipts are less than capital gain.	*15% on Dividends received from Stock Funds if dividend receipts are less than capital gain.*
25% Dividend Received by a Company from collective investment Scheme or a mutual fund, other than a stock fund from TY2015 onwards.	*25% Dividend Received by a Company from collective investment 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 5A* shall be

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

- ***Section 5A seems typing error. It should be 7B, the newly inserted section.***

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:

S. No.	Period	Tax Year	*Rates*
(1)	(2)	(3)	*(4)*
1	Where holding period of a security is less than six months.	2011	*10%*
		2012	*10%*
		2013	*10%*
		2014	*10%*
	Where holding period of a security is less than twelve months.	2015	*12.5%*
		2016	*15%*
2	Where holding period of a security is more than six months but less than twelve months.	2011	*7.50%*
		2012	*8%*
		2013	*8%*
		2014	*8%*
	Where holding period of a security is more than twelve or more but less than twenty-four months.	2015	*10%*
		2016	*12.5%*
5	Where holding period of a security is twenty-four months or more but less than four years.	2015	*0%*
		2016	*7.5%*

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	Filer	Non-Filer
Individual and association of persons	10% for stocks funds 10% for others	17.5%
Company	10% for stock funds 25% for others	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%

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:

S No.	Period	Rate of tax
1.	Where holding period of immovable property is up to one year	10%
2.	Where holding period of immovable property is more than one year but not more than two years	5%
3.	*Where holding period of immovable property is more than two years.*	*0%*

Minimum tax (Insertion in the schedule through Finance Bill 2015)

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. No.	Person(s)	***Existing*** ***Rate*** ***(amended 13-02-2015 SRO 136(1)2015)***		***Proposed Rates***	
(1)	(2)	*Filers*	*Non Filers*	*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% of import value as increased by customs-duty, sales tax and federal excise duty*	*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.				
	(v) Persons importing gold and				
	(vi) Persons importing cottons				

2	Persons importing pulses	*2% of import value as increased by customs-duty, sales tax and federal excise duty*	*2% of import value as increased by customs-duty, sales tax and federal excise duty*	*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*	*3% 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*	*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%*	*4.50%*	*4.50%*	*6.50%*
5	Industrial undertakings not covered under S. Nos. 1 to 4	*5.50%*	*5.50%*	*5.50%*	*8%*
6	Companies not covered under S. Nos. 1 to 5	*5.50%*	*5.50%*	*5.50%*	*8%*
7	Persons not covered under S. Nos. 1 to 6	*6%*	*6%*	*6%*	*9%*

Advance Tax on dividend — Part III, Division I (Section 150 & 236S)

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

S. No.	Person(s)	Existing Rate	Proposed Rate
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;	*10%*	*10%*
c)	Non-filers other than mentioned in (a) above:	15%	17.5%

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

	Stock Fund	Money market Fund, Income Fund or any other fund
Individual	*10%*	*10%*
Company	*10%*	*25%*
AOP	*10%*	*10%*
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. Provided further that in case of a stock fund if dividend receipts of the fund are less than capital gains, the rate of tax deduction shall be 15% (existing rate of tax deduction was 12.5%)		

Tax deduction from Profit on Debt — Part III, Division *IA* (Section 151)

S. No.	Person(s)	Existing Rate	Proposed Rate
1	Filers	10%	10%
2	*Non-filers*	*15%*	*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%.

Rates of Tax on Shipping or Air Transport Income of a Non-Resident Person — Part 1, Division V (Section 7)

- 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.

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)
Part III Division II (Section 152(2)

1.	Payment to non-residents against royalty or fee for technical services	15%
2.	Payments to non-residents under Section 152(1A) against (a) a contract or sub-contract under a construction, assembly or installation project in Pakistan, including a contract for the supply of supervisory activities in relation to such project; or (b) any other contract for construction or services rendered relating thereto; or (c) a contract for advertisement services rendered by T.V. Satellite Channels,	6%
3.	Payments to non-residents against Insurance /Re-insurance Premium under Section 152(1AA)	5%
4.	Payments to non-residents media person against advertisement Services relaying from outside Pakistan under Section 152(1AAA	10%
5.	Payments to non resident person not covered under Section 152 (1),(1A), (1AA) (1AAA)(2A)	20%

Where different rate is provided under tax treaties, the applicable rate would be as provided in respective tax treaty.

Tax deduction on payments to non-residents — Part III, Division II (Section 152 (2A)

	Existing Rate	Proposed Rate
• From payments on execution of construction contract including supervisory activities & related services.	6%	6%
• In other cases.	20%	20%
• The rate of tax to be deducted under sub-section (1AA) of the section 152.	5%	5%
• The rate of tax to be deducted under sub-section (1AAA) of the section 152.	10%	10%
• 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	 3.5%	 4% 6% 4.5%

iv. In any other case if the person is a non-filer		6.5%
The rate of tax to be deducted from a payment under clause (b) section 152(2A) i. In case of transport services	2%	2%
ii. In case other then transport a) In case of company If the company is filer If the company is non-filer	- - -	8% 12%
b) In any other case If the person is filer If the person is non-filer	6%	10% 15%
• 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 If the person is filer If the person is non-filer	6%	10% 7% 10% 7.5% 10%

Tax deduction at source tax on payments for goods, services and contracts

Part III, Division III (Section 153)

Sr. No.	Taxable income	Existing Rate		Proposed Rate	
		Rate (Filers)	Rate (Non Filers) amended on 13-02-2015 SRO 136(1)2015	Rate (Filers)	Rate (Non Filers)
1	In case of sale of rice, cotton seed or edible oil	1.5%		1.5%	1.5%
2	In case of sale of goods on amount by payable to companies.	*4%.*		*4%.*	*6%*
3	In case of sale of goods -on payments to other taxpayers i.e other than companies	*4.5%*		*4.5%*	*6.5%*
4	In the case of transport services	*2%*		*2%*	*2%*
5	In case of other services on amount payable to Companies	*8%*	*12%*	*8%*	*12%*
6	In case of other services on payments to other tax payers i.e other than companies	*10%*	*15%*	*10%*	*15%*
7	In case of contracts on payments to companies	*7%*		*7%*	*10%*
8	In case of contracts on payments to other tax payers i.e other than companies	*7.5%*		*7.5%*	*10%*
9	In case of contracts on payments to sportspersons	*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 (Section 155)

(a)	**The rate of tax to be deducted under section 155, against (payments to) individual/AOPs**		
	S.No.	Gross Amount of Rent	Rate of Tax
	(1)	Where the gross amount of rent does not exceed Rs.150,000.	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.
	(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
(b)	The rate of tax to be deducted under section 155, against **(payment to) company**, shall be **15%**		

The above rate of tax is for withholding only. The recipient of income from property shall pay tax at the applicable rates according to its category/status (individual, AOP or Company). 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)

• On a prize on prize bond or cross-word puzzle	15% 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

Withholding Tax on Petroleum Products — Part III, Division VIA (Section 156A)

Existing Rate	Proposed Rate
12% of the amount of the Payment	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)

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

Cash Withdrawal From Bank	Existing Rate	Proposed Rate
Aggregate amount of cash withdrawal from a bank account exceeding Rs. 50,000 in a day for filers	0.3%	0.3%
Aggregate amount of cash withdrawal from a bank account exceeding Rs. 50,000 in a day for non-filers	0.5%	0.6%

Advance Tax on Transactions in Bank — Part IV Division VIA (Section 231AA)

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

Advance Tax on purchase of private Vehicles — Part IV Division VII (Section 231B

Tax rates for new registration of vehicles and for manufacturers.

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. 450,00*

Tax rates for transfer of registration or ownership of motor vehicles.

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*

Withholding tax on Brokerage and Commission — Part IV, Division II (Section 233)

S. No.	Person(s)	Existing Rate	Proposed Rates
1	In case of filers		
	(a) Advertising Agents	7.5%	10%
	(b) In all other cases	12%	12%
2	In case of non-filers		15%

Rate for Collection of Tax by a Stock Exchange Registered in Pakistan — Part IV, Division IIA (Section 233A)

- 0.01% of the share purchase value

Rate for Collection of Tax by NCCPL — Part IV, Division II B (Section 233AA)

- 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

Rate of collection of tax under section 234,

Transport vehicle	Existing Rates	Proposed Rates
In case of goods transport vehicle for laden weight	Rs. 5/KG	
For filers'		Rs.2.5/KG
For Non-Filers		Rs. 4/KG

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

Transport vehicle	Existing Rates	Proposed Rates	
		Filers	Non-filers
(a) Four or more persons but less than ten persons.	Rs.25 [per seat per annum]	50	100
(b) Ten or more persons but less than twenty persons.	Rs.60 [per seat per annum]	100	200
(c) Twenty persons or more	Rs.500 [per seat per annum]	300	500

Advance Tax on Motor Vehicles | Part IV, Division III (Section 234(1)

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

Motor Vehicle tax is collected in lump sum | Part IV, Division III (Section 234(2)

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)

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)

- 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 10% for commercial consumers

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

S. No.	Existing Rate		Proposed Rate	
	Bill Amount	**Rate**	**Bill Amount**	**Rate**
1	*if the amount of monthly bill is Rs.100,000 or more*	*7.5%*	*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%*	*0% the amount of monthly bill is less than Rs.75,000.*	*0%*

Advance tax from Telephone Users — Part IV Division V (Section 236)

(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)

- 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)

- 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)

- 0.5% of the gross amount of the consideration received for filers and 1% of the gross amount of the consideration received for non-filers.

Advance tax on functions and gatherings — Part IV, Division XI, Section 236 D

- 5% of the bill amount

Advance tax on foreign-produced Films & TV Plays

Part IV, Division XII, Section 236 E

(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)

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 and 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)

Category of Salle	*Existing Rate of Tax*		*Proposed Rate of Tax*	
	Filer	*Non-Filer*	*Filer*	*Non-Filer*
Fertilizers	*0.2%*	*0.4%*	*0.7%*	*1.4%*
Other than Fertilizers	*0.1%*	*0.2%*		

Advance tax on sale to Retailers

Part IV, Division XV (Section 236H)

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)

5% of the amount of Fee/Charges

Advance Tax on Dealers, Commission Agents and Arhatis etc.

Part IV, Division XVII (Section 236J)

- 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)

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

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)

Sr.No.	Type of Ticket	Existing Rate	Proposed Rate
1	First/Business/Club class	4%	16,000 per person
2	Other excluding economy	-	12,000 per person
3	Economy	0%	0%

Advance Tax on Banking Transactions Otherwise Than Through Cash

Part IV, Division XXI (Section 236P)

Inserted through Finance Bill 2015

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

Rate of Collection of Tax by Pakistan Mercantile Exchange Limited

Part IV, Division XXII (Section 236T)

Inserted through Finance Bill 2015

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

(a) In case of sale or purchase of future commodity contact as per clause (a) and (b) of sub-section (1) of section 236T shall be 0.1%.

(b) In case of commission on sale or purchase of future commodity contract as per clause (c) and (d) of sub-selection (1) of selection 236T shall be 0.1%.

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

Part IV, Division XXII (Section 236Q)

Inserted through Finance Bill 2015

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)

Inserted through Finance Bill 2015

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

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.