



ICMA
Pakistan

Federal Budget Commentary 2020-21



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MESSAGE FROM THE DESK OF PRESIDENT

On behalf of the Institute of Cost and Management Accountants of Pakistan (ICMA Pakistan), I am delighted to present the Budget Commentary for the year 2020-21. This Commentary will enable the readers to easily understand the outcomes of Federal Budget 2020-21. It will serve as a guide to the Finance Bill 2020-21 and will be beneficial for the readers.



ICMA Pakistan, being a responsible professional accounting body, played a pivotal role for betterment and uplift of the economy of Pakistan. The Institute arranged several pre-budget and post budget seminars, workshops and technical sessions to solicit suggestions and 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 ICMA Pakistan, where we can provide the professional backbone for the process of good governance, audit and review.

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

Zia-ul-Mustafa Awan
President

PREFACE

It is my pleasure to present the Budget Commentary 2020-21, on behalf of the Institute of Cost and Management Accountants of Pakistan (ICMA Pakistan). The purpose of preparing this commentary is to provide a deep insight on the Federal Budget 2020-21 through Finance Bill and enable the readers to better understand and comprehend the current Federal Budget.



The sources of information to prepare this memorandum are; Economic Survey of Pakistan, Budget in Brief and the Finance Bill 2020-21, as were available on the websites of Ministry of Finance and Federal Board of Revenue, Government of Pakistan.

ICMA Pakistan is a leading professional accounting body working whole heartedly for betterment and uplift of the economy of Pakistan. The Institute is committed to establish a strong corporate culture which results in economic growth and stability in the country. Over the period, ICMA Pakistan has actively participated in arranging several pre-budget & post budget seminars, workshops & technical sessions; thus played a vital role by highlighting improvements in the existing taxation laws and suggesting concrete measures for generating tax revenues.

I would like to express my deep appreciation to all our members and their teams who have contributed in putting up the commentary especially Mr. Shaukat Hayat Khan Baluch, FCMA; Sayyid Mansoob Hasan, FCMA; Mr. Zahid Farooq, FCMA; Mr. Tariq Javed Kamboh, FCMA; Mr. Abdul Razzaq, FCMA and staff of TSPD Directorate, who worked hard to make this task possible.

We value your suggestions/ proposals and comments to further improve ourselves. You can e-mail your queries and comments at tspd@icmap.com.pk.

Ghulam Mustafa Qazi, FCMA

Chairman TSPD Committee

ECONOMIC REVIEW

Economic Analysis

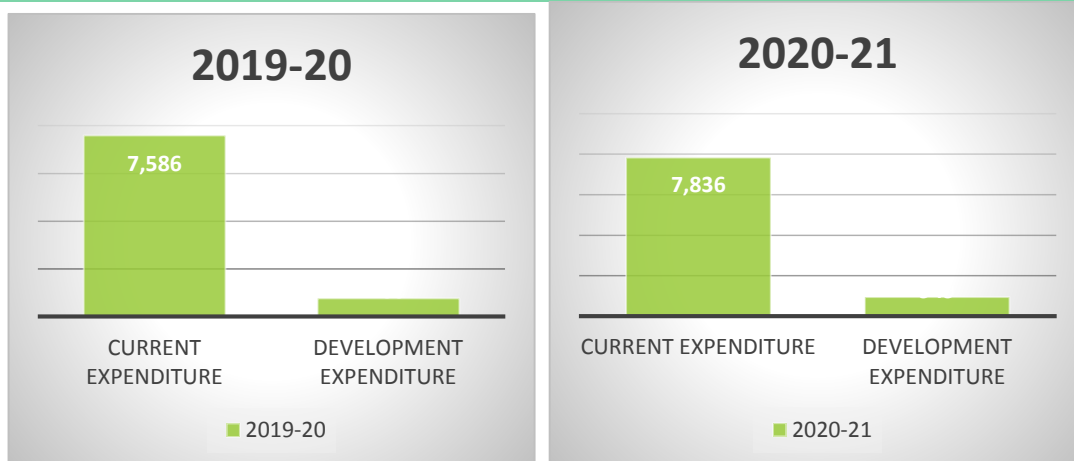
The budget for the financial year 2020-21 has been presented under unpredicted economic circumstances due to spread of Covid-19 pandemic spread across the globe, which has affected the economy of the country adversely, resulting in negative GDP growth. It is uncertain whether or not the economic activities will resume to normal during the forthcoming fiscal year. If the situation continues, the budget estimates may be required to be revised. The pandemic has resulted in serious economic challenge for global economies, especially the developing countries like Pakistan, who rely on export proceeds and foreign remittances to stabilize their economy.

The Pakistani rupee continued depleting against US Dollar. As a result, the amount of debt depicted increasing trend in addition to burden of new local and foreign debts. Debt servicing eats up to 50% of our revenues. Therefore, a long term planning is required to get rid of this huge burden to allocate more resources for economic development.

The progress on the revenue estimates will depend upon the timing of the resumption of economic activities in the country. Under the current circumstances, reduction in current expenditure and not levying any new taxes is a good approach.

It is expected that the deficit caused by pandemic situation will subside in the coming months and economic recovery will start at the earliest. This the only way we can expect a positive GDP growth in the forthcoming fiscal year. The reduction of global oil prices and decrease in oil demand due to slow economy has mainly reduced our import bill significantly, resulting in significant reduction in trade deficit. There is a need of industrial recovery and generating more jobs opportunities to help people affected badly due to the ongoing pandemic situation. The total expenditure planned for the year is as under:-

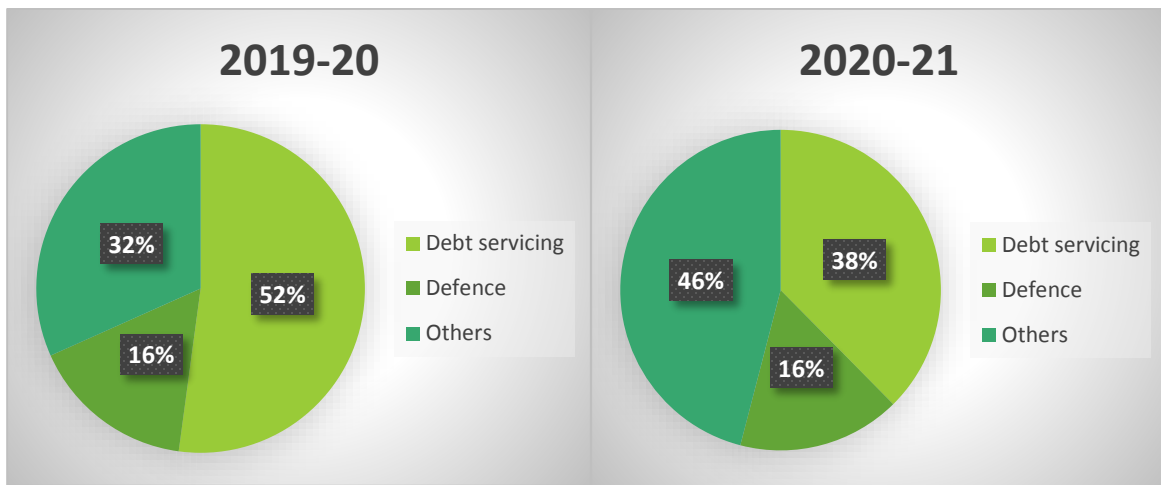
	2019-20	%age	2020-21	%age
Current expenditure	7,586	91%	7,836	89%
Development expenditure	759	9%	949	11%
	8,345	100%	8,785	100%



From the budget allocation we can see that most of the revenues are eaten up by current expenditure on government machinery which has consistently failed to deliver. Pakistan has been consistently lagging behind the world in almost all indicators rather going down against even the third world countries. East Pakistan now Bangladesh that was used to be far behind has now surpassed Pakistan with Present Foreign Exchange Reserves of USD 34 billion. Bangladesh exported garments worth USD 30.14 billion in 11 months of 2019 well above the total exports of Pakistan for a whole year.

The major chunks of current expenditure comprise of:-

Current Expenditure	2019-20	%age	2020-21	%age
Debt servicing	3,955	52%	2,946	38%
Defence	1227	16%	1289	16%
Others	2,404	32%	3,601	46%
Total	7,586	100%	7,836	100%



There is serious need to rethink on the expenditure of the government. The government should go for “Lean Government” and eliminate all non-productive and non-value adding activities of the government. The luxurious facilities and perquisites of the public servants need to be curtailed and wastage of public money on useless upgradation and renovation of public offices be done away with. The public servants need to be realized that their expenses are being met with financing on interest which is ultimately causing lower developmental expenditure which could raise the economic activities and standard of living of the people of Pakistan.

Apparently, the debt servicing as a percentage of budget allocation has been projected to go down from 52% of total current expenditure to 38%. And defence expenditure stays constant at around 16% of total current expenditure, despite increase in amount from 1,227 billion to 1,289 billion.

Summary of Expenditure and Receipts

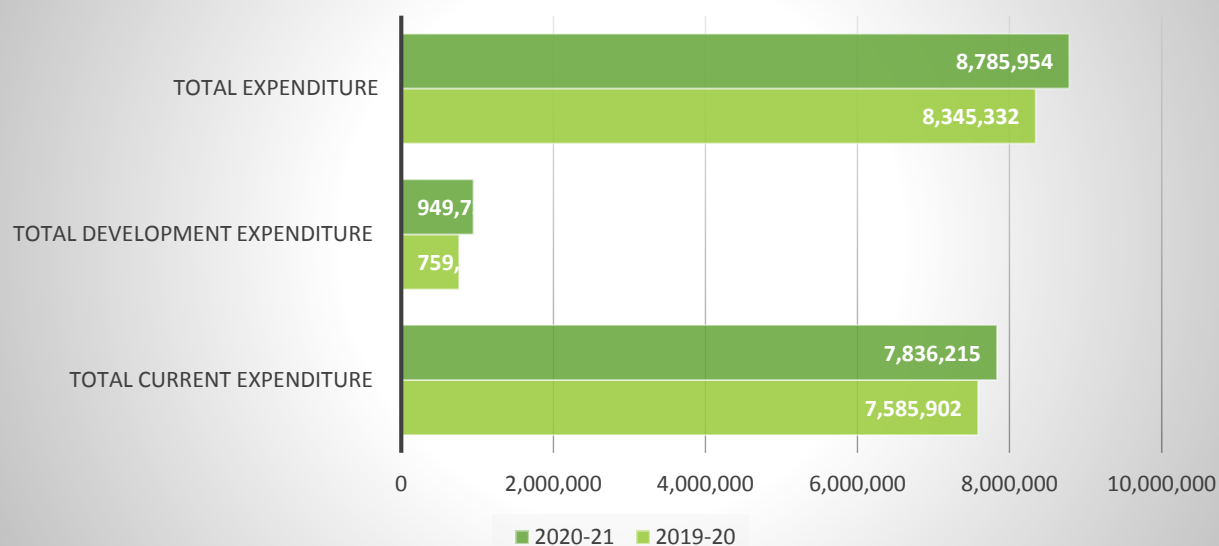
The following extract from the budget document shows the summary of expenditure and receipts:

EXPENDITURE – SUMMARY

(Rs in million)

Function Code	Description	Budget Estimates 2019-20	Revised Estimates 2019-20	Budget Estimates 2020-21
01	General Public Services	5,607,042	5,538,073	4,428,643
01	General Public Services	5,607,042	5,538,073	4,428,643
02	Defence Affairs and Services	1,152,535	1,227,388	1,289,134
03	Public Order and Safety Affairs	152,919	153,269	169,927
04	Economic Affairs	84,167	106,411	71,751
05	Environment Protection	470	470	431
06	Housing and Community Amenities	2,292	2,545	35,680
07	Health	11,058	12,023	25,494
08	Recreation, Culture and Religion	9,838	9,301	9,822
09	Education Affairs and Services	77,262	81,253	83,363
10	Social Protection	190,594	245,024	230,907
	a. Current Exp. on Revenue Account	7,288,179	7,375,757	6,345,150
	b. Current Exp. on Capital Account	185,291	210,145	1,491,065
1	Total Current Expenditure (a + b)	7,473,470	7,585,902	7,836,215
	c. Dev. Exp. on Revenue Account (i+ii)	489,880	395,608	460,121
	d. Dev. Exp. on Capital Account (i+ii)	460,016	363,822	489,617
2	Total Development Expenditure (c+d)	949,896	759,430	949,738
	Total - Expenditure (1+2)	8,423,366	8,345,332	8,785,954
3	Break-up of Expenditure			
	Revenue Account (a+c)	7,778,058	7,771,365	6,805,272
	Capital Account (b+d)	645,307	573,967	1,980,682
	Total Expenditure:	8,423,366	8,345,332	8,785,954

Total Expenditure



RECEIPTS - SUMMARY

(Rs in million)

Object Code	Description	Budget Estimates 2019-20	Revised Estimates 2019-20	Budget Estimates 2020-21
	Federal Consolidated Fund (5+6-10)	7,260,620	6,130,907	7,248,478
B 1	Tax Revenue Receipts	5,822,160	4,208,459	5,464,300
	FBR Taxes	5,555,000	3,908,000	4,963,000
	Direct Taxes	2,081,945	1,623,000	2,043,000
	Indirect Taxes	3,473,055	2,285,000	2,920,000
	Other Taxes	267,160	300,459	501,300
C 2	Non-Tax Receipts	894,464	1,296,030	1,108,926
C01	Income from Property and Enterprise	269,582	243,187	210,708
C02	Receipts from Civil Administration etc.	430,961	809,666	645,616
C03	Miscellaneous Receipts	193,921	243,177	252,602
	Total Revenue Receipts (1+2)	6,716,624	5,504,488	6,573,226
E 4	Capital Receipts	766,198	755,579	1,326,052
E02	Recovery of Loans and Advances	183,520	131,713	147,167
E03	Domestic Debt Receipts (Net)	582,677	623,866	1,178,885
	Total Internal Receipts (3+4)	7,482,822	6,260,067	7,899,279

6	External Receipts	3,032,325	2,272,920	2,222,919
	Loans	2,990,579	2,181,202	2,157,500
	Grants	27,950	32,490	20,667
	Project Loans & Grants Outside PSDP	13,796	59,228	44,751
7	Total Internal and External Receipts (5+6)	10,515,146	8,532,987	10,122,197
8	Public Accounts Receipts (Net)	250,754	421,274	215,618
	Deferred Liabilities (Net)	278,628	430,341	227,278
	Deposit and Reserves (Net)	(27,875)	(9,067)	(11,660)
9	Gross Federal Resources (7+8)	10,765,900	8,954,261	10,337,815
10	Less Provincial Share in Federal Taxes	3,254,526	2,402,080	2,873,719
11	Net Federal Resources (9-10)	7,511,374	6,552,181	7,464,096
12	Cash Balance built up by the Provinces	422,995	-80,664	242,472
13	Privatization Proceeds	150,000	150,000	100,000
14	Credit from Banking Sector	338,996	1,723,815	979,385
15	Total-Resources (11+12+13+14)	8,423,366	8,345,332	8,785,954

A deficit budget

The expected deficit of the budget amounts to 55% of the total receipt which is 1% lower than the original estimate for 2019-20 but a 3% higher than the revised estimate for 2019-20.

DEFICIT FINANCING

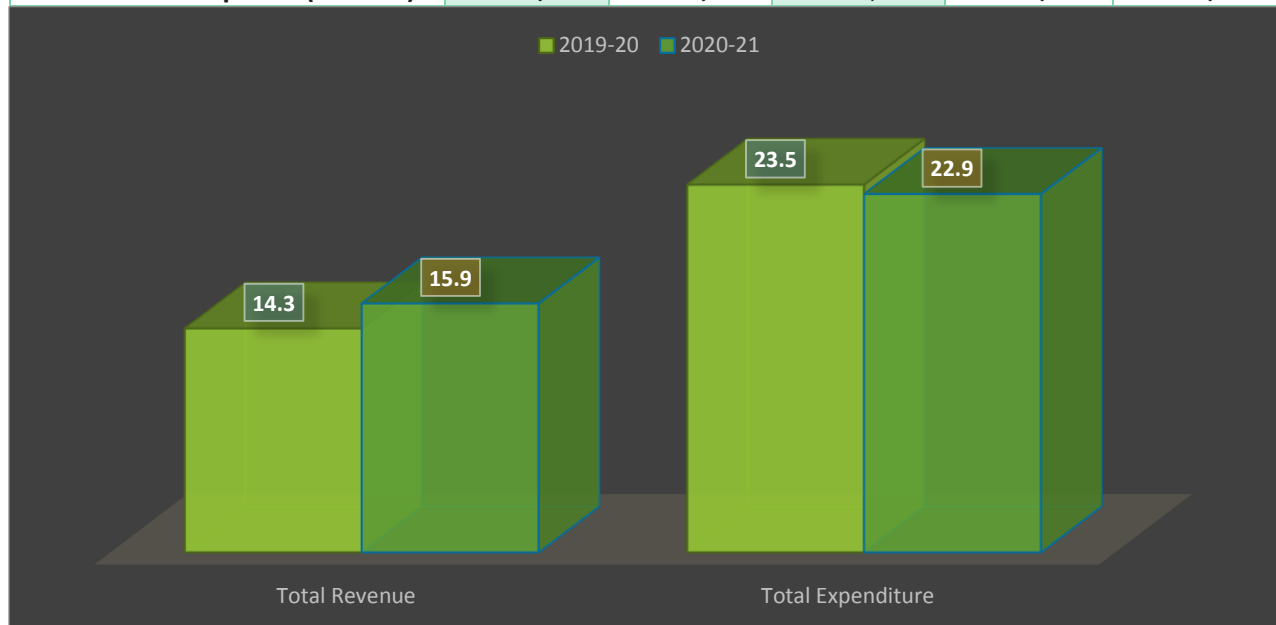
(Rs in million)

Description	Budget Estimates 2019-20	Revised Estimates 2019-20	Budget Estimates 2020-21
Capital Receipts – Note 4	766,198	755,579	1,326,052
External Receipts – Note 6	3,032,325	2,272,920	2,222,919
Cash Balance built up by the Provinces – Note 12	422,995	-80,664	242,472
Privatization Proceeds – Note 13	150,000	150,000	100,000
Credit from Banking Sector – Note 14	338,996	1,723,815	979,385
Total deficit financing	4,710,514	4,821,650	4,870,828
Total resources	8,423,366	8,345,332	8,785,954
Deficit as a percentage of budget	56%	58%	55%
Total loans – Note 4 + Note 6	3,798,523	3,028,499	3,548,971
Percentage of loans to total deficit	81%	63%	73%

Reliance has been put more on internal and external loans to the extent of 73% as can be seen from the above table. Internal loans from banking sector deprives the local business and industry of the cash.

Key Macroeconomic Indicators - Rolling Targets

Items	Budget	Revised	Budget	Target for	
	2019-20	2019-20	2020-21	2021-22	2022-23
Real GDP Growth (%)	2.4	-0.4	2.1	4.0	4.5
Inflation (%)	11 - 13	11 - 12	6.5	6.2	6.0
	As % of GDP				
Total Revenue	16.7	14.3	15.9	16.6	17.3
Tax Revenue	14.4	11.0	13.2	13.9	14.5
FBR Tax Revenue	12.6	9.4	10.9	11.8	12.6
Non Tax Revenue	2.3	3.3	2.8	2.8	2.7
Total Expenditure	23.8	23.5	22.9	22.3	22.1
Current	20.2	20.9	20.0	19.4	18.8
Development	3.6	2.6	2.9	2.9	3.3
Fiscal Balance	-7.1	-9.1	-7.0	-5.6	-4.8
Revenue Balance	-3.6	-6.6	-4.1	-2.7	-1.5
Total Public Debt - (Gross)	77.6	86.8	87.0	84.2	80.7
Total Public Debt - (Net)	73.0	82.5	83.1	80.8	77.8
GDP at market prices (Billions)	44,003	41,727	45,567	50,443	55,991



Expected Economic Growth

The GDP is expected to grow from -0.4% to 2.1. This implies the assumption that the economic activities will come to normal whereas due to the pandemic situation economic activities do not seem to come to normal level by end of October 2020 and that is further subject to non-recurrence of any subsequent wave of the covid-19.

Further, since no specific measures have been adopted to increase industrialization there does not seem to be any significant increase in business activities.

Pakistan ranks at 42 in terms of total GDP (nominal) and at 154 in terms of GDP per capital (nominal). These indicators in no way suggest any good position of Pakistan in the world economy.

Reasons of shortfall in tax collection

There are various reasons of shortfall in tax collection and low GDP of Pakistan, a few of the major reasons are as under:-

1. Corruption in collection of taxes

One major reason of low tax collection is corruption in tax collection. Connivance of tax practitioners and tax authorities to evade taxes is not hidden. A good percentage of tax is not collected due to exploitation of loopholes in tax administration and documentation of economy.

Stringent measures, including capital punishment, are needed for the tax authorities to prevent them from committing corruption.

2. Inefficiency and incompetence of tax authorities

FBR is filled with people belonging to various disciplines including medicine and engineering whereas the taxation is closely linked with accounting and cost accounting. Due to the lack of knowledge in accounting and cost accounting a lot of taxes go uncollected.

It is recommended that from the posts of Assistant Commissioners and onwards only professional accountants be appointed at the FBR. Law graduates could be hired for legal branch and other professionals can be hired on other positions as per the requirements of the job.

3. Inefficient dry ports

The concept of Dry ports was introduced with political motives and has proven disastrous and cost inefficient for Pakistan. The tax collection at the dry ports does not match with the economic activities carried out in those regions which benefit from those dry ports. The data can be analyzed for tax collection and expenses incurred plus economic activities of the regions.

It is recommended the concept of dry ports be done away with and customs and other duties should be charged at the port of arrival. The accounting of tax collection could be done on the basis of destination of the goods imported.

4. Undocumented economy

Undocumented economy is yet another big problem and challenge for Pakistan. The estimated size of the undocumented economy is from 3/4th of the documented economy to some multiples of it. Smuggled goods from all borders are a great reason for undocumented economy.

The business community is not willing to pay tax and thus tries to stay out of the documented economy. The attitude and corruption of the tax officials is also one big reason that prevents them to come to documentation.

Broad based reforms of FBR and tax mechanism are needed to maximize documentation of the Economy. Border control and corruption of taxation officials at the border are also needed to be checked.

Measures for increasing economic activities

A. For existing businesses

1. **Relief in tax burden**

Due to Covid-19 business and industry has suffered greatly and due to the cashflow crisis and losses many businesses have laid off workers and their business activities are down.

Although, some cashflow relief has been provided in the form of payroll refinance yet some handholding measures are also needed like temporary reduction in tax rates.

2. **Ease of doing business**

A good measure has been taken for ease of doing business i.e. increase of threshold of prescribed person u/s 153 (7) for individuals and AOPs to 100 million and also for persons registered under GST to 100 million. Earlier there was no threshold defined for persons registered under GST.

The same measures need to be applied for MSMEs incorporated as companies. There is no logic to prescribe a company without a threshold and define a threshold for Individuals and AOPs.

B. For new businesses

1. **Industries**

Tax exemptions and other incentives need to be defined for new industries set up in Pakistan without any territorial limits so that potential investors could take advantage and start business and industry in Pakistan.

2. **Startups**

Startups are bringing in much needed FDI. Good incentives have already been placed in the Income Tax Ordinance, 2001 but the issuance of exemption certificate for startups is still left at the discretion of the Commissioners. This also needs to be made automatic as has been done for the listed companies in order to boost the registration of startups and more and more FDI could be received in Pakistan.

Measures for increasing foreign exchange

1. **Import substitution**

Tax and other incentives be announced for industries set up for import substitution. This will increase domestic as well as foreign investment and save precious foreign exchange from going out in the form of import bills.

2. **Foreign Direct Investment FDI**

FDI registration process be simplified as presently the responsibility has been given to Authorized Dealers who are not trained in handling Foreign Direct Investment. Either a specialized department be created at the State Bank of Pakistan staffed with finance or accounting

professionals or the banks be provided training and asked to create similar department with professional staff.

Foreign investment in the secondary market of the stock exchange should be discouraged as this investment disrupts not only the stock market but also the forex market. Investment in secondary market by foreigners does not create any economic value for Pakistan rather deprives Pakistan of the foreign exchange as they manipulate the stock market make short term gains and then run away.

3. Foreign loans

The present deferment of repayment of foreign loans has provided temporary relief but has increased pressure on future repayment. Drastic measures are needed to meet future obligations.

Effects of Covid-19

The world is experiencing a pandemic that has damaged world economy worse than any world war. Pakistan has also suffered great loss and has negative GDP growth for the closing financial year 2020. An unprecedented situation demands unprecedented actions to increase economic activities by easing doing business and increasing domestic and foreign direct investment and increasing inflow of foreign exchange.

KEY HIGHLIGHTS OF BUDGET 2020-21

KEY HIGHLIGHTS

- The total outlay of the Federal budget 2020-21 stands at Rs.7.3 trillion.
- No new tax is introduced in the Budget 2020-21 so as to provide relief to the people.
- The total revenues are projected at Rs 6,573 billion which includes FBR revenue of Rs 4,963 billion and non-tax revenue of Rs 1,610 billion.
- Net Federal revenue is estimated at Rs 3,700 billion and the total federal expenditure is estimated at Rs 7,137 billion.
- Current expenditure of the country estimated at Rs. 6,345 billion.
- Provincial share under the NFC award is estimated at Rs 2,874 billion.
- The Budget deficit is estimated at Rs 3,437 billion which is 7% of GDP with primary balance at - 0.5%.
- The size of Public Sector Development Programme (PSDP) for 2020-21 is estimated at Rs 1,324 billion out of which Rs 676 billion is allocated to provinces.
- The budget allocation for Ehsaas program is increased from Rs 187 billion to Rs 208 billion, which includes various social safety initiatives including BISP, Pakistan Bait-ul-Mal and other departments.
- Rs 179 billion is allocated to provide various subsidies in energy, food and other sectors.
- Budget allocation for Higher Education is increased from Rs 59 billion to Rs 64 billion.
- The Defence Budget of Pakistan is estimated at Rs. 1,289 billion (Almost 5% higher than the revised figures of Rs.1227 billion last year).

INCOME TAX

- In order to simplify the Withholding Taxes regime, withholding tax on the following provisions are abolished:
 - Collection of advance tax on education related expenses remitted abroad (236R)
 - Tax on steel melters and composite units (235B)
 - Withdrawal of balance under pension fund (156B)
 - Tax on local purchase of cooking oil or vegetable ghee by certain persons (148A)
 - Advance tax on functions and gatherings (236D)

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- Advance tax on cable operators and other electronic media (236F)
 - Advance tax on dealers, commission agents and arhatis etc. (236J)
 - Advance tax on insurance premium (236U)
 - Advance tax on tobacco (236X)
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- The threshold for becoming Prescribed Person for Withholding of Tax on Supplies, Services and Contracts is proposed to be increased from 50 million to 100 million rupees and a similar threshold of 100 million rupees is prescribed for a sales tax registered person to become a withholding agent.
 - The government proposes to abolish the bifurcation of plots and constructed property for determining holding period of capital gains which was introduced last year. The holding period for taxation of capital gains on disposal of immovable property is proposed to be restricted to 4 years which means that no tax will be levied in respect of capital gain on disposal of property held for more than 4 years.
 - A tonnage tax @ an amount equivalent to 75 US cents per ton of gross registered tonnage per annum is proposed to be introduced for a Pakistan resident ship owning company registered with SECP after November 15, 2019.
 - The threshold for Salary payment is proposed to be enhanced from Rs 15,000 to Rs 25,000 as allowable deduction against business income if the salary is paid in cash.
 - Individuals and AOPs are proposed to be allowed to opt for net income taxation of income from house property after deduction of expenses irrespective of any threshold of income.
 - Allowable deduction against rental income to claim expenditure including administration and collection charges is reduced from 6% to 2%.
 - The current limit of disallowing any expenditure for a transaction, paid or payable under single account head, made other than crossed cheque, bank draft or pay order or any other crossed banking instrument (Section 21(l)) is proposed to be increased from Rs. 50,000/- to Rs.250,000/-.
 - The threshold of expenditure disallowed as a business expense if made other than by a crossed cheque or direct transfer of funds to the employee's bank account is proposed to be enhanced from Rs. 10,000/- to Rs. 25,000/-.
 - Expenses incurred on account of utility bills in excess of certain limits and violation of conditions (to be prescribed) are proposed to be disallowed as deduction.
 - The expenditure attributable to sales made to persons required to be registered but not registered under Sales Tax Act, 1990 is proposed to be disallowed subject to certain limits but this disallowance should not exceed 20%.
 - Depreciation claim is proposed to be reduced by 50% in the first year the asset is brought into use and 50% is proposed to be allowed in the year of disposal.

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- The cost allowed of lease rentals deductions on account of a passenger transport vehicle not plying for hire is proposed to be restricted to Rs 2.5 million of the principal.
 - Tax credit limit in respect of donations to associated persons is proposed to be restricted to 50% of the limit for donations to non-associated persons.
 - Tax credit is proposed to be restricted to the companies opting for enlistment on Pakistan Stock Exchange on or before June 30, 2022.
 - The submission of a statement of voluntary contribution and donations is proposed to be introduced to claim tax credit under section 100C by non-profit organizations. Further, donations from associated persons are proposed to be excluded from restricted Funds.
 - Interest or profit on debt payable to foreign associates are proposed to be restricted to 15% of the taxable income before interest, depreciation and amortization.
 - The scope of minimum tax regime under section 113 is proposed to be applicable for a permanent establishment of a non-resident person.
 - Each person whose income is subject to the final taxation is required to file return of income instead of statement of final taxation.
 - Un-explained receipts are proposed to be treated as business income in respect of suppressed amount of production and sales/ receipts.
 - Prescribed persons are proposed to be required to submit a tax profile to the FBR within prescribed time limit failure to which may attract monetary penalties as well as exclusion from Active Taxpayers' List.
 - The Commissioner is empowered to grant the approval for revision of return in case of a bonafide omission.
 - The statement of final taxation under section 115 is proposed to be abolished.
 - Return of income filed by the taxpayer is proposed to be subjected to automated adjustment assessment to rectify computational errors or wrongly claimed credits.
 - The concept of agreed assessment is proposed to be introduced providing the taxpayer an option to settle their cases through an Assessment Oversight Committee subject to certain conditions.
 - The Appeal Fee is proposed to be increased by 5 times of the existing fee, for filing appeals before the Commissioner Appeals and Appellate Tribunal. Filing of appeal before Appellate Tribunal is proposed to be subjected to payment of 10% of the demand upheld by the Commissioner (Appeals).

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- The rate of tax at the import stage is proposed to be revamped through the insertion of twelfth schedule and is proposed to be reduced to 1% and 2% in case of capital goods and raw material respectively by industrial undertaking for its own use.
 - The taxpayer is proposed to be allowed to withdraw his case from any court of law or any appellate authority after decision of ADRC. Furthermore, the decision of ADRC is binding upon the tax authorities, once it is conveyed by the taxpayer to the tax authorities, subject to certain conditions.
 - Tax deductible under section 152 on payment made to a permanent establishment (PE) of non-resident person on account of purchase of goods, services received and execution of contract is proposed to be aligned with the registered persons.
 - The rate of withholding tax on account of cohesive business operation is proposed to be reduced from 2.1% to 1.4%.
 - The payment for toll manufacturing services is proposed to be treated as a sale of goods under section 153.
 - Withholding statements are proposed to be file don quarterly basis.
 - Audits under section 177 is proposed to be conducted electronically.
 - The Commissioner is proposed to be empowered to assess default surcharge for the period of default against a person liable to pay tax, where the tax due or a part thereof is unpaid.
 - Engineering services are proposed to be subjected to withholding tax at 8% instead of previous reduced rate of 3%.
 - Advance tax collection is proposed to be exempted for rickshaw, motorcycle-rickshaw and any other motor vehicle having engine capacity up to 200cc.
 - The Commissioner is proposed to be empowered to issue exemption certificate from collection of tax on electricity bills to a person who has discharged his advance income tax liability for the tax year.
 - Advance tax is proposed to be collected in installments, where the payment in respect of a sale by public auction or auction by a tender is received in installments.
 - It is proposed to treat tax deduction from income earned by a resident person from rental for use of machinery and equipment as minimum tax.
 - The rate of deduction of tax on investment in Sukuk under section 150A is proposed to be enhanced from 15% to 25%.

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- Payments to non-resident person for royalty, fee for technical service, insurance premium or re-insurance premium and payment to individual in respect of profit on debt earned from a debt instrument fulfilling certain conditions are proposed not to be subjected to the Tenth Schedule.
 - Under section 153 of the Ordinance, reduced rate of 1.5% is proposed to be deducted on gross amount of payment received for supply to utility store corporation of Pakistan up to September 30, 2020.
 - Withholding of tax on withdrawal of balance from pension fund as specified under section 156B is proposed to be withdrawn. However, the withdrawal in excess of fifty percent before the retirement age, or at the time of or after the retirement age is to be taxed as salary income at normal rate of tax or, at the option of the eligible person, at average rate of tax. Pension fund manager is made responsible for deduction of this tax.
 - Exemption is proposed to be granted:
 - from income tax to the Federal Government Employees Housing Authority for the tax year 2020 and the following four tax years.
 - from collection of tax under sections 231A, 231AA and 236P in respect of foreign remittances credited to Pak Rupee Account.
 - from enhanced deduction of tax from dividend payments to non-resident persons, not appearing in Active Tax Payers List.
 - from provisions of section 236P to non-resident rupee account repatriable or a foreign currency account in Pakistan.
 - from collection of advance tax under section 148 for Importing specified medical supplies and pulses.
 - to Hajj Operations from withholding tax provisions of payments to non-residents.
 - to the Prime Minister's COVID-19 Pandemic Relief Fund-2020 from the provisions of section 151, 231A, 231AA and 236P.
 - to Ehsaas Emergency Cash Transfer Programme from the withholding provision of advance tax on brokerage and commission payment.

SALES TAX

- A person, whose input tax adjustment is blocked, is proposed to work as an active taxpayer on sales side. Buyers will be able to claim input tax on the purchases made from the person.
- A person is proposed to be excluded from the list of active taxpayers who fails to file quarterly withholding tax statement under section 165 of the Income Tax Ordinance, 2001.

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- Sales tax paid with the purchase of provincial services is proposed to be excluded from the definition of input tax.
 - The registered person who deals in the purchase and sale of used vehicles is proposed to pay sales tax on the gain calculated by the difference between sale and purchase price of the said vehicle.
 - The sales tax is proposed to be withheld on the purchase of services from unregistered person as per Eleventh Schedule.
 - The Board is proposed to decide the restrictions on wastage of material on which input tax has been claimed.
 - The input of goods or services attributable to supplies made to un-registered person without mentioning CNIC or NTN, on pro-rata basis, are proposed to be disallowed.
 - No CNIC or NTN of the unregistered person, proposed to be required if the supplies made by a retailer where the total transaction value does not exceed rupees one hundred thousand.
 - The Commissioner is proposed to conduct audit proceedings electronically through video links, or any other facility as prescribed by the Board.
 - If a required person does not integrate his POS with the computerized system of the Board Such person is proposed to be liable to pay a penalty after a period of two months and his business premises shall be sealed and an embargo shall be placed on his sales till such time he integrates his business.
 - Any person who is required to share information under section 56AB, fails to do so. Such person is proposed to pay a penalty of twenty-five thousand rupees for first default and fifty thousand rupees for each subsequent default.
 - Appeal fee against assessment order is proposed to be Rs. 5,000 in case of company and Rs. 2,500 in case of other person. Appeal fee other than an assessment order is proposed to be Rs. 1,000 if the person is not a company.
 - The CIR (Appeals) may not admit any document or evidence which was not produced before the Officer Inland Revenue.
 - Changes in Alternative Dispute Resolution:
 - Chief Commissioner Inland Revenue is proposed to be the member of the committee instead of a Commissioner.
 - Only Board is proposed to nominate the persons of the committee.
 - Name of the Retired Judge is proposed to be removed from the members of the committee.
 - The Board is proposed to communicate the appointment of to the Commissioner and the court of law or forum where dispute is pending.
 - The committee is proposed to grant stay on application by the taxpayer which may give maximum stay up to 120 days in aggregate.
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- If the aggrieved person does not communicate the decision of the committee within 60 days, the decision shall not be binding on the Commissioner.
 - Any notice, order is proposed to be treated served if sent electronically through email or to the e-folder of the registered person.
 - Real-time access to information and databases of NADRA, FIA, Bureau of Immigration, ICT, Provincial Excise and Taxation, Electricity/Gas suppliers and any other agency, authority, institution or organization, notified by FBR.
 - A registered person is proposed to make all taxable supplies to a register person excluding supplies not exceeding a value of one hundred million Rupees in a financial year and ten million Rupees in a month.
 - Zero rate on supplies of raw materials, locally manufactured plant and machinery and Exemption on import of goods are proposed to allowed to the manufacturing in the Gwadar Free Zones.
 - Exemptions of sales tax is proposed to be extended up to the year 2023 on the import and supply of ships and floating crafts etc.
 - Dietetic foods for the children having inherent metabolic disorder is proposed to exempted with certain conditions.
 - Supplies, by the integrated retail outlets with the FBR's computerized system, is proposed to be subject to Tax @ 12% instead of 14%.
 - A fixed sales tax of PKR 200 is proposed to be charged on the Import or local supplies of smart phones with value not exceeding \$30.
 - In Eleventh Schedule, withholding tax is proposed to be deducted in case of purchases from Non-Active taxpayer.
 - 3% Value added tax is proposed to be abolished on the import of raw materials and intermediary goods for a manufacturer.

FEDERAL EXCISE DUTY

- The Board is proposed to be empowered to restrict adjustment of input FED on wastage of material.
- A newly proposed section 14C, proposes to bind the tax authorities to abide by the judgment of High Court and Appellate Tribunal deciding a question of law in case of a registered person.
- The scope of seizure and confiscation is proposed to be extended to all dutiable goods which is currently restricted to cigarettes and beverages only.

- It is proposed that the parameters with regard to selection of audit through random parametric computerized balloting shall be kept confidential by the Board.
- The Bill proposes to omit the provisions regarding the frequency of conducting an audit once in a three years which was inserted through Finance Act, 2018.
- Electronic communication of notices, orders and documents which are currently served only to public and private limited companies are proposed to be served to every registered person as well.
- FED on Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not colored or in the form of clinkers is proposed to be reduced from Rs. 2/kg to Rs. 1.75/kg in the wake of worsening effect of COVID-19 and reduction in production of cement.
- The Board is proposed to be empowered to fix minimum production on the basis of single or more inputs and for fixation of wastage.
- The Bill proposes to levy FED on:
 - caffeinated energy drinks at 25% of the retail price.
 - e-liquids for electric cigarette kits at Rs.10 per ml.
 - on double cabin (4x4) pick-up vehicles at the rate of 25% ad valorem and 7.5% ad valorem for imported and locally manufactured vehicles respectively.
- The Bill proposes to enhance FED on:
 - filter rod for cigarettes from Rs. 0.75/filter rod to Rs. 1/per filter rod.
 - cigars, cheroots, cigarillos and cigarettes of tobacco and tobacco substitutes from 65% of retail price to 100% of retail price.

THE CUSTOMS ACT, 1969

- The definition of 'Advance Ruling' is proposed to be revised allowing the applicant to obtain a binding 'Advance Ruling' in respect of certain questions including classification of goods, determination of origin of goods etc.
- The Bill proposes to enhance the scope of the term 'smuggle' to also include those being concerned in any ways in carrying, transporting, removing, depositing, harbouring, keeping and concealing such goods.
- The scope of fiscal fraud is proposed to be broadened and under-invoicing and over-invoicing are to be treated as fiscal fraud. Also, on case of reassessment of goods declaration under section

808, the opportunity of being heard is proposed to be provided through Customs Computerized System.

- The time period for deciding show cause notice by customs officer in respect of cases involving smuggling is proposed to be reduced to 30 days from current 90 days.
- The custom duty is proposed to be reduced on:
 - 90 tariff lines from 11% to 3% and 2 tariff lines from 11% to 0%.
 - Certain raw materials of various industries and import of raw material by manufacturers of interlining/buckram, wire rod and food packaging industry.
- The Bill proposes to exempt duties on:
 - import of raw materials by manufacturers of Wire rod and import of machinery, equipment and other project related items for setting up of internet cable landing stations
 - Hot Rolled Coils (HRC) of Iron and steel from 12.5% and 17.5% to 6% and 11%.
 - import of dietetic foods for children with inherited metabolic disorders, diagnostic kits for cancer & coronavirus, lifesaving drug Megalumine Antimonite and Ready to use Supplementary Foods (RUSF).
 - setting up new industries in erstwhile FATA area which was available till year 2020 has been proposed for extension up to 2023.
 - import of raw materials by manufacturers of Butyl Acetate, syringes & saline infusion sets, buttons, beverages can manufacturers and import of machinery, equipment and other project related items for setting up of internet cable landing stations.

The additional custom duty on import of raw materials by manufacturers of Wire rod and food packaging industry and on import of edible oils and oil seeds is proposed to be exempted under Prime Minister's COVID19 relief package.

SIGNIFICANT CHANGES IN INCOME TAX ORDINANCE, 2001

Definitions – Industrial Undertaking

Section 2(29C)

Clause 29C defines industrial undertakings. A new clause (aa) has been proposed to be inserted after clause (a) to include construction in the definition of Industrial Undertakings. It proposes the following:

"(aa) from the 1st day of May, 2020, a person directly involved in the construction of buildings, roads, bridges and other such structures or the development of land, to the extent and for the purpose of import of plant and machinery to be utilized in such activity, subject to such conditions as may be notified by the Board".

It is pertinent to note that under Tax Laws (Amendment) Ordinance, 2020, significant relief in terms of reduction/ elimination of income tax and sales tax were given to the construction industry. Another big relief is that sections 113 and 113C shall not apply on construction as provided in Ordinance. Further, no question about source of investment shall be asked.

Definitions – Integrated Enterprise

Section 2(30A)

clauses (30A) and (30AA) have been re-numbered as clauses (30AA) and (30AB) respectively. After clause (30), the following new clause (30A) has been proposed to be inserted, to define "integrated enterprise" as follows:

"(30A) "integrated enterprise" means a person integrated with the Board through approved fiscal electronic device and software, and who fulfills obligations and requirements for integration as may be prescribed;"

Definitions – IRIS

Section 2(30AC)

A new clause (30AC) has been proposed to be inserted in section 2, which says, "IRIS" means a web based computer programme for operation and management of Inland Revenue taxes administered by the Board;

Definitions – Local Government

Section 2(31A)

A new clause (31A) has been proposed to be inserted to define "Local Government" as:

"(31A) "Local Government" shall have the same meaning for respective provinces and Islamabad Capital Territory as contained in the Baluchistan Local Government Act, 2010 (V of 2010), the Khyber Pakhtunkhwa Local Government Act, 2013 (XXVIII of 2013), the Sindh Local Government Act, 2013 (XLII of 2013), the Islamabad Capital Territory Local Government Act, 2015 (X of 2015) and the Punjab Local Government Act, 2019 (XIII of 2019);"

Tax on certain payments to non-residents

Section 6

Section 6 provides for taxation on royalty and fee for technical services received by non-resident persons, at the rate specified in Division IV of Part I of the First Schedule. The Finance Bill now proposes to include fee for off-shore digital services under this section.

Tax on shipping of a resident person

Section 7A

This section charges a presumptive tax on a resident person engaged in the business of shipping. The Bill now proposes to insert a new clause (c) in sub-section 1 of section 7A to charge tax on shipping companies having their own sea worthy vessel registered under Pakistan Flag. The clause reads as follows:

“(c) A Pakistan resident ship owning company registered with the Securities and Exchange Commission of Pakistan after the 15th day of November, 2019 and having its own sea worthy vessel registered under Pakistan Flag shall pay tonnage tax of an amount equivalent to seventy-five US Cents per ton of gross registered tonnage per annum.”

In sub-section (2), the applicability of this section has been proposed to be extended till 30th June 2023 from existing 30th June 2020.

Deductions in computing income chargeable under the head “Income from Property”

Section 15A

This section allows certain deductions of certain expenditures and allowances from income of a company under the head of income “Income from Property”. Clause (h) of sub-section (1) has been proposed to be amended to reduce any expenditure incurred for the purpose of deriving rent chargeable to tax under the head “Income from Property”, including administrative and collection charges, from existing six percent to two percent of the rent.

Further, clause (7) provides that the provisions of this section shall apply to an individual or an association of persons deriving income exceeding Rs. 4 million under section 15, who opts to pay tax at the rate specified in Division I of Part I of the First Schedule.

The expression “deriving income exceeding Rs. 4 million under section 15” has been proposed to be omitted. Now these provisions will apply to an individual or an Association of Persons irrespective of the income level.

Deductions not allowed

Section 21

Section 21 provides for the deductions not allowed while computing tax on Income of a person from Business. The Bill now proposes to amend clause (I) to increase the limit of any expenditure for a transaction, paid or payable under a single account head which, in aggregate, from existing fifty thousand rupees to two hundred and fifty thousand rupees, made other than by a crossed cheque drawn on a bank or by crossed bank draft or crossed pay order or any other crossed banking instrument showing transfer of amount expenses up to Rs. 250,000 under a single head.

The second proviso to this clause provides that this clause shall not apply in case of expenditures not exceeding ten thousand rupees. This limit has been proposed to be enhanced to twenty-five thousand rupees.

Further, under clause (m), the limit of salary from the business bank account of the taxpayer. This amendment will facilitate the businesses to claim cash

paid or payable other than by a banking channel, has also been increased from existing fifteen thousand rupees to twenty-five thousand rupees.

These amendments were long demanded by businesses in view of very small limit available for paying expenditures in cash.

The following new clauses have been proposed to be introduced:

(p) any expenditure on account of utility bill in excess of such limits and in violation of such conditions as may be prescribed; and

(q) any expenditure attributable to sales made to persons required to be registered but not registered under the Sales Tax Act, 1990 by an industrial undertaking computed according to the following formula, namely:—

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

where—

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

B is the turnover for the tax year; and

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

Provided that disallowance of expenditure under this clause shall not exceed twenty percent of total deductions claimed under this Part:

Provided further that the Board may, by notification in the official Gazette, exempt persons or classes of persons from this clause on the basis of hardship.

Depreciation

Section 22

The Finance Bill proposes to insert the following proviso under sub-section (2) of section 22, to reduce the first year depreciation computed under this sub-section:

“Provided that where a depreciable asset is used in the person’s business for the first time in a tax year commencing on or after the 1st day of July, 2020, the depreciation deduction shall be reduced by fifty percent.”

Similarly, under sub-section (8), the following new proviso has been proposed, to amend the computation of depreciation in the year of disposal, of an asset used in business for the first time in a tax year commencing on or after 1st July 2020:

“Provided that where a depreciable asset is used in the person’s business for the first time in a tax year commencing on or after the 1st day of July, 2020, depreciation deduction equal to fifty percent of the rate specified in Part I of the Third Schedule shall be allowed in the year of disposal.”

Profit on debt, financial costs and lease payments

Section 28

The clause (b) of sub-section (1) allows deduction for lease rentals incurred by a person during a tax year for the purpose of business. The Bill now proposes to insert a proviso under this clause to restrict the deduction on account of lease rental of passenger transport vehicle not plying for hire to the extent of principal amount not exceeding two and a half million rupees.

Capital Gains

Section 37

The Bill proposes to substitute the sub-section (3A) to determine the amount of any gain on disposal of immovable property. The amended sub-section reads as follows:

(3A) Notwithstanding anything contained in sub-section (3), the amount of any gain arising on disposal of immovable property shall be computed in accordance with the formula specified in the Table below, namely:-

S. No.	Holding Period	Gain
1	Where the holding period of an immovable property does not exceed one year	A
2	Where the holding period of an immovable property exceeds one year but does not exceed two years	$A \times \frac{3}{4}$
3	Where the holding period of an immovable property exceeds two years but does not exceed three years	$A \times \frac{1}{2}$
4	Where the holding period of an immovable property exceeds three years but does not exceed four years	$A \times \frac{1}{4}$
5	Where the holding period of an immovable property exceeds four years	0

where A is the amount of gain determined under sub-section (2). Sub-section 3B, which provides for taxation of capital gain arising on disposal of immovable property being constructed property, has been proposed to be omitted.

Charitable donation

Section 61

Section 61 provides for tax credit on donation paid by a person to a hospital, board of education, federal university, educational institution established or run by government or any non-profit organization or a relief fund as provided in sub-section (1).

Sub-section (2) provides for formula for computation of tax credit.

The Finance Bill proposes to insert a proviso after sub-section (2), which says:

“Provided that where any sum is paid or any property is given to an associate by a donor, clause (b) of component C shall be, in the case of—

(i) an individual or association of persons, fifteen percent of the taxable income of the person for the year;
or

(ii) a company, ten percent of the taxable income of the person for the year.”

Tax credit for enlistment

Section 65C

Section 65C entitled a company to claim tax credit in case it opts for enlistment in any registered stock exchange in Pakistan.

The tax credit is allowed at 20% of the tax payable for the tax year in which said company is enlisted and for the following three tax years provided that the tax credit for the last two years is to be allowed at 10% percent of the tax payable.

The bill now proposes that this tax credit shall be applicable if company opts for such enlistment by 30th day of June 2022.

Tax credit for certain persons

Section 100C

Section 100C provides for 100% tax credit to non-profit organizations mentioned there including minimum tax and final tax payable under any of the provisions of the Income Tax Ordinance, 2001 subject to certain conditions provided therein. A new clause (g) has been proposed to be inserted to lay down another condition to be eligible for such credit, which is provided below:

“(g) a statement of voluntary contributions and donations received in the immediately preceding tax year which has been filed in the prescribed form and manner.”

Special provisions relating to builders and developers

Section 100D

After section 100C, the following new section 100D has been proposed to be inserted for special taxation of builders and developers, which provides the following:

100D.- Special provisions relating to builders and developers

(1) For tax year 2020 and onwards, the tax payable by a builder or a developer, as defined in sub-section (9), who opts to pay tax under this section shall be computed and paid in accordance with the rules in the Eleventh Schedule on a project by project basis on the income, profits and gains derived from the sale of buildings or sale of plots, as the case may be, from—

(a) a new project to be completed by the 30th day of September, 2022; or

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

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

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

(2) Where sub-section (1) applies, —

-
- (a) the income shall not be chargeable to tax under any head of income in computing the taxable income of the person;
- (b) no deduction shall be allowed under this Ordinance for any expenditure incurred in deriving the income;
- (c) the amount of the income shall not be reduced by —
- (i) any deductible allowance under Part IX of Chapter III; or
 - (ii) the set off of any loss;
- (d) no tax credit shall be allowed against the tax payable under sub-section (1) except credit for tax under section 236K collected from the builder or developer after the commencement of the Tax Laws (Amendment) Ordinance, 2020 (I of 2020) on purchase of immovable property utilized in a project;
- (e) there shall be no refund of any tax collected or deducted under this Ordinance;
- (f) if the tax payable has not been paid or short paid, the said amount of tax may be recovered and all the provisions of this Ordinance shall apply accordingly; and
- (g) sections 113 and 113C shall not apply on the turnover, income, profits and gains of a builder or developer from a project.
- (3) The provisions of section 111 shall not apply to capital investment made in a new project under clause (a) of sub-section (1) in the form of money or land, subject to the following conditions, namely:—
- (a) if the investment is made by a builder or developer being an individual —
- (i) in the form of money, such builder or developer shall open a new bank account and deposit such amount in it on or before the 31st day of December, 2020; or
 - (ii) in the form of land, such builder or developer shall have the ownership title of the land at the time of commencement of the Tax Laws (Amendment) Ordinance, 2020 (I of 2020);
- (b) if the investment is made by a person in a project through a company or an association of persons,—
- (i) such company or association of person shall be a single object (builder or developer) company or association of persons registered under the Companies Act, 2017 (XIX of 2017) or the Partnership Act, 1932 (IX of 1932), as the case may be, after the date of commencement of the Tax Laws (Amendment) Ordinance, 2020 (I of 2020) and on or before the 31st day of December, 2020; and
 - (ii) the person shall be a member or shareholder of such association of persons or company, as the case may be;
- and if the capital investment is made, —
- (i) in the form of money, such amount shall be invested through a crossed banking instrument deposited in the bank account of such association of persons or company, as the case may be, on or before the 31st day of December, 2020; or

-
- (ii) in the form of land, such land shall be transferred to such association of persons or company, as the case may be, on or before the 31st day of December, 2020:

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

- (c) a person making an investment under clause (a) or (b) shall submit a prescribed form on IRIS web portal;

- (d) the money or land invested under clause (a) or (b) shall be wholly utilized in a project; and

- (e) completion of the project shall be certified in the following manner, namely:-

(i) in case of a builder, the map approving authority or NESPAK shall certify that grey structure as per the approved map has been completed by the builder on or before the 30th day of September, 2022; and

(ii) in case of a developer,—

(A) the map approving authority or NESPAK shall certify that landscaping has been completed on or before the 30th day of September, 2022;

(B) a firm of chartered accountants having an ICAP QCR rating of ‘satisfactory’, notified by the Board for this purpose, shall certify that at least 50% of the plots have been booked for sale and at least 40% of the sale proceeds have been received by the 30th day of September, 2022; and

(C) at least 50% of the roads have been laid up to sub-grade level as certified by the approving authority or NESPAK.

- (4) The provisions of section 111 shall also not apply to.—

- (a) the first purchaser of a building or a unit of the building purchased from the builder in respect of purchase price of the building or unit of the building subject to the following conditions, namely:—

- (i) full payment is made through a crossed banking instrument to the builder during a period starting from the date of registration of the project with the Board under this section and ending on the 30th day of September, 2022, in case the purchase is from a new project; and
- (ii) full or balance amount of payment is made through a crossed banking instrument to the builder during a period starting from the date of registration of the project with the Board under this section and ending on the 30th day of September, 2022, in case the purchase is from an existing incomplete project; and

- (b) the purchaser of a plot who intends to construct a building thereon, if —

- (i) the purchase is made on or before the 31st day of December, 2020;
- (ii) the full payment is made on or before the 31st day of December, 2020 through a crossed banking instrument;
- (iii) construction on such plot is commenced on or before the 31st day of December, 2020;
- (iv) such construction is completed on or before the 30th day of September, 2022; and
- (v) the person registers himself with the Board on the online IRIS web portal.
-

(5) Where sub-section (3) or (4) apply, the value or price of land or building, as the case may be, shall be the higher of clause (a) or (b) below:—

(a) 130% of the fair market value as determined by the Board under sub-section (4) of section 68; or

(b) at the option of the person making investment, the lower of the values as determined by at least two independent valuer from the list of valuer approved by the State Bank of Pakistan.

(6) Sub-sections (3) and (4) shall not apply to –

a) holder of any public office as defined in the Voluntary Declaration of Domestic Assets Act, 2018 or his benamidar as defined in the Benami Transactions (Prohibition) Act, 2017 (V of 2017) or his spouse or dependents;

(b) a public listed company, a real estate investment trust or a company whose income is exempt under any provision of this Ordinance; or

(c) any proceeds derived from the commission of a criminal offence including the crimes of money laundering, extortion or terror financing but excluding the offences under this Ordinance.

(7) Dividend income paid to a person by a builder or developer being a company out of the profits and gains derived from a project shall be exempt from tax.

(8) Notwithstanding anything contained in this section or the Eleventh Schedule, where a return or declaration has been made through misrepresentation or suppression of facts, such return or declaration shall be void and all the provisions of this Ordinance shall apply:

Provided that no action under this sub-section shall be taken if such misrepresentation has been made on account of a bona fide mistake:

Provided further that no action under this sub-section shall be taken without providing an opportunity of being heard and without prior approval of the Board.”;

(9) In this section,—

(a) “builder” means a person who is registered as a builder with the Board and is engaged in the construction and disposal of residential or commercial buildings;

(b) “capital investment” means investment as equity resources and does not include borrowed funds;

(c) “developer” means a person who is registered as a developer with the Board and is engaged in the development of land in the form of plots of any kind either for itself or otherwise;

(d) “existing project” means a construction or development project, which –

(i) has commenced before the date of commencement of the Tax Laws (Amendment) Ordinance, 2020;

(ii) is incomplete;

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

Restriction on deduction of profit on debt payable to associated enterprise

Section 106A

After section 106, the following new section 106A has been proposed to be inserted:

(1) Subject to sections 108 and 109, a part of deduction for foreign profit on debt claimed by a foreign-controlled resident company (other than an insurance company, or a banking company) during a tax year, shall be disallowed according to the following formula, namely:—

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

where— A is the taxable income before depreciation and amortization; and

B is the foreign profit on debt claimed as deduction.

(2) This section shall not apply to a foreign-controlled resident company if the total foreign profit on debt claimed as deduction is less than ten million rupees for a tax year.

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

(4) Notwithstanding the provisions of section 106, where deduction of foreign profit on debt is disallowed under this section and also under section 106, the disallowed amount under this section and section 106.

(5) This section shall apply in respect of foreign profit on debt accrued with effect from the first day of July, 2020, even if debts were contracted before the first day of July, 2020.

(6) In this section—

(a) “foreign-controlled resident company” means a resident company in which fifty per cent or more of the underlying ownership of the company is held by a nonresident person either alone or together with an associate or associates; and

(b) "Foreign profit on debt" means interest paid or payable to a non-resident person or an associate of the foreign controlled resident company and includes-

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

Unexplained income

Section 111

Section 111 states that where any amount is credited in the books of accounts of any person, any investment is made or expenditure is incurred, any production, income or receipts liable to tax is suppressed, for which he is unable to provide satisfactory explanation, such credit, expenditure or suppressed amount shall be included in the person’s income chargeable to tax under head “Income from Other Sources to the extent it is not adequately explained.

This section has been rephrased for better understanding and to avoid any confusion.

Minimum tax on the income of certain persons

Section 113

The Finance Bill proposes to bring ‘permanent establishment of a non-resident company’ under the ambit of minimum tax.

Return of income

Section 114

The Bill proposes to insert a new clause (ae) after the clause (ad) in sub-section (1) to require every person whose income for the year is subject to final taxation under any provision of this Ordinance, to

file income tax return instead of statement of final taxation. This means the person whose income fall under final taxation are no more required to file statement of final taxation.

Further, in sub-section (2), a new proviso has been proposed to be inserted n clause (a) to empower the Board to prescribe different return forms for different classes of income or persons including persons subject to final taxation

Taxpayer's profile

Section 114A

After section 114, the following new section 114A is being proposed, which reads as follows:—

“114A. Taxpayer's profile.—

(1) Subject to this Ordinance, the following persons shall furnish a profile, namely:—

- (a) every person applying for registration under section 181;
- (b) every person deriving income chargeable to tax under the head, “income from business”;
- (c) every person whose income is subject to final taxation;
- (d) any non-profit organization as defined in clause (36) of section 2;
- (e) any trust or welfare institution; or
- (f) any other person prescribed by the Board.

(2) A taxpayer's profile—

- (a) shall be in the prescribed form and shall be accompanied by such annexures, statements or documents as may be prescribed;
- (b) shall fully state, in the specified form and manner, the relevant particulars of—
 - (i) bank accounts;
 - (ii) utility connections;
 - (iii) business premises including all manufacturing, storage or retail outlets operated or leased by the taxpayer;
 - (iv) types of businesses; and
 - (v) such other information as may be prescribed;
- (c) shall be signed by the person being an individual, or the person's representative where section 172 applies; and
- (d) shall be filed electronically on the web as prescribed by the Board.

(3) A taxpayer's profile shall be furnished,—

- (a) on or before the 31st day of December, 2020 in case of a person registered under section 181 before the 30th day of September, 2020; and

(b) within ninety days of registration in case of a person not registered under section 181 before the 30th day of September, 2020.

(4) A taxpayer's profile shall be updated within ninety days of change in any of the relevant particulars of information as mentioned in clause (b) of subsection (2).”;

Persons not required to furnish a return of income

Section 115

As discussed earlier, now every person subject to final taxation has been proposed to file income tax return. In view of this amendment, sub-sections (4), (4A), (5) and (6) of section 115, relating to furnishing a statement instead of tax return, have been proposed to be omitted.

Wealth statement

Section 116

Under section 116, any taxpayer can file a revised wealth statement in case of errors or omissions in the original wealth statement. The approval of commissioner has been proposed to be made compulsory for such revision in wealth statement. Further it has been proposed that Commissioner shall grant approval in case of bonafide omission or wrong statement.

An explanation has been proposed clarifying that the revision of wealth statement cannot be made after the expiry of five years from the due date for filing of tax return of that tax year.

Assessments

Section 120

In view of built-in controls and artificial intelligence in IRIS System, the capability of IRIS to detect errors, omissions, wrong declarations, claims of loss, deductible allowances and carry forward of loss has increased.

To cover such capabilities in the Ordinance, the following sub-section (2A) has been proposed to be inserted after sub-section (2):

“(2A) A return of income furnished under sub-section (2) of section 114 shall be processed through automated system to arrive at correct amounts of total income, taxable income and tax payable by making adjustments for—

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

Provided that no such adjustments shall be made unless a system generated notice is given to the taxpayer specifying the adjustments intended to be made:

Provided further that the response received from the taxpayer, if any, shall be considered before making any adjustment, and in a case where no response is received within thirty days of the issue of such notice, adjustments shall be made.

Provided also that where no such adjustments have been made within six month of filing of return, the amounts specified in the return as declared by the taxpayer shall be deemed to have been taken as adjusted amounts on the day the return was filed and the taxpayer shall be intimated automatically through IRIS.”

The resultant amendments have been made in clause (a) and (b) of sub-section (1) to incorporate such capabilities of IRIS.

After sub-section (6), the following new sub-section has been proposed to be added, namely:—

(7) For the purposes of this section,—

(a) “arithmetical error” includes any wrong or incorrect calculation of tax payable including any minimum or final tax payable.

(b) "an incorrect claim apparent from any information in the return" shall mean a claim, on the basis of an entry, in the return,—

(i) of an item, which is inconsistent with another entry of the same or some other item in such return;

(ii) regarding any tax payment which is not verified from the collection system; or

(iii) in respect of a deduction, where such deduction exceeds specified statutory limit which may have been expressed as monetary amount or percentage or ratio or fraction.”

Amendment in assessment

Section 120(5)

The Commissioner is empowered to amend or further amend an assessment order under section 122(5) on the basis of definite information acquired from an audit or otherwise.

The Bill now proposes to empower the Commissioner to amend or further amend an assessment order on the basis of audit or on the basis of definite information.

The above proposed amendment appears to nullify the impact of legal objections and judicial pronouncements.

Agreed assessment in certain cases

Section 122D

The following new section shall be inserted, namely:—

“122D. Agreed assessment in certain cases.—

(1) Where a taxpayer, in response to a notice under sub-section (9) of section 122, intends to settle his case, he may file offer of settlement in the prescribed form before the assessment oversight committee, hereinafter referred to as the Committee, in addition to filing reply to the Commissioner.

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

(3) Where the taxpayer is satisfied with the decision of the Committee,—

(a) the taxpayer shall deposit the amount of tax payable including any amount of penalty and default surcharge as per decision of the Committee;

(b) the Commissioner shall amend assessment in accordance with the decision of the Committee after tax payable including any amount of penalty and default surcharge as per decision of the Committee has been paid;

(c) the taxpayer shall waive the right to prefer appeal against such amended assessment; and

(d) no further proceedings shall be undertaken under this Ordinance in respect of issues decided by the Committee unless the tax as per clause (c) has not been deposited by the taxpayer.

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

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

(a) the Chief Commissioner Inland Revenue;

(b) the Commissioner Inland Revenue; and

(c) the Additional Commissioner Inland Revenue.

(6) This section shall not apply in cases involving concealment of income or where interpretation of question of law is involved having effect on other cases.

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

Appeal to the Commissioner (Appeals)

Section 127

The Bill proposes to revise the appeal fees under sub-section (4) as follows:

(a) in the case of an appeal against an assessment:

	Proposed (Rupees)	Existing (Rupees)
Company	5,000	1,000
Other than company	2,500	1,000

(b) In in any other cases:

	Proposed (Rupees)	Existing (Rupees)
Company	5,000	1,000
Other than company	1,000	200

The Commissioner (Appeals) has been proposed to mention in his order the amount of tax upheld. The purpose of this amendment is to make sure that mandatory percentage of tax has been deposited before making appeal to the Appellate Tribunal, as discussed under section 131.

To file appeal before Tribunal, the Bill proposes to also attach, along with other documents mentioned in this section, a proof of payment of ten percent of the tax upheld by the Commissioner (Appeals).

A new sub-section (2A) has been proposed to be inserted, which states that no appeal under sub-section (1) shall be admitted by the Appellate Tribunal unless ten percent of the amount of tax upheld by the Commissioner (Appeals) has been deposited by the taxpayer.

This amendment seems to be harsh as in many cases the tax levied by Commissioner and upheld by Commissioner (Appeals) is not justified, which is reversed in majority of the cases by appellate forums. We suggest to withdraw this amendment to ensure justice with the taxpayers.

Fees, to file appeal before Appellate Tribunal has also been proposed to be revised as follows:

	Proposed (Rupees)	Existing (Rupees)
Company	5,000	2,000
Other than company	2,500	2,000

Existing section 134A has been proposed to be substituted with the following:

“134A. Alternative dispute resolution.—

(1) Notwithstanding any other provision of this Ordinance, or the rules made thereunder, an aggrieved person in connection with any dispute pending before a court of law or an appellate authority pertaining to—

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

(2) The Board may, after examination of the application of an aggrieved person, appoint a committee, within sixty days of receipt of such application in the Board, comprising,—

- (i) Chief Commissioner Inland Revenue having jurisdiction over the case;

(ii) two persons from a panel notified by the Board comprising of chartered accountants, cost and management accountants, advocates, having minimum of ten years' experience in the field of taxation and reputable businessmen.

(3) The Board shall communicate the order of appointment of committee to the court of law or the appellate authority where the dispute is pending and the Commissioner.

(4) The Committee appointed under sub-section (2) shall examine the issue and may, if it deemed necessary, conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and shall decide the dispute through consensus, within one hundred and twenty days of its appointment.

(5) The Committee may, in case of hardship, stay recovery of tax payable in respect of dispute pending before it for a period not exceeding one hundred and twenty days in aggregate or till the decision of the committee or its dissolution, whichever is earlier.

(6) The decision of the committee under sub-section (4) shall be binding on the Commissioner when the aggrieved person, being satisfied with the decision, has withdrawn the appeal pending before the court of law or any appellate authority and has communicated the order of withdrawal to the Commissioner: Provided that if the order of withdrawal is not communicated to the Commissioner within sixty days of the service of decision of the committee upon the aggrieved person, the decision of the committee shall not be binding on the Commissioner.

(7) If the Committee fails to decide within the period of one hundred and twenty days under sub-section (4), the Board shall dissolve the committee by an order in writing and the matter shall be decided by the court of law or the appellate authority where the dispute is pending.

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

(9) The aggrieved person, on receipt of the order of dissolution, shall communicate it to the court of law or the appellate authority, where the dispute is pending.

(10) The aggrieved person may make the payment of income tax and other taxes as decided by the committee under sub-section (4) and all decisions and orders made or passed shall stand modified to that extent.

(11) The Board may prescribe the amount to be paid as remuneration for the services of the members of the committee, other than the member appointed under clause (i) of sub-section (2).

(12) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section."

Recovery of tax out of property and through arrest of taxpayer

Section 138

In addition to the already provided modes of recovery of tax by attachment of property, appointment of receiver, arrest of taxpayer and his detention in prison; the Bill now proposes to include the provisions of section (a), (ca) and (d) of sub-section (1) of section 48 the Sales Tax Act, 1990. These additional measures

include stop removal of goods, stop clearance of imported goods, attach bank accounts, seal business premises, sell any moveable or immovable property to recover tax etc.

These harsh provisions will be against already dwindling economy and will cause unrest among businesses.

Advance tax paid by taxpayer

Section 147

A proviso has been proposed to be inserted in sub-section (4) to empower the Board to prescribe procedure for filing and calculation of turnover for the quarter through an automated system for the purpose of advance tax.

Imports

Section 148

Section 148 describes the collection of advance tax from importers, which will be minimum tax for such importers except raw material, plant, machinery, equipment and parts by an industrial undertaking for its own use, motor vehicles in CBU condition by manufacturers of vehicles and large import houses with certain conditions etc.

Sub-section (7) has been proposed to be amended to include all others in the ambit of minimum tax except goods on which tax is required to be collected under this section at the rate of 1% or 2% by an industrial undertaking for its own use.

This amendment will extend the imports subject to minimum tax, which is a harsh step.

Further, sub-sections (8) and (8A) have been proposed to be omitted. Sub-section (8) provides exemption from minimum tax on edible oil, packing material, plastic raw material imported by certain industrial undertakings. Sub-section (8A) tax collected on import of ships by ship-breakers is minimum tax. The omission was required in view of making tax on all imports at minimum tax, except those being charged tax at the rate of 1% or 2%, as discussed above.

“Value of goods means—

(a) in case of goods chargeable to tax at retail price under the Third Schedule of the Sales Tax Act, 1990, the retail price of such goods increased by sales tax payable in respect of the import and taxable supply of the goods; and

(b) in case of all other goods; the value of the goods as determined under the Custom Act, 1969 (IV of 1969), as if the goods were subject to ad valorem duty increased by the custom-duty, federal excise duty and sales tax, if any, payable in respect of the import of the goods.”;

Resultantly, the section 148A ‘Tax on local purchase of cooking oil or vegetable ghee by certain persons’ has been omitted.

Payments to non-residents

Section 152

The Bill proposes to insert a new sub-section (1BBB) after sub-section (1BB), to make tax deductible under sub-section (1AAA), by person making a payment for advertisement services to a non-resident media

person relaying from outside Pakistan, as minimum tax on the income of non-resident person arising out of such payment.

Sub-section (2B) has been proposed to be substituted, to make the tax deductible under sub-section (2A) as minimum tax.

However, if payments are received for sale of goods by a company being a manufacturer of such goods, the tax deductible under clause (a) of sub-section (2A) shall not be minimum tax. This clause relates to payment made by a person to a permanent establishment in Pakistan of a non-resident person for the sale of goods except where the sale is made by the importer of the goods and tax under section 148 in respect of such goods has been paid and the goods are sold in the same condition as they were when imported.

Sub-section (4B) empowers The Commissioner may, in case of payment that constitutes part of an overall arrangement of a cohesive business operation as referred to in paragraph (ii) of sub-clause (g) of clause (41) of section 2, on application made by the person making payment and after making such inquiry, as the Commissioner thinks fit, allow by order in writing, the person to make payment after deduction of tax equal to thirty percent of the tax chargeable on such payment under sub-section (1A):

Provided that the credit of the tax so deducted shall be available to the permanent establishment of the non-resident accounting for overall profits arising on the overall cohesive business operation.

The Bill now proposes to reduce the condition of making payment of 30% to 20%.

Payments for goods, services and contracts

Section 153

Toll manufacturing has been proposed to be included in clause (a) of sub-section (1) of section 153 along with goods.

Further, under sub-section (4), the Commissioner may, in some cases, allow any person to make the payment without deduction of tax or deduction of tax at reduced rate.

The following provisos have been proposed after sub-section (4):

“Provided that the Commissioner shall issue certificate for payment under clause (a) of sub-section (1) without deduction of tax within fifteen days of filing of application to a public company listed on a registered stock exchange in Pakistan if advance tax liability has been discharged:

Provided further that the Commissioner shall be deemed to have issued the exemption certificate upon the expiry of fifteen days to the aforesaid public listed company and the certificate shall be automatically processed and issued by IRIS:

Provided also that the Commissioner may modify or cancel the certificate issued automatically by IRIS on the basis of reasons to be recorded in writing after providing an opportunity of being heard.”

Sub-section (7) defines ‘prescribed persons’ for withholding of tax under this section. In clause (h) Of sub-section (7), the turnover of the association of persons has been proposed to be enhanced from fifty million rupees to hundred million rupees. Similarly, the turnover for individuals has also been enhanced from fifty million rupees to hundred million rupees.

Under clause (j), sales tax registered persons are included in the prescribed persons. This clause has been proposed to be amended to include only those sales tax registered persons having turnover of one hundred million rupees or more in any of the preceding tax years.

Withdrawal of balance under Pension Fund

Section 156B

This section requires the pension fund manager to deduct tax at specified rates while making payments from individual pension account, under Pension Fund. The Finance Bill now proposes to omit this section.

Statements

Section 165

The requirement to file withholding tax statements bi-annually has been proposed to be made quarterly.

After sub-section (1), the following new sub-section (1A) has been proposed to be inserted which states that every person involved or engaged in economic transactions as prescribed by the Board shall furnish to the Commissioner a quarterly statement in the prescribed form and manner. After this amendment, now the dates of filing these statements will be as follows:

- (a) in respect of quarter ending on the 31st day of March, on or before the 20th day of April; 92
- (b) in respect of quarter year ending on the 30th day of June, on or before the 20th day of July;
- (c) in respect of quarter ending on the 30th day of September, on or before the 20th day of October; and
- (d) in respect of quarter ending on or before the 31st day of December, on or before the 20th January

Furnishing of information by banks

Section 165A

Banking companies are required to provide certain information to the Board in the prescribed form and manner. This information also includes a list of persons receiving profit on debt exceeding five hundred thousand rupees and tax deductions thereon during preceding financial year. The Bill now proposes to omit the expression “exceeding five hundred thousand rupees”. Now the banking companies are required to provide list of all the persons receiving profit on debt and tax deducted thereon, irrespective of any limit.

Refunds

Section 170

A new sub-section (6) has been proposed to be inserted after sub-section (5) to empower the Board to make rules regulating procedure for expeditious processing and automatic payment of refunds through centralized processing system with effect from a date to be notified by the Board.

Power to enter and search premises

Section 175

Through insertion of expression “including real-time electronic access”, the Bill proposes to include electronic search of the information stored in the systems of the taxpayers.

Further, a new sub-section (9) has been proposed to be introduced to empower the Board to make rules relating to electronic real-time access for audit or a survey of persons liable to tax.

In order to electronically share and collect information about taxpayers, a new section 175A has been proposed to be introduced after section 175, which has been reproduced below:

“175A. Real-time access to information and databases

(1) Notwithstanding anything contained in any law for the time being in force, including but not limited to the National Database and Registration Authority Ordinance, 2000 (Ordinance VIII of 2000), and the Emigration Ordinance, 1979 (Ordinance XVIII of 1979), arrangements shall be made to provide real-time access of information and database to the Board in the prescribed form and manner by—

(a) the National Database and Registration Authority with respect to information pertaining to National Identity Card, Pakistan Origin Card, Overseas Identity Card, Alien Registration Card, and other particulars contained in the Citizen Database;

(b) the Federal Investigation Agency and the Bureau of Emigration and Overseas Employment with respect to details of international entry and exit of all persons and information pertaining to work permits, employment visas and immigration visas;

(c) the Islamabad Capital Territory and provincial and local land record and development authorities with respect to record-of-rights including digitized edition of record-of-rights, periodic record, record of mutations and report of acquisition of rights;

(d) the Islamabad Capital Territory and provincial Excise and Taxation Departments with respect to information regarding registration of vehicles, transfer of ownership and other associated record;

(e) All electricity suppliers and gas transmission and distribution companies with respect to particulars of a consumer, the units consumed and the amount of bill charged or paid:

Provided that where the connection is shared or is used by a person other than the owner, the name and CNIC of the owner and the user shall also be furnished:

Provided further that all electricity suppliers and gas transmission and distribution companies shall make arrangements by the 1st day of January, 2021 for allowing consumers to update the ratio of sharing of a connection or the particulars of users, as the case may be; and

(f) any other agency, authority, institution or organization notified by the Board.

(2) The Board shall make arrangements for laying the infrastructure for real-time access to information and database under sub-section (1) and aligning it with its own database in the manner as may be prescribed.

(3) Until real-time access to information and database is made available under sub-section (1), such information and data shall be provided periodically in such form and manner as may be prescribed.

(4) Subject to section 216, all information received under this section shall be used only for tax purposes and kept confidential.”

The Bill proposes to insert after sub-section (2), the following new sub-sections in section 177:

“(2A) For the purpose of sub-section (2), the Commissioner may conduct audit proceedings electronically through video links, or any other facility as prescribed by the Board.

(2AA) Where a taxpayer—

(a) has not furnished record or documents including books of accounts;

(b) has furnished incomplete record or books of accounts; or

(c) is unable provide sufficient explanation regarding the defects in records, documents or books of accounts,

it shall be construed that taxable income has not been correctly declared and the Commissioner shall determine taxable income on the basis of sectoral benchmark ratios prescribed by the Board.

Explanation:

The expression “sectoral benchmark ratios” means standard business sector ratios notified by the Board on the basis of comparative cases and includes financial ratios, production ratios, gross profit ratio, net profit ratio, recovery ratio, wastage ratio and such other ratios in respect of such sectors as may be prescribed.”

Offences and penalties

Section 182

Sub-section (1) prescribes penalties for offences committed by taxpayers under the Ordinance. The Finance Bill has proposed certain changes to this sub-section, which are provided below:

Under S.No. 1A, 1AA and 10, the reference to section 115 has been proposed to be omitted.

After S. No. 4, the following new serial numbers and entries have been proposed to be inserted:

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

Return not filed within due date

Section 182A

According to section 182A, if a person fails to file his return within the due date, he will not be included in the Active Taxpayers List for that tax year.

The Bill proposes to insert a new-sub-section (2) after sub-section (1), which states as provided below:

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

Provided that without prejudice to any other liability under this Ordinance, such person shall be included in the active taxpayers' list upon filing the taxpayer's profile after the due date or extended date, if the person pays surcharge at Rupees—

- (a) twenty thousand in case of a company;
- (b) ten thousand in case of an association of persons; and
- (c) one thousand in case of an individual."

Default surcharge

Section 205

A new sub-section (7) has been proposed after sub-section (6), which states as below:

"(7) Where a person is liable for default surcharge under this Part, the Commissioner may, at his discretion, make assessment of default surcharge for the period of default or part thereof, notwithstanding that the tax due has not actually been paid."

Jurisdiction of income tax authorities

Section 209

Under this section, Chief Commissioners, Commissioners and Commissioners (Appeals) have all the powers under this Ordinance. The Board or Chief Commissioner may confer or assign all or any of the powers to the Commissioner under sub-section (2).

The following provisos have been proposed to be inserted in sub-section (2) to empower delegation of powers to officers etc.:

"Provided that the Board may also confer upon or assign to any Officer of Inland Revenue the aforesaid powers and functions through Automated Case Selection System:

Provided further that the Board may make rules for conferment or assignment of such powers and functions through Automated Case Selection System."

"Explanation.— For the purpose of this sub-section, the expression "Automated Case Selection System" means an algorithm for randomized allocation of cases by using suitable technological modes."

Advance tax on private motor vehicles

Section 231B

The section 231B requires Excise and Taxation Department to collect advance tax at the time of registration of vehicles at specified rates. No collection of advance tax can be made after five years of first registration.

The Bill now proposes to insert an explanation to exclude certain vehicles from the definition of motor vehicle as provided below:

“Explanation.— For the removal of doubt, it is clarified that a motor vehicle does not include a rickshaw, motorcycle-rickshaw and any other motor vehicle having engine capacity up to 200cc.”

Tax on steel melters and composite units

Section 235B

Section 235B has been proposed to be omitted to withdraw collection of advance tax from steel melters.

Advance tax at the time of sale by auction

Section 236A

The following explanation has been proposed to be inserted in sub-section (1) of section 236A to clarify sale by public auction or auction by a tender:

“Explanation.— For the removal of doubt it is clarified for the purpose of this section that—

(a) the expression “sale by public auction or auction by a tender” includes renewal of a license previously sold by public auction or auction by a tender; and

(b) where payment is received in installments, advance tax is to be collected with each installment.”

Advance Tax on sale or transfer of immovable Property

236C

According to sub-section (3), the advance tax under sub-section (1) shall not be collected if the immovable property is held for a period exceeding five years. The Bill now proposes to reduce this period from five years to four years.

Sections 236D ‘Advance tax on functions and gatherings’ and 236F ‘Advance tax on cable operators and other electronic media’ have been proposed to be omitted.

Collection of advance tax by educational institutions

Section 236I

The bill proposes to amend section 236I by limiting collection of advance tax by educational institutions from a person not appearing on the active taxpayers' list.

Section 236J relating to ‘Advance tax on dealers, commission agents and arhatis etc.’ has been proposed to be omitted.

Payment to residents for use of machinery and equipment

Section 236Q

The tax deducted from a resident person for use or right to use industrial, commercial and scientific equipment or rent of machinery. The tax has been proposed to be minimum tax instead of final tax under current provisions.

Sections 236R ‘Collection of advance tax on education related expenses remitted abroad’, 236U ‘Advance tax on insurance premium’ and 236X ‘Advance tax on tobacco’ have been proposed to be omitted through this Bill.

The Bill proposes to substitute table in Division VIII to Part I of the First Schedule as follows:

S.No.	Amount of gain	Rate of tax
(1)	(2)	(3)
1	Where the gain does not exceed Rs. 5 million	2.5%
2	Where the gain exceeds Rs. 5 million but does not exceed Rs. 10 million	5%
3	Where the gain exceeds Rs. 10 million but does not exceed Rs. 15 million	7.5%
4	Where the gain exceeds Rs. 15 million	10 %

It can be seen that the rates of tax on capital gain have been significantly reduced.

[see Division II of Part V of Chapter X]

The bill proposes a change in tax regimes of imports from existing person-specific rates to proposed goods specific rates, irrespective of the status of importer. A new schedule is also proposed to be introduced to categorize the imports into raw material, capital goods and finished goods.

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

Through the proposed provisos, the following tax rates are being introduced:

Rate of Tax under Rescinded Notification No. S.R.O. 1125(0)/2011

In case of manufacturers covered under rescinded Notification No. S.R.O. 1125(I)/2011 dated the 31st December, 2011 as it stood on 103 the 28th June, 2019, proposed tax rate on import of items covered under the aforementioned S.R.O. shall be 1%;

Tax on Pharmaceutical products not manufactured in Pakistan

In case of persons importing finished pharmaceutical products that are not manufactured otherwise in Pakistan, as certified by the Drug Regulatory Authority of Pakistan, the rate of tax proposed shall be 4%:

Through a newly inserted proviso, the rates of tax on value of import of mobile phone by any person have been proposed to be as set out in the following table:

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

DEDUCTION OF TAX AT SOURCE

First Schedule, Part III

The Bill proposes to insert a new clause (ba) in Division I to impose 25% tax on dividend in case of a person receiving dividend from a company where no tax is payable by such company, due to exemption of income or carry forward of business losses under Part VIII of Chapter III or claim of tax credits under Part X of Chapter III.

DEDUCTION OF TAX AT SOURCE

First Schedule, Part III

Division IB

The rate of tax to be deducted under section 150A has been proposed to be enhanced from 15% to 25% in case the sukuk-holder is a company.

Division II, Paragraph (5), Sub-paragraph (1)

The rate of tax to be deducted in the cases of transport services, freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, IT services and IT enabled services as defined in clause (133) of Part I of the Second Schedule, tracking services, advertising services (other than by print or electronic media), share registrar services, car rental services, building maintenance services, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited inspection and certification, testing and training services, has been proposed to be 3% of the gross amount payable.

Division III, Paragraph (1), Sub-paragraph (b)

The word 'goods' has been proposed to be replaced with 'goods including toll manufacturing'. There is no change in the rates of tax.

DEDUCTION AND COLLECTION OF ADVANCE TAX

First Schedule, Part IV

Division VIII, Advance tax at the time of sale by auction

Under existing provisions, the rate of collection of tax under section 236A is 10% of the gross sale price of any property or goods sold by auction.

The Bill proposes to insert a proviso, which states that in case of immovable property sold by auction, the rate of collection of tax under this section shall be 5% of the gross sale price.

Divisions XI 'Advance tax on functions and gatherings' and XIII 'tax to be collected under section 236F in the case of Cable Television Operator' have been proposed to be omitted.

Division XVII 'Advance tax on dealers, commission agents and arhatis, etc.' has been proposed to be omitted.

Division XXIV 'Collection of advance tax on education related expenses remitted abroad' has been proposed to be omitted.

Division XXV 'Advance tax on insurance premium' has been proposed to be omitted.

In Division XXVI 'Advance tax on extraction of minerals', the expression 'for persons who are not appearing in the active taxpayers' list' (ATL) has been proposed to be omitted making it applicable to all mineral extractors whether or not appearing in ATL.

Exemption from total income

Second Schedule, Part I

(23A) Through a proviso proposed to be inserted in clause (23A), in retirement cases excluding his disability rendering him unable to work or in case of death, if the person withdraws before retirement age or withdrawal at the time of or after retirement age in excess of fifty percent of the accumulated balance, tax has been proposed to be charged at the rate specified in sub-section (6) of section 12 and the pension fund manager shall at the time of making payment deduct tax at the said rate.

(61) The Bill proposes to include the following new exemptions under this clause:

- (lvii) The Prime Minister's COVID-19 Pandemic Relief Fund-2020;
- (lviii) Ghulam Ishaq Khan Institute of Engineering Sciences and Technology (GIKI);
- (lvxi) Lahore University of Management Sciences;
- (lvxii) Dawat-e-Hadiya, Karachi;
- (lvxiii) Baitussalam Welfare Trust;
- (lvxiv) Patients' Aid Foundation;
- (lvxv) Alkhidmat Foundation;

The following two new provisos have been proposed to be inserted to limit the donations made by an associate:

"Provided further that the amount so donated by an associate shall not exceed—

(a) in the case of an individual or association of persons, fifteen percent of the taxable income of the person for the year; and

(b) in the case of a company, ten percent of the taxable income of the person for the year:

Provided also that provisions of this clause will apply only if donation is paid by a crossed cheque drawn on a bank.

(66) For existing clause (66), the following new clause has been proposed to be substituted:

(1) Any income derived by the following institutions, foundations, societies, boards, trusts and funds:

S.No.	Name
(1)	(2)
(i)	International Islamic Trade Finance Corporation
(ii)	Islamic Corporation for Development of Private Sector
(iii)	National Memorial Bab-e-Pakistan Trust
(iv)	Pakistan Agricultural Research Council
(v)	The corporatized entities of Pakistan Water and Power Development Authority from the date of their creation up to the date of completion of the process of corporatization i.e. till the tariff is notified
(vi)	The Prime Minister's Special Fund for victims of terrorism
(vii)	Chief Minister's (Punjab) Relief Fund for Internally Displaced Persons (IDPs) of NWFP
(viii)	The Institutions of the Agha Khan Development Network (Pakistan) as contained in Schedule 1 of the Accord and Protocol, dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and the Agha Khan Development Network.
(ix)	Pakistan Council of Scientific and Industrial Research
(x)	The Pakistan Water and Power Development Authority established under the Pakistan Water and Power Development Authority Act, 1958 (W. P. Act XXXI of 1958).
(xi)	WAPDA First Sukuk Company Limited
(xii)	Pension of a former President of Pakistan and his widow
(xiii)	State Bank of Pakistan and State Bank of Pakistan Banking Services Corporation
(xiv)	International Finance Corporation established under the International Finance Corporation Act, 1956 (XXVIII of 1956) and provided in section 9 of Article VI of Articles of Agreement 1955 as amended through April 1993
(xv)	Pakistan Domestic Sukuk Company Ltd.
(xvi)	ECO Trade and Development Bank
(xvii)	The Islamic Chamber of Commerce and Industry under the Organization of Islamic Conference (OIC)
(xviii)	Commission on Science and Technology for Sustainable Development in the South (COMSATS) formed under International Agreement signed on 5th October, 1994
(xix)	WAPDA on issuance of twenty billion rupees TFC's/SUKUK certificates for consideration of Diamer Bhasha Dam Projects
(xx)	Federal Board of Revenue Foundation
(xxi)	WAPDA Second Sukuk Company Limited
(xxii)	Pakistan International Sukuk Company Limited
(xxiii)	Second Pakistan International Sukuk Company Limited
(xxiv)	Third Pakistan International Sukuk Company Limited
(xxv)	Asian Infrastructure Investment Bank and persons as provided in Article 51 of Chapter IX of the Articles of Agreement signed and ratified by Pakistan and entered into force on the 25th December, 2015
(xxvi)	Supreme Court of Pakistan – Diamer Bhasha & Mohmand Dams – Fund

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

(2) The income of the following institution, foundations, societies, boards, trusts and funds, subject to the provisions of section 100C:

- (i) Abdul Sattar Edhi Foundation.
- (ii) Al-Shifa Trust.
- (iii) Bilquis Edhi Foundation.
- (iv) Fatimid Foundation.
- (v) Pakistan Engineering Council.
- (vi) The Institution of Engineers.
- (vii) Liaquat National Hospital Association.
- (viii) The Citizens Foundation.
- (ix) Sindh Institute of Urology and Transplantation, SIUT Trust and Society for the Welfare of SIUT.
- (x) Greenstar Social Marketing Pakistan (Guarantee) Limited.
- (xi) Indus Hospital, Karachi.
- (xii) Gulab Devi Chest Hospital.
- (xiii) Pakistan Poverty Alleviation Fund.
- (xiv) National Academy of Performing Arts.
- (xv) Pakistan Sweet Homes Angels and Fairies Place.
- (xvi) National Rural Support Programme.
- (xvii) Pakistan Bar Council.
- (xviii) Pakistan Centre for Philanthropy.
- (xix) Pakistan Mortgage Refinance Company Limited.
- (xx) Aziz Tabba Foundation.

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- (xxi) Shaukat Khanum Memorial Trust.
- (xxii) Layton Rahmatullah Benevolent Trust (LRBT).
- (xxiii) The Kidney Centre Post Graduate Training Institute.
- (xxiv) Pakistan Disabled Foundation.
- (xxv) Forman Christian College.
- (xxvi) Habib University Foundation.
- (xxvii) Begum Akhtar Rukhsana Memorial Trust Hospital.
- (xxviii) Al-Khidmat Foundation.
- (xxix) Dawat-e-Islami Trust.
- (xxx) Sardar Trust Eye Hospital, Lahore.
- (xxxi) Akhuwat.
- (xxxii) Audit Oversight Board.
- (xxxiii) Patient's Aid Foundation.
- (xxxiv) Al-Shifa Trust Eye Hospital.
- (xxxv) Saylani Welfare International Trust.
- (xxxvi) SARMAYA-E-PAKISTAN LIMITED.
- (xxxvii) Lahore University of Management Sciences, Lahore.
- (xxxviii) Dawat-e-Hadiya, Karachi.
- (xxxix) Ghulam Ishaq Khan Institute of Engineering Sciences and Technology.
- (xl) Society for the Promotion of Engineering Sciences and Technology in Pakistan (SOPREST).
- (xli) Businessmen Hospital Trust.
- (xlii) Baitussalam Welfare Trust.

“(114AA) New Insertion: Any income chargeable under the head “capital gains” derived by a resident individual from the sale of constructed residential property:

Provided that exemption under this clause shall only apply, if

(a) at the time of sale, the residential property was being used for the purpose of personal accommodation by the resident individual, his spouse or dependents and for which any of the utility bills is issued in the name of such individual;

(b) the land area of the property does not exceed 500 square yards in case of a house and 4000 square feet in case of a flat; and

(c) exemption under this clause has not previously been availed by the individual, his spouse or dependents.”;

(126A) Gwadar Free Zone [new insertion]

(126AB) Exemption on profit on debt by foreign lender or any local bank having more than 75 per cent shareholding of the Government or the State Bank of Pakistan to China Overseas Port Holding Company Pakistan (Private) Limited, Gwadar International Terminals Limited, Gwadar Marine Services Limited and Gwadar Free Zone Company Limited [new insertions].

(126AC) Income derived by contractors and sub-contractors of Gwadar Free Zone [new insertion].

(126E) Income derived by zone enterprises

The following proviso has been proposed to be inserted in clause (126E):

“Provided that this clause shall also apply to a co-developer as defined in Special Economic Zone Rules, 2013 subject to the condition that a certificate has been furnished—

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

After clause (146), the following new clause has been proposed to be added:-

“(147) Any income derived by the Federal Government Employees Housing Authority for the tax year 2020 and the following four tax years.”

Reduction in tax rates

Second Schedule, Part II

Tax rate on payment on account of profit on debt

After clause (5A), the following new clause has been proposed to be inserted:

“(5AA) The rate of tax to be deducted under sub-section (2) of section 152, in respect of payments to an individual, on account of profit on debt earned from a debt instrument, whether conventional or shariah compliant, issued by the Federal Government under the Public Debt Act, 1944 and purchased exclusively through a bank account maintained abroad, a non-resident Rupee account repatriable (NRAR) or a foreign currency account maintained with a banking company in Pakistan shall be ten percent of the gross amount paid:

Provided that tax deducted on such profit on debt shall be final tax.”

Rate of tax as a recipient of payment for goods supplied to Utility Stores Corporation of Pakistan

After clause (24C), the following new clause (24CA) has been proposed to be inserted:

“(24CA) The rate of tax under clause (a) of sub-section (1) of section 153 in case of a person, other than a company, as a recipient of payment for goods supplied to Utility Stores Corporation of Pakistan shall be 1.5% of the gross amount of payment in respect of supply of tea, spices, salt, dry milk, sugar, pulses wheat

flour and ghee for the period commencing from the 7th day of April, 2020 and ending on 30th day of September, 2020:

Provided that this clause shall not be applicable to supply of tea, spices, salt and dry milk which are sold under a brand name:

Provided further that this clause shall not be applicable where rate of tax under clause (a) of sub-section (1) of section 153 is less than 1.5% of the gross amount of payment under any provisions of the Ordinance.”

Reduction in tax liability

Second Schedule, Part III

(9B) Tax on low cost housing developed or approved by Naya Pakistan Housing and Development Authority (NAPHDA) or under the Ehsaas Programme

After clause (9A), the following new clause shall be inserted, namely:-

“(9B) The tax payable on the income, profits and gains of projects of ‘low cost housing’ developed or approved by Naya Pakistan Housing and Development Authority (NAPHDA) or under the Ehsaas Programme shall be reduced by 90%.”

Exemptions from specific provisions

Second Schedule, Part IV

Clause 9A relating to non-applicability of section 153(1)(a) has been proposed to be omitted.

Clause (11A) has been proposed to be substituted to exclude the following organizations from applicability of minimum tax:

- (xxxiv) The Prime Minister’s COVID-19 Pandemic Relief Fund-2020;
- (xxxv) The Federal Government Employees Housing Authority for the tax year 2020 and the following four tax years.

(2B) Covide-19 related items

After clause (12A), the following new clause has been proposed to be added;

(12B) The provisions of section 148 shall not apply to the import of following goods (covid-19 related items) for a period commencing from 20th day of March, 2020 and ending on 30th day of September, 2020:

1. Real-time PCR system (standard 96-well plate and 0.2ml tubes format, 5 channel)
2. Biosafety Cabinet
3. Auto Clave 50 Liter Capacity
4. Multi channel pipette (0.5-10 µl)
5. Single channel pipette
 - a) 2 µl b) 10 µl c) 200 µl d) 1000 µl

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6. Multi channel pipette 20-200 ml
 7. Vacuum fold
 8. Micro Centrifuge (Non-refrigerated, Rotor capacity: 12 x 1.5 / 2.0 ml vessels, 2 x PCR strip, Max. speed: 12,100 x g (13,400 rpm))
 9. PCR Cabinet (HEPA filter system, UV and white light)
 - 10 Real-time PCR kit for the detection of Coronavirus (SARS-CoV-2)
 - 11 Viral RNA Extraction Kit and machine (Automatic Extractors)
 - 12 VTM (Viral Transport Medium)
 - 13 Dr Oligo Synthesizer
 - 14 Refrigerator/freezer (-20 °C)
 - 15 Vortex Machine
 - 16 Refrigerated Centrifuge Machine (Rotor capacity 1.5ml x 24, max. speed 14000 rpm)
 - 17 UPS (6 KVA)
 - 18 Tyvek Suits
 - 19 N-95
 - 20 Biohazard Bags (18 Liters)
 - 21 PAPR (Powdered Air Purifying respirators)
 - 22 Multimode ventilator with air compressor
 - 23 Vital sign monitor with 2IBP and ETco2 two Temp.
 - 24 ICU motorized patient bed with side cabinet and over bed table
 - 25 Syringe infusion pump
 - 26 Infusion pump
 - 27 Electric suction machine
 - 28 Defibrillator
 - 29 X-Ray Mobile Machine
 - 30 Simple Nebulizer
 - 31 Ultrasound machine
 - 32 Noninvasive BIPAP 33 ECG Machine
 - 34 Pulse Oximeters

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- 35 Ripple mattress
 - 36 Blood gas analyzer
 - 37 AMBU Bag
 - 38 Nitrile Gloves
 - 39 Latex Gloves
 - 40 Goggles
 - 41 Face Shields
 - 42 Gum Boots
 - 43 Mackintosh bed sheets
 - 44 Surgical Masks
 - 45 Air Ways
 - 46 Diaflow
 - 47 Disposable Nebulizer Mask Kit
 - 48 ECG Electrodes
 - 49 ETT Tube (Endotracheal Tubes) All sizes
 - 50 Humidifier Disposable Flexible
 - 51 IV Cannula all sizes
 - 52 IV Chambers
 - 53 Oxygen Recovery Kit
 - 54 Padded Sheets
 - 55 Stomach Tube
 - 56 Stylet for Endotracheal Tube
 - 57 Suction Tube control valve
 - 58 Tracheostomy Tube 7, 7.5, 8
 - 59 Ventilator Circuit
 - 60 Ventury Masks
 - 61 Disposable shoes cover (water proof)

(12C) The provision of section 148 shall not apply to persons importing pulses for a period commencing from the 7th day of April, 2020 and ending on 30th September, 2020. [new insertion]

(46AA) The provisions of section 153 shall not apply to the following persons as recipients of payment, namely:—

- (i) a Provincial Government;
- (ii) a local authority;
- (iii) persons who are residents of Azad Kashmir and execute contracts in Azad Kashmir only and produce a certificate to this effect from the concerned income tax authority;
- (iv) persons receiving payments from a company or an association of persons having turnover of fifty million rupees or more or from an individual having turnover of fifty million rupees or more exclusively for the supply of agriculture produce including fresh milk, fish by any person engaged in fish farming, live chicken, birds and eggs by any person engaged in poultry farming and by an industrial undertaking engaged in poultry processing which has not been subjected to any process other than that which is ordinarily performed to render such produce fit to be taken to market;
- (v) companies receiving payments for the supply of electricity and gas;
- (vi) companies receiving payments for the supply of crude oil;
- (vii) hotels and restaurants receiving payments in cash for providing accommodation or food or both, as the case may be; and
- (viii) shipping companies and air carriers receiving payments for the supply of passenger tickets and for the cargo charges of goods transported.”

(56) Non-applicability of section 48

In clause (56), after sub-clause (v), the following new clauses have been proposed to be added:

- (vi) the Federal Government;
- (vii) a Provincial Government;
- (viii) a Local Government;
- (ix) a foreign company and its associations whose majority share capital is held by a foreign government;
- (x) a person who imports plant and machinery for execution of a contract with the Federal Government or a provincial government or a local government and produces a certificate from that government;
- (xi) companies importing high speed diesel oil, light diesel oil, high octane blending component or kerosene oil, crude oil for refining and chemical used in refining thereof in respect of such imports; and
- (xii) Petroleum (E&P) companies covered under the Customs and Sales Tax Notification No. S.R.O.678 (I)/2004, dated the 7th August, 2004, except motor vehicles imported by such companies.”

Omissions: clauses (56C), (56D), (56E), (56G) and (63) have been proposed to be omitted

(72AA) Non-applicability of section 52 on Hajj Operators: After clause (72A), the following new clause has been proposed to be inserted:

(72AA) The provisions of section 152 shall not apply in case of a Hajj Group Operator in respect of Hajj operations.

(72B) has been proposed to be omitted.

(101AA) Newly Inserted Clause: The provisions of sections 231A, 231AA and 236P shall not apply to a Pak Rupee Account in a tax year to the extent of foreign remittances credited into such account during that tax year.”

(102A) Newly Inserted Clause: The provisions of section 233 shall not apply to commission received by a retail branchless banking agent on any amount disbursed by the Ehsaas Emergency Cash Transfer Programme for the period commencing on 16th April, 2020 and ending on 30th day of September, 2020.

(111A) Newly Inserted Clause: The provisions of section 100BA and rule 1 of the Tenth Schedule shall not apply to the extent of payment of dividend to non-resident persons.

(112A) Newly Inserted Clause: The provisions of section 236P shall not apply to a non-resident rupee account repatriable (NRAR) or a foreign currency account maintained with a banking company in Pakistan of a non-resident individual investing in a debt instrument, whether conventional or shariah compliant, issued by the Federal Government under the Public Debt Act, 1944.

(114A) Newly Inserted Clause: The provisions of clause (ae) of sub-section (1) of section 114 and section 181 shall not apply to a non-resident individual solely by reason of profit on debt earned from a debt instrument, whether conventional or shariah compliant, issued by the Federal Government under the Public Debt Act, 1944 and purchased exclusively through a bank account maintained abroad, a non-resident rupee account repatriable (NRAR) or a foreign currency account maintained with a banking company in Pakistan.

(116) Newly Inserted Clause: The provisions of section 151, 231A, 231AA and 236P shall not apply to The Prime Minister’s COVID-19 Pandemic Relief Fund-2020.

(117) Newly Inserted Clause: The provisions of section 236P shall not apply at the time of transfer of any sum to The Prime Minister’s COVID-19 Pandemic Relief Fund- 2020.

Rules for computation of profits and gains of builders and developers and tax payable thereon

Eleventh Schedule,
Section 100D

After the Tenth Schedule, the following new Schedules have been proposed to be added:

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

2. Scope and payment of tax.—

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

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

The annual tax liability shall be worked out as under:

Tax liability as per the rates in rule 10

Estimated project life in years

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

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

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

(b) Year shall include fraction of a year; and

(c) The tax liability so calculated and paid shall be final tax.

3. Registration and filing of return.—

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

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

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

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

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

4. Certification

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

(a) 'total land area' in square yards;

(b) 'covered area' in square feet;

(c) 'saleable area' in square feet; and

(d) type (commercial, residential or industrial) of saleable area or the total land area, as the case may be.

5. Advance tax

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

6. Incorporation of profits and gains for computation of income

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

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

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

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

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

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

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

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

(a) a shareholder or a partner of a builder or developer shall not be allowed a change in ownership of an incomplete project except where at least fifty percent of the total project cost, as certified by a firm of chartered accountants having an ICAP QCR rating of 'satisfactory', notified by the Board for this purpose, has been incurred up to the date of change of ownership;

(b) The succession to legal heirs in case of deceased shareholder or a partner shall be allowed;

(c) The additional partners or shareholders in a builder or developer after the 31st day of December, 2020 may join but additional partners or shareholders shall not be eligible for exemption provided under sub-section (3) of section 100D.

9. Definitions

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

(a) "area" means

(i) in case of a builder,

(a) in case of a commercial or a residential building excluding a house, the saleable area of the building;
and

-
- (b) in case of a house, the covered area of house;
- (ii) in case of a developer, the total land area of the project;
- (b) “building” means a residential or commercial building or unit thereof;
- (c) “commercial building” includes any building or part thereof which is to be used for commercial purposes in accordance with the relevant laws;
- (d) “commencement of project” means, –
- (i) in case of a construction project, when layout plan is approved by the concerned authority; and
- (ii) in case of a development project, when the development plan is approved by the concerned authority: Provided that where the builder or developer has taken all actions and done all things which are required and necessary to procure any approvals but any such approval is delayed beyond a period of 30 days from date of relevant application and the cutoff date of 31st day of December, 2020 is not adhered to by the builder or developer, the Board may provisionally accept commencement of such project on a case to case basis;
- (e) “completion of project” means. –
- (i) in the case of a builder, the date on which the grey structure is completed:
- Provided that such grey structure shall only be considered as completed when the roof of the top floor has been laid as per the approved plan;
- (ii) in the case of a developer, the date on which –
- (A) at least 50% of the total plots have been booked in name of buyers;
- (B) at least 40% of the sale proceeds have been received;
- (C) landscaping has been completed; and
- (D) at least 50% of the roads have been laid up to sub-grade level as certified by the approving authority or NESPAK;
- (f) 'low cost housing' means a housing scheme as developed or approved by NAPHDA or under the 'Ehsaas Programme';
- (g) “NAPHDA” means Naya Pakistan Housing and Development Authority;
- (h) “NESPAK” means National Engineering Services Pakistan (Private) Limited; (i) “residential building” means a building which is not a commercial building but does not include buildings used for industrial purposes;
- (j) “saleable area” in case of buildings, means saleable area as determined by the approving authority or map approving authority or NESPAK under the relevant laws;
- (k) “unit” means a self-contained or independent building or part thereof including houses, apartments, shops, offices, etc.
-

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

10. Rate and computation of tax liability

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

Rates in respect of			
(1)	(2)	(3)	(4)
Area in	Karachi, Lahore and Islamabad	Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbottabad, Quetta	Urban Areas not specified in columns (2) and (3)
TAX ON BUILDERS			
FOR COMMERCIAL BUILDINGS			
Any size	Rs.250 per Sq. ft.	Rs.230 per Sq. ft.	Rs.210 per Sq. ft.
FOR RESIDENTIAL BUILDINGS			
up to 3000	Rs.80 per Sq. ft	Rs.65 per Sq. ft	Rs.50 per Sq. ft
3000 and above	Rs.125 per Sq. ft	Rs.110 per Sq. ft	Rs.100 per Sq. ft
TAX ON DEVELOPERS (ENTIRE PROJECT)			
Any size	Rs.150 per Sq. yd	Rs.130 per Sq. yd	Rs.100 per Sq. yd
FOR DEVELOPMENT OF INDUSTRIAL AREA			
	Rs.20 per Sq. yd	Rs.20 per Sq. yd	Rs.10 per Sq. yd

(2) In case of mixed use buildings having both commercial and residential areas, respective rates mentioned above shall apply.

(3) In case of development of plots and constructing buildings on the same plots as one project, both rates shall apply:

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

THE TWELFTH SCHEDULE- PART I

Section 148, Section 236Q

PCT CODE DESCRIPTION

2711.1100 - - Natural Gas

3102.1000 - Urea, Whether or Not in Aqueous Solution

31.04 Mineral or chemical fertilisers, potassic.

52.01 Cotton, not carded or combed.

52.02 Cotton waste (including yarn waste and garnetted stock).

5203.0000 Cotton, carded or combed.

71.08 Gold (including gold plated with platinum) unwrought or in semimanufactured forms, or in powder form.

72.04 Ferrous waste and scrap; remelting scrap ingots of iron or steel.

84.01 Nuclear reactors; fuel elements (cartridges), non- irradiated, for nuclear reactors; machinery and apparatus for isotopic separation.84.02 Steam or other vapour generating boilers (other than central heating hot water boilers capable also of producing low pressure steam); superheated water boilers.

84.03 Central heating boilers other than those of heading 84.02.

84.04 Auxiliary plant for use with boilers of heading 84.02 or 84.03 (for example, economisers, superheaters, soot removers, gas recoverers); condensers for steam or other vapour power units.

84.05 Producer gas or water gas generators, with or without their purifiers; acetylene gas generators and similar water process gas generators, with or without their purifiers.

84.06 Steam turbines and other vapour turbines.

84.10 Hydraulic turbines, water wheels, and regulators therefor.

84.11 Turbo- jets, turbo- propellers and other gas turbines.

84.12 Other engines and motors.

84.16 Furnace burners for liquid fuel, for pulverised solid fuel or for gas; mechanical stokers, including their mechanical grates, mechanical ash dischargers and similar appliances.

84.17 Industrial or laboratory furnaces and ovens, including incinerators, nonelectric.

84.19 Machinery, plant or laboratory equipment, whether or not electrically heated (excluding furnaces, ovens and other equipment of heading 85.14), for the treatment of materials by a process involving a change of temperature such as heating, cooking, roasting, distilling, rectifying, sterilising, pasteurising, steaming, drying, evaporating, vaporising, condensing or cooling, other than machinery or plant of a kind used for domestic purposes; instantaneous or storage water heaters, nonelectric.

84.20 Calendering or other rolling machines, other than for metals or glass, and cylinders therefor.

84.21 Centrifuges, including centrifugal dryers; filtering or purifying machinery and apparatus, for liquids or gases.

8422.3000 - Machinery for filling, closing, sealing, or labelling bottles, cans, boxes, bags or other containers; machinery for capsuling bottles, jars, tubes and similar containers; machinery for aerating beverages

8422.4000 - Other packing or wrapping machinery (including heat- shrink wrapping machinery)

84.23 (Except 8423.1000) Weighing machinery (excluding balances of a sensitivity of 5 cg or better), including weight operated counting or checking machines; weighing machine weights of all kinds.

84.26 Ships' derricks; cranes, including cable cranes; mobile lifting frames, straddle carriers and works trucks fitted with a crane.

84.27 Fork- lift trucks; other works trucks fitted with lifting or handling equipment.

84.28 (Except 8428.1010 and 8428.4000) Other lifting, handling, loading or unloading machinery (for example, lifts, escalators, conveyors, teleferics).

84.29 Self- propelled bulldozers, angledozers, graders, levellers, scrapers, mechanical shovels, excavators, shovel loaders, tamping machines and road rollers.

84.30 Other moving, grading, levelling, scraping, excavating, tamping, compacting, extracting or boring machinery, for earth, minerals or ores; pile- drivers and pile- extractors; snow- ploughs and snow- blowers.

84.31 Parts suitable for use solely or principally with the machinery of headings 84.25 to 84.30.

84.32 Agricultural, horticultural or forestry machinery for soil preparation or cultivation; lawn or sports-ground rollers.

84.33 (Except 8433.1100 and 8433.1900) Harvesting or threshing machinery, including straw or fodder balers; grass or hay mowers; machines for cleaning, sorting or grading eggs, fruit or other agricultural produce, other than machinery of heading 84.37.

84.34 Milking machines and dairy machinery.

84.35 Presses, crushers and similar machinery used in the manufacture of wine, cider, fruit juices or similar beverages.

84.36 Other agricultural, horticultural, forestry, poultry- keeping or beekeeping machinery, including germination plant fitted with mechanical or thermal equipment; poultry incubators and brooders.

84.37 Machines for cleaning, sorting or grading seed, grain or dried leguminous vegetables; machinery used in the milling industry or for the working of cereals or dried leguminous vegetables, other than farm-type machinery.

84.38 Machinery, not specified or included elsewhere in this Chapter, for the industrial preparation or manufacture of food or drink, other than machinery for the extraction or preparation of animal or fixed vegetable fats or oils.

84.39 Machinery for making pulp of fibrous cellulosic material or for making or finishing paper or paperboard.

84.40 Book- binding machinery, including book- sewing machines.

84.41 Other machinery for making up paper pulp, paper or paperboard, including cutting machines of all kinds.

84.42 Machinery, apparatus and equipment (other than the machines of headings 84.56 to 84.65), for preparing or making plates, cylinders or other printing components; plates, cylinders and other printing components; plates, cylinders and lithographic stones, prepared for printing purposes (for example, planed, grained or polished).

8443.1100 Offset printing machinery, reel-fed

8443.1200 Offset printing machinery, sheet-fed, office type (using sheets with one side not exceeding 22 cm and the other side not exceeding 36 cm in the unfolded state)

8443.1300 Other offset printing machinery

8443.1400 Letterpress printing machinery, reel fed, excluding flexographic printing

8443.1500 Letterpress printing machinery, other than reel fed, excluding flexographic printing

8443.1600 - Flexographic printing machinery

8443.1700 Gravure printing machinery

8443.1910 Hot stamping machines

8443.1920 Label printing/embossing machines

8443.1930 Flat bed printing presses

8443.1940 Proof presses

8443.1951 On cotton textile

8443.1959 Other

8443.1990 Other

8444.0000 Machines for extruding, drawing, texturing or cutting man- made textile materials.

84.45 Machines for preparing textile fibres; spinning, doubling or twisting machines and other machinery for producing textile yarns; textile reeling or winding (including weft- winding) machines and machines for preparing textile yarns for use on the machines of heading 84.46 or 84.47.

84.46 Weaving machines (looms).

84.47 Knitting machines, stitch- bonding machines and machines for making gimped yarn, tulle, lace, embroidery, trimmings, braid or net and machines for tufting.

84.48 Auxiliary machinery for use with machines of heading 84.44, 84.45,

84.46 or 84.47 (for example, dobbies, Jacquards, automatic stop motions, shuttle changing mechanisms); parts and accessories suitable for use solely or principally with the machines of this heading or of heading 84.44, 84.45, 84.46 or 84.47 (for example, spindles and spindle flyers, card clothing, combs, extruding nipples, shuttles, healds and heald- frames, hosiery needles).

Payment to residents for use of machinery and equipment

Section 236Q

8449.0000 Machinery for the manufacture or finishing of felt or nonwovens in the piece or in shapes, including machinery for making felt hats; blocks for making hats.

84.51 Machinery (other than machines of heading 84.50) for washing, cleaning, wringing, drying, ironing, pressing (including fusing presses), bleaching, dyeing, dressing, finishing, coating or impregnating textile yarns, fabrics or made up textile articles and machines for applying the paste to the base fabric or other

support used in the manufacture of floor coverings such as linoleum; machines for reeling, unreeling, folding, cutting or pinking textile fabrics.

84.53 Machinery for preparing, tanning or working hides, skins or leather or for making or repairing footwear or other articles of hides, skins or leather, other than sewing machines.

84.54 Converters, ladles, ingot moulds and casting machines, of a kind used in metallurgy or in metal foundries.

84.55 Metal- rolling mills and rolls therefor.

84.56 Machine- tools for working any material by removal of material, by laser or other light or photon beam, ultrasonic, electro- discharge, electro- chemical, electron beam, ionic- beam or plasma arc processes; waterjet cutting machines.

84.57 Machining centres, unit construction machines (single station) and multistation transfer machines, for working metal.

84.58 Lathes (including turning centres) for removing metal.

84.59 Machine- tools (including way- type unit head machines) for drilling, boring, milling, threading or tapping by removing metal, other than lathes (including turning centres) of heading 84.58.

84.60 Machine- tools for deburring, sharpening, grinding, honing, lapping, polishing or otherwise finishing metal or cermets by means of grinding stones, abrasives or polishing products, other than gear cutting, gear grinding or gear finishing machines of heading 84.61.

84.61 Machine- tools for planing, shaping, slotting, broaching, gear cutting, gear grinding or gear finishing, sawing, cutting- off and other machinetools working by removing metal or cermets, not elsewhere specified or included.

84.62 Machine- tools (including presses) for working metal by forging, hammering or die- stamping; machine- tools (including presses) for working metal by bending, folding, straightening, flattening, shearing, punching or notching; presses for working metal or metal carbides, not specified above.

84.63 Other machine- tools for working metal or cermets, without removing material.

84.64 Machine- tools for working stone, ceramics, concrete, asbestos- cement or like mineral materials or for cold working glass.

84.68 Machinery and apparatus for soldering, brazing or welding, whether or not capable of cutting, other than those of heading 85.15; gas- operated surface tempering machines and appliances.

84.74 Machinery for sorting, screening, separating, washing, crushing, grinding, mixing or kneading earth, stone, ores or other mineral substances, in solid (including powder or paste) form; machinery for agglomerating, shaping or moulding solid mineral fuels, ceramic paste, unhardened cements, plastering materials or other mineral products in powder or paste form; machines for forming foundry moulds of sand.

84.75 Machines for assembling electric or electronic lamps, tubes or valves or flashbulbs, in glass envelopes; machines for manufacturing or hot working glass or glassware.

84.77 Machinery for working rubber or plastics or for the manufacture of products from these materials, not specified or included elsewhere in this Chapter.

84.78 Machinery for preparing or making up tobacco, not specified or included elsewhere in this Chapter.

84.79 (Except 8479.8960 and 8479.8990) Machines and mechanical appliances having individual functions, not specified or included elsewhere in this Chapter.

84.80 Moulding boxes for metal foundry; mould bases; moulding patterns; moulds for metal (other than ingot moulds), metal carbides, glass, mineral materials, rubber or plastics.

84.86 Machines and apparatus of a kind used solely or principally for the manufacture of semiconductor boules or wafers, semiconductor devices, electronic integrated circuits or flat panel displays; machines and apparatus specified in Note 9 (c) to this Chapter; parts and accessories.

8501.3300 Of an output exceeding 75 kW but not exceeding 375 kW

8501.3400 Of an output exceeding 375 kW

8502.1190 Other

8502.1200 Of an output exceeding 75 kVA but not exceeding 375 kVA

8502.3100 Wind-powered

8502.3900 Other

8503.0090 Other

8504.2100 Having a power handling capacity not exceeding 650 kVA

8504.2200 Having a power handling capacity exceeding 650 kVA but not exceeding 10,000 kVA

8504.2300 Having a power handling capacity exceeding 10,000 kVA

8504.3400 Having a power handling capacity exceeding 500 kVA

8504.5000 Other inductors

85.14 Industrial or laboratory electric furnaces and ovens (including those functioning by induction or dielectric loss); other industrial or laboratory equipment for the heat treatment of materials by induction or dielectric loss.

85.15 Electric (including electrically heated gas), laser or other light or photon beam, ultrasonic, electron beam, magnetic pulse or plasma arc soldering, brazing or welding machines and apparatus, whether or not capable of cutting; electric machines and apparatus for hot spraying of metals or cermets.

8543.3000 - Machines and apparatus for electroplating, electrolysis or electrophoresis

85.45 (Except 8545.1100 and 8545.9020) Carbon electrodes, carbon brushes, lamp carbons, battery carbons and other articles of graphite or other carbon, with or without metal, of a kind used for electrical purposes.

85.46 Electrical insulators of any material.

85.47 Insulating fittings for electrical machines, appliances or equipment, being fittings wholly of insulating material apart from any minor components of metal (for example, threaded sockets) incorporated during moulding solely for purposes of assembly, other than insulators of heading 85.46; electrical conduit tubing and joints therefor, of base metal lined with insulating material.

89052000 - Floating or Submersible Drilling or Production Platforms

PART II

PCT CODE	DESCRIPTION
(1)	(2)
05.05	Skins and other parts of birds, with their feathers or down, feathers and parts of feathers (whether or not with trimmed edges) and down, not further worked than cleaned, disinfected or treated for preservation; powder and waste of feathers or parts of feathers.
05.06	Bones and horn- cores, unworked, defatted, simply prepared (but not cut to shape), treated with acid or degelatinised; powder and waste of these products.
05.07	Ivory, tortoise- shell, whalebone and whalebone hair, horns, antlers, hooves, nails, claws and beaks, unworked or simply prepared but not cut to shape; powder and waste of these products.
05.08	Coral and similar materials, unworked or simply prepared but not otherwise worked; shells of molluscs, crustaceans or echinoderms and cuttle- bone, unworked or simply prepared but not cut to shape, powder and waste thereof.
0510.0000	Ambergris, castoreum, civet and musk; cantharides; bile, whether or not dried; glands and other animal products used in the preparation of pharmaceutical products, fresh, chilled, frozen or otherwise provisionally preserved.
05.11	Animal products not elsewhere specified or included; dead animals of Chapter 1 or 3, unfit for human consumption.
07.01	Potatoes, fresh or chilled.
0702.0000	Tomatoes, fresh or chilled.
07.03	Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled.
07.04	Cabbages, cauliflowers, kohlrabi, kale and similar edible brassicas, fresh or chilled. 07.05 Lettuce (<i>Lactuca sativa</i>) and chicory (<i>Cichorium spp.</i>), fresh or chilled.
07.06	Carrots, turnips, salad beetroot, salsify, celeriac, radishes and similar edible roots, fresh or chilled.
0707.0000	Cucumbers and gherkins fresh or chilled.
07.08	Leguminous vegetables, shelled or unshelled, fresh or chilled.
07.11	Vegetables provisionally preserved (for example, by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption.

07.13	Dried leguminous vegetables, shelled, whether or not skinned or split.
10.02	Rye.
10.03	Barley.
10.04	Oats.
10.05	Maize (corn).
1006.1010	Seed for sowing
11.08	Starches; inulin
12.01	Soya beans, whether or not broken.
12.05	Rape or colza seeds, whether or not broken.
1206.0000	Sunflower seeds, whether or not broken.
12.07	Other oil seeds and oleaginous fruits, whether or not broken.
12.09	Seeds, fruit and spores, of a kind used for sowing.
12.10	Hop cones, fresh or dried, whether or not ground, powdered or in the form of pellets; lupulin.
12.11	Plants and parts of plants (including seeds and fruits), of a kind used primarily in perfumery, in pharmacy or for insecticidal, fungicidal or similar purposes, fresh, chilled, frozen or dried, whether or not cut, crushed or powdered.
15.02	Fats of bovine animals, sheep or goats, other than those of heading 15.03.
15.07	Soya- bean oil and its fractions, whether or not refined, but not chemically modified.
15.11	Palm oil and its fractions, whether or not refined, but not chemically modified.
1518.0000	Animal or vegetable fats and oils and their fractions, boiled, oxidised, dehydrated, sulphurised, blown, polymerised by heat in vacuum or in inert gas or otherwise chemically modified, excluding those of heading 15.16; inedible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this Chapter, not elsewhere specified or included.
18.03	Cocoa paste, whether or not defatted.
23.06	Oil- cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of vegetable fats or oils, other than those of heading 23.04 or 23.05.
2502.0000	Unroasted iron pyrites.
2503.0000	Sulphur of all kinds, other than sublimed sulphur, precipitated Sulphur and colloidal sulphur.
25.04	Natural graphite.

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- 25.05 Natural sands of all kinds, whether or not coloured, other than metal bearing sands of chapter 26.
- 25.06 Quartz (other than natural sands); quartzite, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape.
- 2507.0000 Kaolin and other kaolinic clays, whether or not calcined.
- 25.08 Other clays (not including expanded clays of heading 68.06), andalusite, kyanite and sillimanite, whether or not calcined; mullite; chamotte or dinas earths.
- 2509.0000 Chalk.
- 25.10 Natural calcium phosphates, natural aluminium calcium phosphates and phosphatic chalk.
- 25.11 Natural barium sulphate (barytes); natural barium carbonate (witherite), whether or not calcined, other than barium oxide of heading 28.16.
- 2512.0000 Siliceous fossil meals (for example, kieselguhr, tripolite and diatomite) and similar siliceous earths, whether or not calcined, of an apparent specific gravity of 1 or less.
- 25.13 Pumice stone; emery; natural corundum, natural garnet and other natural abrasives, whether or not heat- treated.
- 2514.0000 Slate, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape.
- 25.18 Dolomite, whether or not calcined or sintered, including dolomite roughly 'trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape; dolomite ramming mix.
- 25.19 Natural magnesium carbonate (magnesite); fused magnesia; deadburned (sintered) magnesia, whether or not containing small quantities of other oxides added before sintering; other magnesium oxide, whether or not pure.
- 25.20 Gypsum; anhydrite; plasters (consisting of calcined gypsum or calcium sulphate) whether or not coloured, with or without small quantities of accelerators or retarders.
- 2521.0000 Limestone flux; limestone and other calcareous stone, of a kind used for the manufacture of lime or cement.
- 25.25 Mica, including splittings; mica waste.
- 2528.0000 Natural borates and concentrates thereof (whether or not calcined), but not including borates separated from natural brine; natural boric acid containing not more than 85 % of H₃BO₃ calculated on the dry weight.
- 25.29 Feldspar; leucite; nepheline and nepheline syenite; fluorspar.
- 25.30 Mineral substances not elsewhere specified or included.
- 26.01 Iron ores and concentrates, including roasted iron pyrites.
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- 2602.0000 Manganese ores and concentrates, including ferruginous manganese ores and concentrates with a manganese content of 20 % or more, calculated on the dry weight.
- 2603.0000 Copper ores and concentrates.
- 2604.0000 Nickel ores and concentrates.
- 2605.0000 Cobalt ores and concentrates.
- 2606.0000 Aluminium ores and concentrates.
- 2607.0000 Lead ores and concentrates.
- 2608.0000 Zinc ores and concentrates.
- 2609.0000 Tin ores and concentrates.
- 2610.0000 Chromium ores and concentrates.
- 2611.0000 Tungsten ores and concentrates.
- 26.12 Uranium or thorium ores and concentrates.
- 26.13 Molybdenum ores and concentrates.
- 2614.0000 Titanium ores and concentrates.
- 26.15 Niobium, tantalum, vanadium or zirconium ores and concentrates.
- 26.16 Precious metal ores and concentrates.
- 26.17 Other ores and concentrates.
- 2618.0000 Granulated slag (slag sand) from the manufacture of iron or steel.
- 2619.0000 Slag, dross (other than granulated slag), scalings and other waste from the manufacture of iron or steel.
- 26.20 Slag, ash and residues (other than from the manufacture of iron or steel) containing metals, arsenic or their compounds.
- 27.01 Coal; briquettes, ovoids and similar solid fuels manufactured from coal.
- 27.02 Lignite, whether or not agglomerated, excluding jet.
- 2703.0000 Peat (including peat litter), whether or not agglomerated.
- 27.04 Coke and semi- coke of coal, of lignite or of peat, whether or not agglomerated; retort carbon.
- 2705.0000 Coal gas, water gas, producer gas and similar gases, other than petroleum gases and other gaseous hydrocarbons.
- 27.07 Oils and other products of the distillation of high temperature coal tar; similar products in which the weight of the aromatic constituents exceeds that of the non- aromatic constituents.
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- 27.08 Pitch and pitch coke, obtained from coal tar or from other mineral tars.
- 2709.0000 Petroleum oils and oils obtained from bituminous minerals, crude
- 28.03 Carbon (carbon blacks and other forms of carbon not elsewhere specified or included).
- 28.04 Hydrogen, rare gases and other non- metals.
- 28.05 Alkali or alkaline- earth metals; rare- earth metals, scandium and yttrium, whether or not intermixed or inter- alloyed; mercury.
- 28.08 Nitric acid; sulphonitric acids.
- 28.09 Diphosphorus pentaoxide; phosphoric acid; polyphosphoric acids, whether or not chemically defined.
- 28.11 Other inorganic acids and other inorganic oxygen compounds of nonmetals.
- 28.14 Ammonia, anhydrous or in aqueous solution.
- 28.15 Sodium hydroxide (caustic soda); potassium hydroxide (caustic potash); peroxides of sodium or potassium.
- 2817.0000 Zinc oxide; zinc peroxide.
- 28.18 Artificial corundum, whether or not chemically defined; aluminium oxide; aluminium hydroxide.
- 28.19 Chromium oxides and hydroxides.
- 28.20 Manganese oxides.
- 28.21 Iron oxides and hydroxides; earth colours containing 70 % or more by weight of combined iron evaluated as Fe_2O_3 .
- 2822.0000 Cobalt oxides and hydroxides; commercial cobalt oxides.
- 28.23 Titanium oxides.
- 28.24 Lead oxides; red lead and orange lead.
- 28.25 Hydrazine and hydroxylamine and their inorganic salts; other inorganic bases; other metal oxides, hydroxides and peroxides.
- 28.26 Fluorides; fluorosilicates, fluoroaluminates and other complex fluorine salts.
- 28.27 Chlorides, chloride oxides and chloride hydroxides; bromides and bromide oxides; iodides and iodide oxides.
- 28.44 Radioactive chemical elements and radioactive isotopes (including the fissile or fertile chemical elements and isotopes) and their compounds; mixtures and residues containing these products.
- 28.45 Isotopes other than those of heading 28.44; compounds, inorganic or organic, of such isotopes, whether or not chemically defined.
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- 28.46 Compounds, inorganic or organic, of rare- earth metals, of yttrium or of scandium or of mixtures of these metals.
- 28.49 Carbides, whether or not chemically defined.
- 2850.0000 Hydrides, nitrides, azides, silicides and borides, whether or not chemically defined, other than compounds which are also carbides of heading 28.49.
- 28.52 Inorganic or organic compounds of mercury, whether or not chemically defined, excluding amalgams.
- 28.53 Phosphides, whether or not chemically defined, excluding ferrophosphorus; other inorganic compounds (including distilled or conductivity water and water of similar purity); liquid air (whether or not rare gases have been removed); compressed air; amalgams, other than amalgams of precious metals.
- 29.01 Acyclic hydrocarbons.
- 29.02 Cyclic hydrocarbons.
- 29.03 Halogenated derivatives of hydrocarbons.
- 29.04 Sulphonated, nitrated or nitrosated derivatives of hydrocarbons, whether or not halogenated.
- 29.05 Acyclic alcohols and their halogenated, sulphonated, nitrated or nitrosated derivatives.
- 29.06 Cyclic alcohols and their halogenated, sulphonated, nitrated or nitrosated derivatives.
- 29.07 Phenols; phenol- alcohols.
- 29.08 Halogenated, sulphonated, nitrated or nitrosated derivatives of phenols or phenol- alcohols.
- 29.09 Ethers, ether- alcohols, ether- phenols, ether- alcohol- phenols, alcohol peroxides, ether peroxides, ketone peroxides (whether or not chemically defined), and their halogenated, sulphonated, nitrated or nitrosated derivatives.
- 29.10 Epoxides, epoxyalcohols, epoxyphenols and epoxyethers, with a threemembered ring, and their halogenated, sulphonated, nitrated or nitrosated derivatives.
- 2911.0000 Acetals and hemiacetals, whether or not with other oxygen function, and their halogenated, sulphonated, nitrated or nitrosated derivatives.
- 29.12 Aldehydes, whether or not with other oxygen function; cyclic polymers of aldehydes; paraformaldehyde.
- 2913.0000 Halogenated, sulphonated, nitrated or nitrosated derivatives of products of heading 29.12.
- 29.14 Ketones and quinones, whether or not with other oxygen function, and their halogenated, sulphonated, nitrated or nitrosated derivatives.
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- 29.15 Saturated acyclic monocarboxylic acids and their anhydrides, halides, peroxides and peroxyacids; their halogenated, sulphonated, nitrated or nitrosated derivatives.
- 29.16 Unsaturated acyclic monocarboxylic acids, cyclic monocarboxylic acids, their anhydrides, halides, peroxides and peroxyacids; their halogenated, sulphonated, nitrated or nitrosated derivatives.
- 29.17 Polycarboxylic acids, their anhydrides, halides, peroxides and peroxyacids; their halogenated, sulphonated, nitrated or nitrosated derivatives.
- 29.18 Carboxylic acids with additional oxygen function and their anhydrides, halides, peroxides and peroxyacids; their halogenated, sulphonated, nitrated or nitrosated derivatives.
- 29.19 Phosphoric esters and their salts, including lactophosphates; their halogenated, sulphonated, nitrated or nitrosated derivatives.
- 29.20 Esters of other inorganic acids of non- metals (excluding esters of hydrogen halides) and their salts; their halogenated, sulphonated, nitrated or nitrosated derivatives.
- 29.21 Amine- function compounds.
- 29.22 Oxygen- function amino- compounds.
- 29.23 Quaternary ammonium salts and hydroxides; lecithins and other phosphoaminolipids, whether or not chemically defined.
- 29.24 Carboxamide- function compounds; amide- function compounds of carbonic acid.
- 29.25 Carboximide- function compounds (including saccharin and its salts) and imine- function compounds.
- 29.26 Nitrile- function compounds.
- 29.27 Diazo- , azo- or azoxy- compounds.
- 29.28 Organic derivatives of hydrazine or of hydroxylamine.
- 29.29 Compounds with other nitrogen function.
- 29.30 Organo- sulphur compounds.
- 29.31 Other organo- inorganic compounds.
- 29.32 Heterocyclic compounds with oxygen hetero- atom(s) only.
- 29.33 Heterocyclic compounds with nitrogen hetero- atom(s) only.
- 29.34 Nucleic acids and their salts, whether or not chemically defined; other heterocyclic compounds.
- 29.35 Sulphonamides.

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- 29.36 Provitamins and vitamins, natural or reproduced by synthesis (including natural concentrates), derivatives thereof used primarily as vitamins, and intermixtures of the foregoing, whether or not in any solvent.
- 29.37 Hormones, prostaglandins, thromboxanes and leukotrienes, natural or reproduced by synthesis; derivatives and structural analogues thereof, including chain modified polypeptides, used primarily as hormones.
- 29.38 Glycosides, natural or reproduced by synthesis, and their salts, ethers, esters and other derivatives.
- 29.39 Alkaloids, natural or reproduced by synthesis, and their salts, ethers, esters and other derivatives.
- 29.41 Antibiotics.
- 2942.0000 Other organic compounds.
- 30.01 Glands and other organs for organo- therapeutic uses, dried, whether or not powdered; extracts of glands or other organs or of their secretions for organo- therapeutic uses; heparin and its salts; other human or animal substances prepared for therapeutic or prophylactic uses, not elsewhere specified or included.
- 31.02 (except 3102.1000) Mineral or chemical fertilisers, nitrogenous.
- 31.03 Mineral or chemical fertilisers, phosphatic.
- 31.05 Mineral or chemical fertilisers containing two or three of the fertilizing elements nitrogen, phosphorus and potassium; other fertilisers; goods of this Chapter in tablets or similar forms or in packages of a gross weight not exceeding 10 kg.
- 32.01 Tanning extracts of vegetable origin; tannins and their salts, ethers, esters and other derivatives.
- 32.02 Synthetic organic tanning substances; inorganic tanning substances; tanning preparations, whether or not containing natural tanning substances; enzymatic preparations for pre-tanning.
- 32.14 Glaziers' putty, grafting putty, resin cements, caulking compounds and other mastics; painters' fillings; non- refractory surfacing preparations for facades, indoor walls, floors, ceilings or the like.
- 33.02 Mixtures of odoriferous substances and mixtures (including alcoholic solutions) with a basis of one or more of these substances, of a kind used as raw materials in industry; other preparations based on odoriferous substances, of a kind used for the manufacture of beverages.
- 34.03 Lubricating preparations (including cutting- oil preparations, bolt or nut release preparations, anti- rust or anti- corrosion preparations and mould release preparations, based on lubricants) and preparations of a kind used for the oil or grease treatment of textile materials, leather, furskins or other materials, but excluding preparations containing, as basic constituents, 70 % or more by weight of petroleum oils or of oils obtained from bituminous minerals.
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- 3504.0000 Peptones and their derivatives; other protein substances and their derivatives, not elsewhere specified or included; hide powder, whether or not chromed.
- 35.05 Dextrins and other modified starches (for example, pre- gelatinised or esterified starches); glues based on starches, or on dextrins or other modified starches.
- 37.02 Photographic film in rolls, sensitised, unexposed, of any material other than paper, paperboard or textiles; instant print film in rolls, sensitised, unexposed.
- 37.03 Photographic paper, paperboard and textiles, sensitised, unexposed.
- 3704.0000 Photographic plates, film, paper, paperboard and textiles, exposed but not developed.
- 3705.0000 Photographic plates and film, exposed and developed, other than cinematographic film.
- 37.07 Chemical preparations for photographic uses (other than varnishes, glues, adhesives and similar preparations); unmixed products for photographic uses, put up in measured portions or put up for retail sale in a form ready for use.
- 38.01 Artificial graphite; colloidal or semi- colloidal graphite; preparations based on graphite or other carbon in the form of pastes, blocks, plates or other semi- manufactures.
- 3803.0000 Tall oil, whether or not refined.
- 3804.0000 Residual lyes from the manufacture of wood pulp, whether or not concentrated, desugared or chemically treated, including lignin sulphonates, but excluding tall oil of heading 38.03.
- 38.06 Rosin and resin acids, and derivatives thereof; rosin spirit and rosin oils; run gums.
- 38.09 Finishing agents, dye carriers to accelerate the dyeing or fixing of dyestuffs and other products and preparations (for example, dressings and mordants), of a kind used in the textile, paper, leather or like industries, not elsewhere specified or included.
- 38.10 Pickling preparations for metal surfaces; fluxes and other auxiliary preparations for soldering, brazing or welding; soldering, brazing or welding powders and pastes consisting of metal and other materials; preparations of a kind used as cores or coatings for welding electrodes or rods.
- 38.12 Prepared rubber accelerators; compound plasticisers for rubber or plastics, not elsewhere specified or included; anti- oxidising preparations and other compound stabilisers for rubber or plastics.
- 38.15 Reaction initiators, reaction accelerators and catalytic preparations, not elsewhere specified or included.
- 3816.0000 Refractory cements, mortars, concretes and similar compositions, other than products of heading 38.01.
- 3817.0000 Mixed alkylbenzenes and mixed alkyl naphthalenes, other than those of heading 27. 07 or 29. 02.
- 3818.0000 Chemical elements doped for use in electronics, in the form of discs, wafers or similar forms; chemical compounds doped for use in electronics.
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- 3821.0000 Prepared culture media for the development or maintenance of microorganisms (including viruses and the like) or of plant, human or animal cells
- 38.23 Industrial monocarboxylic fatty acids; acid oils from refining; industrial fatty alcohols.
- 38.24 Prepared binders for foundry moulds or cores; chemical products and preparations of the chemical or allied industries (including those consisting of mixtures of natural products), not elsewhere specified or included.
- 39.01 Polymers of ethylene, in primary forms.
- 39.02 Polymers of propylene or of other olefins, in primary forms.
- 39.03 Polymers of styrene, in primary forms.
- 39.04 Polymers of vinyl chloride or of other halogenated olefins, in primary forms.
- 39.07 Polyacetals, other polyethers and epoxide resins, in primary forms; polycarbonates, alkyd resins, polyallyl esters and other polyesters, in primary forms.
- 39.08 Polyamides in primary forms.
- 3910.0000 Silicones in primary forms.
- 39.14 Ion- exchangers based on polymers of headings 39.01 to 39.13, in primary forms.
- 40.01 Natural rubber, balata, gutta- percha, guayule, chicle and similar natural gums, in primary forms or in plates, sheets or strip.
- 40.02 Synthetic rubber and factice derived from oils, in primary forms or in plates, sheets or strip; mixtures of any product of heading 40.01 with anyproduct of this heading, in primary forms or in plates, sheets or strip.
- 4003.0000 Reclaimed rubber in primary forms or in plates, sheets or strip.
- 40.04 Waste, parings and scrap of rubber (other than hard rubber) and powders and granules obtained therefrom.
- 40.05 Compounded rubber, unvulcanised, in primary forms or in plates, sheets or strip.
- 41.01 Raw hides and skins of bovine (including buffalo) or equine animals (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment- dressed or further prepared), whether or not dehaired or split.
- 41.02 Raw skins of sheep or lambs (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment- dressed or further prepared), whether or not with wool on or split, other than those excluded by Note 1 (c) to this Chapter.
- 41.03 Other raw hides and skins (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment- dressed or further prepared), whether or not dehaired or split, other than those excluded by Note 1 (b) or 1 (c) to this Chapter.
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- 41.04 Tanned or crust hides and skins of bovine (including buffalo) or equine animals, without hair on, whether or not split, but not further prepared.
- 41.05 Tanned or crust skins of sheep or lambs, without wool on, whether or not split, but not further prepared.
- 41.06 Tanned or crust hides and skins of other animals, without wool or hair on, whether or not split, but not further prepared.
- 41.07 Leather further prepared after tanning or crusting, including parchmentdressed leather, of bovine (including buffalo) or equine animals, without hair on, whether or not split, other than leather of heading 41. 14.
- 4112.0000 Leather further prepared after tanning or crusting, including parchmentdressed leather, of sheep or lamb, without wool on, whether or not split, other than leather of heading 41.14.
- 41.13 Leather further prepared after tanning or crusting, including parchmentdressed leather, of other animals, without wool or hair on, whether or not split, other than leather of heading 41. 14.
- 41.14 Chamois (including combination chamois) leather; patent leather and patent laminated leather; metallised leather.
- 41.15 Composition leather with a basis of leather or leather fibre, in slabs, sheets or strip, whether or not in rolls; parings and other waste of leather or of composition leather, not suitable for the manufacture of leather articles; leather dust, powder and flour.
- 42.05 (Except 4205.0090) Other articles of leather or of composition leather.
- 43.01 Raw furskins (including heads, tails, paws and other pieces or cuttings, suitable for furriers' use), other than raw hides and skins of heading 41.01, 41.02 or 41.03.
- 43.02 Tanned or dressed furskins (including heads, tails, paws and other pieces or cuttings), unassembled, or assembled (without the addition of other materials) other than those of heading 43.03.
- 44.01 Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms; wood in chips or particles; sawdust and wood waste and scrap, whether or not agglomerated in logs, briquettes, pellets or similar forms.
- 44.02 Wood charcoal (including shell or nut charcoal), whether or not agglomerated.
- 44.03 Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared.
- 44.04 Hoopwood; split poles; piles, pickets and stakes of wood, pointed but not sawn lengthwise; wooden sticks, roughly trimmed but not turned, bent or otherwise worked, suitable for the manufacture of walking- sticks, umbrellas, tool handles or the like; chipwood and the like.
- 4405.0000 Wood wool; wood flour.
- 44.06 Railway or tramway sleepers (cross- ties) of wood.
- 4701.0000 Mechanical wood pulp.
- 4702.0000 Chemical wood pulp, dissolving grades.
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47.03	Chemical wood pulp, soda or sulphate, other than dissolving grades.
47.04	Chemical wood pulp, sulphite, other than dissolving grades.
4705.0000	Wood pulp obtained by a combination of mechanical and chemical pulping processes.
47.06	Pulps of fibres derived from recovered (waste and scrap) paper or paperboard or of other fibrous cellulosic material.
47.07	Recovered (waste and scrap) paper or paperboard.
48.04	Uncoated kraft paper and paperboard, in rolls or sheets, other than that of heading 48.02 or 48.03.
48.10	Paper and paperboard, coated on one or both sides with kaolin (China clay) or other inorganic substances, with or without a binder, and with no other coating, whether or not surface-coloured, surface-decorated or printed, in rolls or rectangular (including square) sheets, of any size.
48.13	Cigarette paper, whether or not cut to size or in the form of booklets or tubes.
48.22	Bobbins, spools, cops and similar supports of paper pulp, paper or paperboard (whether or not perforated or hardened).
4823.9040 - - -	Double Side Adhesive Tapes
5001.0000	Silk- worm cocoons suitable for reeling.
5002.0000	Raw silk (not thrown).
5003.0000	Silk waste (including cocoons unsuitable for reeling, yarn waste and garnetted stock).
5004.0000	Silk yarn (other than yarn spun from silk waste) not put up for retail sale.
5005.0000	Yarn spun from silk waste, not put up for retail sale.
51.01	Wool, not carded or combed.
51.02	Fine or coarse animal hair, not carded or combed.
51.03	Waste of wool or of fine or coarse animal hair, including yarn waste but excluding garnetted stock.
5104.0000	Garnetted stock of wool or of fine or coarse animal hair.
51.05	Wool and fine or coarse animal hair, carded or combed (including combed wool in fragments).
51.06	Yarn of carded wool, not put up for retail sale.
51.07	Yarn of combed wool, not put up for retail sale.
51.08	Yarn of fine animal hair (carded or combed), not put up for retail sale.
52.05	Cotton yarn (other than sewing thread), containing 85 % or more by weight of cotton, not put up for retail sale.

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- 52.06 Cotton yarn (other than sewing thread), containing less than 85 % by weight of cotton, not put up for retail sale.
- 53.01 Flax, raw or processed but not spun; flax tow and waste (including yarn waste and garnetted stock).
- 53.02 True hemp (*Cannabis sativa* L.), raw or processed but not spun; tow and waste of true hemp (including yarn waste and garnetted stock).
- 53.03 Jute and other textile bast fibres (excluding flax, true hemp and ramie), raw or processed but not spun; tow and wastes of these fibres (including yarn waste and garnetted stock).
- 53.05 Coconut, abaca (*Manila hemp* or *Musa textilis* Nee), ramie and other vegetable textile fibres, not elsewhere specified or included, raw or processed but not spun; tow, noils and waste of these fibres (including yarn waste and garnetted stock).
- 53.06 Flax yarn.
- 53.07 Yarn of jute or of other textile bast fibres of heading 53.03.
- 54.02 Synthetic filament yarn (other than sewing thread), not put up for retail sale, including synthetic monofilament of less than 67 decitex.
- 55.01 Synthetic filament tow.
- 55.02 Artificial filament tow.
- 55.03 Synthetic staple fibres, not carded, combed or otherwise processed for spinning.
- 55.04 Artificial staple fibres, not carded, combed or otherwise processed for spinning.
- 55.05 Waste (including noils, yarn waste and garnetted stock) of man- made fibres.
- 55.06 Synthetic staple fibres, carded, combed or otherwise processed for spinning.
- 5507.0000 Artificial staple fibres, carded, combed or otherwise processed for spinning.
- 55.08 Sewing thread of man- made staple fibres, whether or not put up for retail sale.
- 55.09 Yarn (other than sewing thread) of synthetic staple fibres, not put up for retail sale.
- 55.10 Yarn (other than sewing thread) of artificial staple fibres, not put up for retail sale.
- 55.11 Yarn (other than sewing thread) of man- made staple fibres, put up for retail sale.
- 55.12 Woven fabrics of synthetic staple fibres, containing 85 % or more by weight of synthetic staple fibres.
- 55.13 Woven fabrics of synthetic staple fibres, containing less than 85 % by weight of such fibres, mixed mainly or solely with cotton, of a weight not exceeding 170 g/m².
- 55.14 Woven fabrics of synthetic staple fibres, containing less than 85 % by weight of such fibres, mixed mainly or solely with cotton, of a weight exceeding 170 g/m².
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- 55.15 Other woven fabrics of synthetic staple fibres.
- 55.16 Woven fabrics of artificial staple fibres.
- 56.01 Wadding of textile materials and articles thereof; textile fibres, not exceeding 5 mm in length (flock), textile dust and mill neps.
- 56.08 Knotted netting of twine, cordage or rope; made up fishing nets and other made up nets, of textile materials.
- 59.02 Tyre cord fabric of high tenacity yarn of nylon or other polyamides, polyesters or viscose rayon.
- 63.10 Used or new rags, scrap twine, cordage, rope and cables and worn out articles of twine, cordage, rope or cables, of textile materials.
- 68.15 Articles of stone or of other mineral substances (including carbon fibres, articles of carbon fibres and articles of peat), not elsewhere specified or included.
- 70.02 Glass in balls (other than microspheres of heading 70.18), rods or tubes, unworked.
- 71.05 Dust and powder of natural or synthetic precious or semi- precious stones.
- 72.01 Pig iron and, spiegeleisen in pigs, blocks or other primary form.
- 72.02 Ferro- alloys.
- 72.03 Ferrous products obtained by direct reduction of iron ore and other spongy ferrous products, in lumps, pellets or similar forms; iron having a minimum purity by weight of 99.94 %, In lumps, pellets or similar forms.
- 72.05 Granules and powders, of pig iron, spiegeleisen, iron or steel.
- 72.06 Iron and non- alloy steel in ingots or other primary forms (excluding iron of heading 72.03).
- 72.08 Flat- rolled products of iron or non- alloy steel, of a width of 600 mm or more, hot- rolled, not clad, plated or coated.
- 72.09 Flat- rolled products of iron or non- alloy steel, of a width of 600 mm or more, cold- rolled (cold- reduced), not clad, plated or coated.
- 72.10 Flat- rolled products of iron or non- alloy steel, of a width of 600 mm or more, clad, plated or coated.
- 72.11 Flat- rolled products of iron or non- alloy steel, of a width of less than 600 mm, not clad, plated or coated.
- 72.12 Flat- rolled products of iron or non- alloy steel, of a width of less than 600 mm, clad, plated or coated.
- 72173010 Of A Kind Used In Manufacture Of Pneumatic Tyres (Bead Wire)
- 72.18 Stainless steel in ingots or other primary forms; semi- finished products of stainless steel.
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72.19	Flat- rolled products of stainless steel, of a width of 600 mm or more.
72.20	Flat- rolled products of stainless steel, of a width of less than 600 mm.
72.25	Flat- rolled products of other alloy steel, of a width of 600 mm or more.
72.26	Flat- rolled products of other alloy steel, of a width of less than 600 mm.
72.27	Bars and rods, hot- rolled, in irregularly wound coils, of other alloy steel.
7315.1920	Other for Motor Cars and Vehicles
7401.0000	Copper mattes; cement copper (precipitated copper).
7402.0000	Unrefined copper; copper anodes for electrolytic refining.
74.03	Refined copper and copper alloys, unwrought.
74.04	Copper waste and scrap.
7405.0000	Master alloys of copper.
74.06	Copper powders and flakes.
74.07	Copper bars, rods and profiles.
74.08	Copper wire.
74.09	Copper plates, sheets and strip, of a thickness exceeding 0.15 mm.
74.10	Copper foil (whether or not printed or backed with paper, paperboard, plastics or similar backing materials), of a thickness (excluding any backing) not exceeding 0.15 mm.
74.11	Copper tubes and pipes.
7413.0000	Stranded wire, cables, plaited bands and the like, of copper, not electrically insulated.
75.01	Nickel mattes, nickel oxide sinters and other intermediate products of nickel metallurgy.
75.02	Unwrought nickel.
7503.0000	Nickel waste and scrap.
7504.0000	Nickel powders and flakes.
75.05	Nickel bars, rods, profiles and wire.
75.06	Nickel plates, sheets, strip and foil.
76.01	Unwrought aluminium.
76.02	Aluminium waste or scrap.
76.03	Aluminium powders and flakes.
76.06	Aluminium plates, sheets and strip, of a thickness exceeding 0.2 mm.

76071100	Rolled but Not Further Worked
76.08	Aluminium tubes and pipes.
78.01	Unwrought lead.
7802.0000	Lead waste and scrap.
78.04	Lead plates, sheets, strip and foil; lead powders and flakes.
79.01	Unwrought zinc.
7902.0000	Zinc waste and scrap.
79.03	Zinc dust, powders and flakes.
79.04	Zinc bars, rods, profiles and wire.
79.07	Other articles of zinc.
80.01	Unwrought tin.
8002.0000	Tin waste and scrap.
8003.0000	Tin bars, rods, profiles and wire
81.01	Tungsten (wolfram) and articles thereof, including waste and scrap
81.02	Molybdenum and articles thereof, including waste and scrap.
81.03	Tantalum and articles thereof, including waste and scrap.
81.04	Magnesium and articles thereof, including waste and scrap.
81.05	Cobalt mattes and other intermediate products of cobalt metallurgy; cobalt and articles thereof, including waste and scrap.
8106.0000	Bismuth and articles thereof, including waste and scrap.
81.07	Cadmium and articles thereof, including waste and scrap.
81.08	Titanium and articles thereof, including waste and scrap.
81.09	Zirconium and articles thereof, including waste and scrap.
81.10	Antimony and articles thereof, including waste and scrap.
8111.0000	Manganese and articles thereof, including waste and scrap.
81.12	Beryllium, chromium, germanium, vanadium, gallium, hafnium, indium, niobium (columbium), rhenium and thallium, and articles of these metals, including waste and scrap.
8113.0000	Cermets and articles thereof, including waste and scrap.
83.09	Stoppers, caps and lids (including crown corks, screw caps and pouring stoppers), capsules for bottles, threaded bungs, bung covers, seals and other packing accessories, of base metal.

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- 83.11 Wire, rods, tubes, plates, electrodes and similar products, of base metal or of metal carbides, coated or cored with flux material, of a kind used for soldering, brazing, welding or deposition of metal or of metal carbides; wire and rods, of agglomerated base metal powder, used for metal spraying.
- 84.07 Spark- ignition reciprocating or rotary internal combustion piston engines.
- 84.08 Compression- ignition internal combustion piston engines (diesel or semi- diesel engines).
- 84.09 Parts suitable for use solely or principally with the engines of heading 84.07 or 84.08.
- 8414.1000 Vacuum pumps
- 8414.3010 Used with HCFC and non-CFC gases
- 8414.9010 Of machines of heading 8414.1000 and 8414.3010
- 84.65 Machine- tools (including machines for nailing, stapling, glueing or otherwise assembling) for working wood, cork, bone, hard rubber, hard plastics or similar hard materials.
- 84.66 Parts and accessories suitable for use solely or principally with the machines of headings 84.56 to 84.65, including work or tool holders, self- opening dieheads, dividing heads and other special attachments for the machines; tool holders for any type of tool for working in the hand.
- 84.67 Tools for working in the hand, pneumatic, hydraulic or with selfcontained electric or non-electric motor.
- 8479.8990 Other
- 84.82 Ball or roller bearings.
- 84.84 Gaskets and similar joints of metal sheeting combined with other material or of two or more layers of metal; sets or assortments of gaskets and similar joints, dissimilar in composition, put up in pouches, envelopes or similar packings; mechanical seals.
- 8501.1000 Motors of an output not exceeding 37.5 W
- 8501.2000 Universal AC/DC motors of an output exceeding 37.5 W
- 8501.3110 Photovoltaic generators consisting of panels of photocells combined with other apparatus
- 8501.4010 Of an output not exceeding 60 watts
- 8501.4090 Other
- 8501.5120 AC clutch motors for industrial sewing machine
- 8501.5310 Of an output exceeding 75 kW but not exceeding 375 kW (500 HP)
- 85.03 (except 8503.0090) Parts suitable for use solely or principally with the machines of heading 85.01 or 85.02.
- 8504.9010 On load-tape changer for power transformers
- 8504.9020 Bushings for power transformers
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- 8504.9030 Of machines of heading 8504.4090
- 8504.9040 Toroidal cores and strips
- 8504.9090 Other
- 85.05 Electro- magnets; permanent magnets and articles intended to become permanent magnets after magnetisation; electro- magnetic or permanent magnet chucks, clamps and similar holding devices; electromagnetic couplings, clutches and brakes; electro- magnetic lifting heads.
- 85.11 Electrical ignition or starting equipment of a kind used for spark- ignition or compression- ignition internal combustion engines (for example, ignition magnetos, magneto- dynamos, ignition coils, sparking plugs and glow plugs, starter motors); generators (for example, dynamos, alternators) and cut-outs of a kind used in conjunction with such engines.
- 85.12 Electrical lighting or signalling equipment (excluding articles of heading 85.39), windscreen wipers, defrosters and demisters, of a kind used for cycles or motor vehicles.
- 8528.7213 In CKD/SKD condition
- 85.29 Parts suitable for use solely or principally with the apparatus of headings 85.25 to 85.28.
- 85.33 Electrical resistors (including rheostats and potentiometers), other than heating resistors.
- 8534.0000 Printed circuits.
- 85.35 Electrical apparatus for switching or protecting electrical circuits, or for making connections to or in electrical circuits (for example, switches, fuses, lightning arresters, voltage limiters, surge suppressors, plugs and other connectors, junction boxes), for a voltage exceeding 1,000 volts.
- 85.37 Boards, panels, consoles, desks, cabinets and other bases, equipped with two or more apparatus of heading 85.35 or 85.36, for electric control or the distribution of electricity, including those incorporating instruments or apparatus of Chapter 90, and numerical control apparatus, other than switching apparatus of heading 85.17.
- 85.38 Parts suitable for use solely or principally with the apparatus of heading 85.35, 85.36 or 85.37.
- 85.40 Thermionic, cold cathode or photo- cathode valves and tubes (for example, vacuum or vapour or gas filled valves and tubes, mercury arc rectifying valves and tubes, cathode- ray tubes, television camera tubes).
- 85.41 Diodes, transistors and similar semi- conductor devices; photosensitive semiconductor devices, including photovoltaic cells whether or not assembled in modules or made up into panels; light-emitting diodes(LED); mounted piezo- electric crystals.
- 85.42 Electronic integrated circuits.
- 8545.1100 Of A Kind Used for Furnaces
- 8545.9020 For dry battery cells
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85.48 Waste and scrap of primary cells, primary batteries and electric accumulators; spent primary cells, spent primary batteries and spent electric accumulators; electrical parts of machinery or apparatus, not specified or included elsewhere in this Chapter.

8701.2010 Components for The Assembly / Manufacture of Road Tractors for Semi-Trailers (Prime Movers), In Any Kit Form, Of Less Than 280 Hp.

8701.2030 Components for The Assembly / Manufacture of Road Tractors for Semi-Trailers (Prime Movers), In Any Kit Form, Of 280 Hp and Above

8702.1010 Components for Assembly / Manufacture of Vehicles, In Any Kit Form

8703.2111 Components for The Assembly/ Manufacture of Vehicles, In Any Kit Form Excluding Those of Headings 8703.2113 And 8703.2115

8703.2112 Components for The Assembly / Manufacture of Mini Van Type Vehicles, In Any Kit Form

8703.2114 Components for The Assembly/ Manufacture of Auto Rickshaws, In Any Kit Form

8703.2191 Components for The Assembly / Manufacture of Vehicles, In Any Kit Form Excluding Those of Heading 8703.2193 And 8703.2195

8703.2194 Components for The Assembly / Manufacture of Mini Van, In Any Kit Form

8703.2210 Components for The Assembly / Manufacture of Vehicles, In Any Kit Form Excluding Those of Heading 8703.2240

8703.2311 Components for The Assembly / Manufacture of Vehicles, In Any Kit Form

8703.2321 Components for The Assembly / Manufacture of Vehicles, In Any Kit Form Excluding of Heading 8703.2323

8703.2322 Components for The Assembly / Manufacture of Sport Utility Vehicles 4X4, In Any Kit Form.

8703.3310 Components for The Industrial Assembly/ Manufacture of Vehicles, In Any Kit Form

8704.1010 Components for Assembly/ Manufacture of Dump Trucks Designed for Off-Highway Use

8704.2110 Components for The Assembly / Manufacture of Vehicles, In Any Kit Form

8704.2211 Components for The Assembly / Manufacture of Vehicles, In Any Kit Form

8704.2291 Components for The Assembly / Manufacture of Vehicles, In Any Kit Form

8704.2310 Components for The Assembly / Manufacture of Vehicles, In Any Kit Form

8704.3110 Components for The Assembly / Manufacture, In Any Kit Form Excluding Those of Heading 8704.3130 And 8704.3150

8704.3120 Components for The Assembly / Manufacture of Mini Cargo Van, In Any Kit Form

8704.3140 Components for The Assembly / Manufacture of 3-Wheeler Cargo Loader, In Any Kit Form

8711.2010	Components for The Assembly / Manufacture of Vehicles, In Any Kit Form
8908.0000	Vessels and other floating structures for breaking up.
90.32	Automatic regulating or controlling instruments and apparatus.
91.04	Instrument panel clocks and clocks of a similar type for vehicles, aircraft, spacecraft or vessels.
9107.0000	Time switches with clock or watch movement or with synchronous motor.
9401.9010	Seat Parts Made Of Foam, Head/Arm Rests And Seat Frames For Motor Cars Of Heading 87.03 And Vehicles Of Sub-Headings 8703.2113, 8703.2115, 8703.2193, 8703.2195, 8703.2240,
9401.9030	Other for Motor Cars and Vehicles
96.06	Buttons, press- fasteners, snap- fasteners and press- studs, button moulds and other parts of these articles; button blanks.
96.07	Slide fasteners and parts thereof.

Part III

PCT CODE	DESCRIPTION
(1)	(2)
Respective headings	Goods not specifically mentioned in Part I or II.”;

SIGNIFICANT CHANGES IN SALES TAX ACT, 1990

Definitions

[Section 2(1)(a)]

Clause (1) in sub-clause (a) the word 'blocked' has been proposed to be omitted.

With this amendment, now only blacklisted or suspended registered persons shall be deleted from active taxpayers list.

Definitions

[Section 2(1)(d)]

In sub-clause (d), the filing of withholding statement for 'two consecutive months' has been proposed to be substituted with 'quarterly'.

After this amendment, a person who fails to file withholding statement under section 165 for a quarter of a year, instead of two consecutive months as per existing provisions, shall be removed from active taxpayers list.

Definitions

[Section 2(20)]

In clause 20, the bill proposes to substitute output of provincial sales tax with Islamabad Capital Territory (Tax on Services), Ordinance, 2001 in the definition of output tax under this clause.

Definitions

[Section 2(46)(h)]

In clause (46) sub-clause (h), WAPDA is proposed to be included along with independent power producers. This amendment is proposed to take effect from 1st July, 2019 for the purpose of calculating the value of supply of electricity for sales tax purposes.

Definitions

[Section 2(46)(j)]

A new sub-clause (j) is proposed to be inserted for the purpose of charging Sales Tax on the value of supply in respect of Sale and Purchase, by registered persons, of used vehicles on which Sales Tax was already paid at manufacturing/import stage is defined as difference between value added sales/purchases.

This new clause plans to afford the dealers of vehicles to charge Sales Tax on the difference of Sales and Purchase value.

Scope of Tax

[Section 3(7)]

The amendment proposes to clarify withholding agents as purchasers of goods or services.

Determination of Tax Liability

[Section 7(5)]

A new sub-section (5) is proposed to be inserted whereby Board, through notification in the official gazette, may impose restrictions on wastage of material on which input tax was claimed in respect of goods or class of goods.

Tax Credit Not Allowed

[Section 8(m)]

In clause (m), the services have also been added along with goods, supplied to unregistered persons under tax credit not allowed.

Power of Tax Authorities to Modify Orders

[Section 11(c)]

After section 11B, a new section 11C is proposed to be inserted which states as follows:

“(1) Whereas question of Law has been decided by High Court or the Appellate Tribunal. In the case of registered person on or after 1st July 1990, a commissioner or officer of the inland revenue may notwithstanding that he has preferred an appeal against the decision of the High Court or made an application for reference against the order of the Appellate Tribunal, as the case may be, follow the said decision, in the case of the said taxpayer in as far as it applies to said question of law arising in any assessment pending before the Commissioner or an Officer of Inland Revenue, until the decision of the High Court or the Appellate Tribunal is reversed or modified.

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

The proposed new section intends to empower a commissioner or Officer of Inland revenue to follow the decision of High Court or the Appellate Tribunal passed on or after 1st July 1990 in respect of a question of Law arising in any pending assessment before above authorities unless such decision is reversed or modified by the High Court or the Appellate Tribunal. This new section is similar to Section 124A of the Income Tax ordinance which was inserted there by the Finance Ordinance 2002.

Tax Invoices

[Section 23(1)]

Sub-section (1) in clause (b), the figure of 50,000 has been enhanced to 100,000.

This amendment will facilitate retailers to supply to unregistered persons without CNIC/NTN up to Rs. 100,000 against present limit of Rs. 50,000.

Audit through Video Links

[Section 25(2)(a)]

New sub-section (2A) is proposed to be inserted which shall authorize the commissioner to conduct audit proceedings electronically through video links or any other facility as prescribed by the Board.

Serial number (25) The default period of a person who is required to integrate his business with the board has been reduced from six months to two months and amendment further suggests that his business premises shall be sealed till such time he integrates his business in the manner as stipulated under sub-section (9A) of Section 3 of Section 40C as the case may be and embargo shall be placed on his sales.

This is a new serial number and the entries relating to this serial number propose that any person who is required to share information under section 56AB fails to do so, shall pay penalty of Rs. 25,000 for the first default and Rs. 50,000 for each subsequent default.

In sub-section (1), after the word “excess”, words ‘including real time electronic access’ has been proposed to be inserted to empower the authorized officer to gain real time access through electronic sources.

Further, in order to empower the Board to make rules for electronic access for audit or a survey of persons liable to Tax, an enabling sub-section (4) has been proposed to be added.

The second proviso under sub-section (1-), providing for fee to be accompanied along with appeal under this section, is proposed to be omitted, in view of providing for revised fees.

Sub-section (1A) is proposed to be renumbered as (1C) and new sub-sections (1A) and (1B) are to be inserted.

“(1A) An appeal under sub-section (1) shall– (a) be in the prescribed form; (b) be verified in the prescribed manner; (c) state precisely the grounds upon which the appeal is made; (d) be accompanied by the prescribed fee specified in sub-section (1B); and (e) be lodged with the Commissioner (Appeals) within the time set out in sub-section (1).

(1B) The prescribed fee shall be– (a) in the case of an appeal against an assessment– (i) where the appellant is a company, five thousand rupees; or (ii) where the appellant is not a company, two thousand and five hundred rupees; and (b) in any other case– (i) where appellant is a company, five thousand rupees; or (ii) where the appellant is not a company, one thousand rupees.”; and

(b) after omitted sub-section (4), the following new sub-section shall be added, namely:– “(5) The Commissioner (Appeals) shall not admit any documentary material or evidence which was not produced before the Officer Inland Revenue unless the Commissioner (Appeals) is satisfied that the appellant was prevented by sufficient cause from producing such material or evidence before the Officer Inland Revenue.”;

The purpose of the proposed amendment to enhance the appeal fee and to authorize Commissioner (Appeals) to admit any documentary material or evidence which was not produced to Officer Inland Revenue, for which the Commissioner (Appeals) is satisfied that the Appellant was prevented from producing such material or evidence.

Alternate Dispute Resolution

[Section 47A]

This section is proposed to be substituted with a new section, namely —

(1) Notwithstanding any other provision of this Act, or the rules made thereunder, an aggrieved person in connection with any dispute pertaining to—

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

(2) The Board may, after examination of the application of an aggrieved person, appoint a committee, within sixty days of receipt of such application in the Board, comprising, —

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

(3) The Board shall communicate the order of appointment of committee to the court of law or the appellate authority where the dispute is pending and the Commissioner.

(4) The Committee appointed under sub-section (2) shall examine the issue and may, if it deemed necessary, conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and shall decide the dispute through consensus, within one hundred and twenty days of its appointment.

(5) The Committee may, in case of hardship, stay recovery of tax payable in respect of dispute pending before it for a period not exceeding one hundred and twenty days in aggregate or till the decision of the Committee or its dissolution, whichever is earlier.

(6) The decision of the committee under sub-section (4) shall be binding on the Commissioner when the aggrieved person, being satisfied with the decision, has withdrawn the appeal pending before any appellate authority or the court of law and has communicated the order of withdrawal to the Commissioner: Provided that if the order of withdrawal is not communicated to the Commissioner within sixty days of the service of decision of the committee upon the aggrieved person, the decision of the committee shall not be binding on the Commissioner.

(7) If the Committee fails to decide within the period of one hundred and twenty days under sub-section (4), the Board shall dissolve the committee by an order in writing and the matter shall be decided by the court of law or the appellate authority where the dispute is pending.

(8) The Board shall communicate the order of dissolution to the court of law or the Appellate Authority and the Commissioner.

(9) The aggrieved person, on receipt of the order of dissolution, shall communicate it to the court of law or the appellate authority, where the dispute is pending.

(10) The aggrieved person may make the payment of sales tax and other taxes as decided by the committee under sub-section (4) and all decisions and orders made or passed shall stand modified to that extent.

(11) The Board may prescribe the amount to be paid as remuneration for the services of the members of the Committee, other than the member appointed under clause (i) of sub-section (2).

(12) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section.”; The government intends to activate ADR and make it more effective as an alternate dispute resolution platform.

Service of Orders, decisions etc.)

[Section 56(1)]

In order to extend the scope of sending electronic notices, orders etc. to all registered persons, instead of companies only under existing provisions, in sub-section (1) clause (d) and sub-section (2) clause (b) expression ‘limited companies, both public and private’, the words ‘registered person’ has been proposed to be substituted.

Real Time Access to Information and Database

[Section 56AB]

This new section is proposed to be inserted after section 56(A).

Through this section FBR intends to notify the following institutions/departments to provide real time access of information and database to the Board to verify the declaration made by the Taxpayers:-

Authorities/ Govt Departments	Type of Information to be Provided
NADRA	NIC, POC etc.
FIA and bureau of immigration	Work Permits, Entry and Exit from Pakistan Record, Employment Visas and Immigration Visas
Islamabad Capital Territory and Provincial/ Local Land Development Authorities	Land Rights/ Mutation Records and digitalized data
Islamabad Capital Territory and Provincial/ Local Excise and Taxation Departments	Vehicle registration, transfer of ownership and other associated records

Electricity Suppliers and Gas Transmission and Distribution Companies	Unit Consumed Records of the Taxpayer and details of Users Sharing Ratio in case of non-owners. They shall make an arrangement by 1 st January, 2021.
Other Departments	Relevant Records relating to Taxpayers

(2) The Board shall make arrangements for laying the infrastructure for real-time access to information and database under sub-section (1) and aligning it with its own database in the manner as may be prescribed.

(3) Until real-time access to information and database is made available under sub-section (1), such information and data shall be provided periodically in such form and manner as may be prescribed.

(4) Subject to Section 56B all information received under this section would be used for tax purposes and kept confidential.

Representatives

[Section 58A(3)]

Sub-section (3) has been reframed to meet the legal requirements and explain the representative of a non-resident person during the relevant tax period in Pakistan, who is in his employment, or has any business connection with him, or through whom he receives income, or who controls disposal of any money belonging to him, or his trustee or who has been declared by Commissioner as his representative (as provided in sub-section (3)).

Explanation: For the purpose of this sub-section, nonresident person shall have the same meanings assigned thereto under the Income Tax Ordinance, 2001.

Certain Transactions Not Admissible

[Section 73(4)]

In sub section (4) the words ‘manufacturer or producer’, substituted by the word ‘person’.

The manufacturers and producers were allowed input on supplies to unregistered person not exceeding Rs 100 million in a year and 10 million in a month. Now this facility has been extended to every registered person.

Zero Rating

[Fifth Schedule]

The scope of Zero rating facility under the fifth schedule of the Sales Tax Act, 1990 has been proposed to extend through mentioned –below new serials, after serial no. 12, with effect from 1st June 2020 subject to the prescribed conditions, restrictions and procedures. This amendment may improve the regulation mechanism of the movement of goods/machinery from non-tariff areas to tariff areas or vice versa. The proposed amendment is also intended to generate the tax revenues on account of movement of goods or machinery from non-tariff areas to tariff areas. But, in wake of the current business conditions amid the testing time of world economies and businesses due to COVID -19, the imposition of strict conditions or restrictions of any sort may have a negative impact on the businesses growth of the country.

Sr. No	Description
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13	Supplies of raw materials, components and goods for further manufacture of goods in the Gwadar Free Zone and export thereof, provided that in case of supply to tariff area of Pakistan, tax shall be charged on the value assessed on the Goods Declaration for import
14	<p>Supplies of locally manufactured plant and machinery of the following specifications, to manufacturers in the Gwadar Free Zone, subject to the conditions, restrictions and procedure given below, namely: –</p> <p>(i) Plant and machinery, operated by power of any description, as is used for the manufacture or production of goods by that manufacturer. (ii) apparatus, appliances and equipment 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) (iv) Parts of machinery as specified in clauses (i), (ii) and (iii), identifiable for use in or with such machinery.</p> <p><u>Conditions, restrictions and procedures: -</u></p> <p>(a) the supplier of the machinery is registered under the Act; (b) proper bill of export is filed showing registration number; (c) the purchaser of the machinery is an established manufacturer located in the Gwadar Free Zone and holds a certificate from the Gwadar Port Authority to that effect; (d) the purchaser submits an indemnity bond in proper form to the satisfaction of the concerned Commissioner Inland Revenue that the machinery shall, without prior permission from the said Commissioner, not be sold, transferred or otherwise moved out of the Gwadar Free Zone before a period of five years from the date of entry into the Zone; (e) if the machinery is brought to tariff area of Pakistan outside Gwadar Free Zone, sales tax shall be charged on the value assessed on the Goods Declaration for import; and (f) breach of any of the conditions specified herein shall attract legal action under the relevant provisions of the Act, besides recovery of the amount of sales tax along with default surcharge and penalties involved.</p>

Exemption of Goods

[Sixth Schedule]

Explanatory words for serial no. 100A in respect of terms and conditions which had already been added through the Tax Laws (Amendment) Ordinance 2019 dated October 09, 2019, have been proposed to be retained and applicable with effect from June 1st, 2020.

The new serial 100D which has already been inserted through the Tax Law (Amendment) Ordinance 2019 dated October 09, 2019 and now applicable with effect from 1st June, 2020 is reproduced as under:

Sr.No	Description	Heading
100D	Machinery, equipment, materials and goods imported either for exclusive use within the limits of Gwadar Free Zone, or for making exports therefrom, subject to the conditions that such machinery, equipment, materials and goods, are imported by investors of Gwadar Free Zone, and all the procedures,	Respective headings

	limitations and restrictions as are applicable on such goods under the Customs Act, 1969 (Act IV of 1969) and rules made thereunder shall, mutatis mutandis, apply provided that if any of such goods is taken out of the Zone for purpose other than the export, the tax on the same shall be paid by the importer.	
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There was exemption in serial no. 103 up to year 2020, which, now, has been extended up to 2023 on import and supply of ships and all floating crafts including tugs, dredgers, survey vessels and other specialized crafts purchased or bare-boat chartered by a Pakistan entity and flying the Pakistan flag, except ships or crafts acquired for demolition purposes or are designed or adopted for use for recreation or pleasure purposes, subject to the condition that such ships or crafts are used only for the purpose for which they were procured, and in case such ships or crafts are used for demolition purposes within a period of five years of their acquisition, sales tax applicable to such ships purchased for demolition purposes shall be chargeable.

At the end of table-1 for the exemptions, after serial no. 153, the following new serial 154 related to dietetic foods intended for consumption of by children has been proposed to be added as:

Sr.No	Description	Heading
154	Dietetic foods intended for consumption by children suffering from inherent metabolic disorder subject to the conditions that the importer shall acquire approval and quota from Ministry of National Health Services, Regulations and Coordination.	Respective headings

The bill proposes to remove the certain words “under this notification” from the terms and conditions in serial no.5 which have no material value. Serial no. 15A of table-3 of the sixth schedule of the Sales Tax Act, 1990 is replaced as:-

Sr.No	Description	Heading
15A	Parts and Components for manufacturing LED lights:- (i) Housing /shell. Shell cover and base cap for all kinds of LED lights and bulbs. Conditions If imported by LED light manufacturers registered under the Sales Tax Act, 1990 subject to annual quota determination by the Input Output Coefficient Organization (IOCO)”;	Respective heading
	ii) Bare and stuffed Metal Clad Printed Circuit Boards (MCPCB) for LED	8534.0000
	(iii) Constant Current Power Supply for of LED Lights and Bulbs (1-300W)	8504.4090
	(iv) Lenses for LED lights and bulbs	9001.9000

Reduced Rate Goods

[Eight Schedule]

The Bill proposes the increase in rate of Potassium Chlorate from “17% along with rupees 70 per kilogram” to “17% along with rupees 80 per kilogram” and the serial no. 56 is reproduced as under:

Sr. No	Description	Tax Rate	Heading
56	Potassium Chlorate (KCLO3) Conditions: Provided that rate of rupees 80 per kilogram shall not apply on imports made by and supplies made to organizations under the control of Ministry of Defense Production.	17% along with rupees 80 per kilogram	Respective heading

Sales tax rate reduced from 14% to 12% on supplies which are made from the retail outlets who are using the Board’s computerized system for real-time reporting of sales. Board gave this relief in order to enter the maximum retailer outlets to the Board’s computerized system net for real-time reporting of sales and the same serial is reproduced as:

Sr. No	Description	Tax Rate	Heading
66	Supplies as made from retail outlets as are integrated with Board’s computerized system for real-time reporting of sales Conditions: If supplied goods are finished fabric, and locally manufactured finished articles of textile and textile made-ups and leather and artificial leather subject to the condition that they have maintained 4% value addition during the last six months.	14%	Respective heading

The bill proposes to omit the words “under this notification” in serial no. 4 of the table-2 of reduce rated goods have no material value related to the conditions of Machinery, equipment, materials, capital goods and specialized vehicles.

Sales tax rates proposed to be rationalized

[Ninth Schedule]

The Bill proposes the below amendments in relation to cell phones rates in the Ninth Schedule to the Sales Tax Act, 1990.

1. Against Cell phone of Category, A, not exceeding US\$ 30, exclusion is being proposed to be given to smart phone by adding the expression “excluding smart phones”.
2. Against Cell phone of Category B, exceeding US\$ 30 but not exceeding US\$ 100 smart phone valuing up to US\$ 30 included by adding the expression “including smart phones valuing up to US\$ 30.

Currently, smartphones up to the value of USD 30 are charged fixed sales tax of Rs. 130/-. The Bill propose to charge fixed sales tax of Rs. 200/- on smart phones up to the value of USD 30.

(Sub section of 7 section 3);

The following amendments are being proposed in the sales tax withholding table:-

Previously, below mentioned sectors have exclusions from the with-holding of sales tax:-

- (i) Electrical energy;
- (ii) Natural Gas;
- (iii) Petroleum products as supplied by petroleum production and exploration companies, oil refineries, oil marketing companies and dealers of motor spirit and high speed diesel;
- (iv) Vegetable ghee and cooking oil;
- (v) Telecommunication services;
- (vi) Goods specified in the Third Schedule to the Sale Tax Act, 1990;
- (vii) Supplies made by importers who paid value addition tax on such goods at the time of import; and
- (viii) Supplies made by an active Taxpayer as defined in the Sale Tax Act, 1990 to another registered person with exception of advertisement Services.

Previously, the rates for withholding or deduction by the withholding agent shall not be applicable to goods and supplies specified after the end of this table. Now after amendment to the above, the wordings are as "The rates for withholding or deduction by the withholding agent are specified as below provided that withholding tax shall not applicable to the goods and supplies specified vide clauses (i) to (viii) after the table.

In serial no. 1, word "Registered Persons" replaced with "Active Taxpayers" in Supplier Category column. According to this scenario, Federal and Provincial Government departments; autonomous bodies; public sector organizations and Companies as defined in the Income Tax Ordinance, 2001 (XLIX of 2001) withhold the sales tax of "Active Taxpayers" category suppliers rather than "Registered Persons" at the specified rate mentioned in the schedule.

In serial no. 2, word "Person registered as a wholesaler, dealer or distributor" replaced with "Active taxpayer registered as a wholesaler, dealer or distributor" in supplier category column. According to this scenario, Federal and Provincial Government departments; autonomous bodies; public sector organizations and Companies as defined in the Income Tax Ordinance, 2001 (XLIX of 2001) withhold the sales tax of "Active taxpayer registered as a wholesaler, dealer or distributor" category suppliers rather than "Person registered as a wholesaler, dealer or distributor" at the specified rate mentioned in the schedule. In serial no.3, 4 and 6 words "Unregistered persons" replaced with "Persons other than Active Taxpayers". Now, withholding table amended as:

Sr. No (1)	With-holding Agent (2)	Supplier Category (3)	Tax Rate or Extent of Deduction (4)
1	(a) Federal and provincial government departments; autonomous bodies; and public sector organizations (b) Companies as defined in the Income Tax Ordinance, 2001 (XLIX of 2001)	Active Tax payer	1/5th of Sales Tax as shown on the invoice

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

Relaxation of condition for inapplicability of value addition tax

[Twelfth Schedule]

Previously, raw materials and intermediary goods meant for use in an industrial process which are subject to customs duty at a rate less than 16% ad valorem under the First schedule to the Customs Act, 1969; but now this is substituted with wordings as, "Raw materials and intermediary goods imported by a manufacturer for in-house consumption". At present, value addition tax is not applicable on raw materials and intermediary goods meant for use in an industrial process which are subject to customs duty at the rate less than 16%. The Bill proposes to make the previous conditions less strict and exempt from charging value addition tax on all raw materials and intermediary goods imported by a manufacturer for in-house consumption.

SIGNIFICANT CHANGES IN FEDERAL EXCISE ACT, 2005

Adjustment of Duties of Excise

[Section 2A]

A new sub-section (2A) is proposed to be added namely-

‘(2AB) notwithstanding anything contained in this act or the rules made thereunder, the board may by notification in the official gazette, impose restrictions on wastage of material on which input tax has been claimed in respect of the goods or class of goods’.

Board is being empowered to issue notification to impose restrictions on wastage of material to protect leakage of revenue.

Powers of Tax Authorities to Modify Orders etc.

[Section 14C]

This bill proposes that where a question of law has been decided by the High Court or the Appellate Tribunal in the case of registered person on or after 1st July, 2005; the Commissioner and the Officers of Inland Revenue will follow the decisions made on such point of law by the Appellate forums i.e. the High Court or the Appellate Tribunal. However, if in case decision of the above Appellate forums is reversed or modified, The Federal Excise Authorities may modify such assessment or Order within a period of one year from the date of receipt of such decision.

This amendment is in line with Amendment proposed in Sales Tax under new section 11C of Sales Tax Act 1990.

Power to Seize

[Section 26(1)]

Sub-section 1 is proposed to be substituted namely to reframe the existing sub-section:

‘(1) The counterfeited cigarettes or beverages which have been manufactured or produced unlawfully and other dutiable goods on which duty of excise has not been paid in the manner as required under this act and the rules made thereunder, shall be liable to seizure along with the conveyance which has been used for the movement, carriage or transportation of such goods.’

Confiscation of goods subject to Federal Excise Duty

[Section 27]

Heading of section 27 is proposed to be replaced by the words ‘Confiscation of Goods subject to Federal Excise Duty’ instead of existing heading ‘Confiscation of cigarettes, un-manufactured tobacco or beverages’.

In sub-section (2), the expression cigarettes, unmanufactured Tobacco or Beverages, wherever occurring replaced by the words ‘dutiable goods’.

The aim of this amendment is to extend the scope of confiscation to all dutiable goods instead of existing cigarettes, unmanufactured Tobacco or beverages only.

New sub-sections (1B) and (1C) have been proposed to be inserted which describe the documents to be filed with the Commissioner (Appeals) and appealing fee, in respect of different Appellants is as under:-

In the case of an appeal against an assessment:

Where appellant is a Company,	Rs. 5,000/
Where Appellant is not a company,	Rs. 2,500/.
In any other cases:	
Where appellant is a company,	Rs. 5,000/
Where appellant is not a company	Rs. 1,000/.

Under Section 33, new sub-section (4) is proposed to be added which authorizes the Commissioner (appeals) not to admit any material or evidence which was not produced before the Officer Inland Revenue unless the Commissioner (Appeals) is satisfied that the appellant was prevented from producing such material or evidence.

Amendments in section is in line with amendments in section 45D of Sales Tax Act 1990.

Appeal to Appellate Tribunal

[Section 34]

Sub-section (3) is proposed to be added and according to which the Appellate Tribunal may admit, hear and dispose of the appeal as per the procedure laid down in sections 131 and 132 of the Income Tax Ordinance 2001 and rules made thereunder.

Alternate Dispute Resolution

[Section 38]

The provisions of the alternate dispute resolution have been substituted in all the fiscal laws to facilitate and to build confidence amongst the taxpayers for alternate dispute resolution. The provisions are the same as have been discussed under the Income Tax Ordinance 2001 and Sales Tax Act 1990.

The taxpayer may now settle their tax disputes without surrendering their right of appeal from other Appellate forums.

Selection for Audit by the Board

[Section 42B]

A new sub-section (1A) is proposed to be inserted which authorizes the Board to keep the parameters of selection confidential.

Audit

[Section 46]

The provisions in sub-section (10) that the audit of a registered person under this section shall be conducted only once in every 3 years, has been proposed to be omitted.

Now every registered person may be subject to audit every year.

The expression 'Limited companies, both public and private' in sub-section (1) clause (d) and sub-section (2) clause (d) shall be substituted by words 'Registered Person'.

With this amendment, the Tax Authorities have been authorized to serve notices and other documents electronically through email or by e-folder maintained for the purpose of e-filing of Sale Tax cum Federal Excise Returns.

This new section is proposed to be inserted after section 47(A).

Through this section FBR intends to notify the following institutions/persons to provide real time access of information and database to the Board to verify the declaration made by the Taxpayers.

Authorities/ Govt Departments	Type of Information to be Provided
NADRA	NIC, POC etc.
FIA and bureau of immigration	Work Permits, Entry and Exit from Pakistan Record, Employment Visas and Immigration Visas
Islamabad Capital Territory and Provincial/ Local Land Development Authorities	Land Rights/ Mutation Records and digitalized data
Islamabad Capital Territory and Provincial/ Local Excise and Taxation Departments	Vehicle registration, transfer of ownership and other associated records
Electricity Suppliers and Gas Transmission and Distribution Companies	Unit Consumed Records of the Taxpayer and details of Users Sharing Ratio in case of non-owners. They shall make an arrangement by 1st January, 2021.
Other Departments	Relevant Records relating to Taxpayers

Subject to Section 47 (B) all information received under this section would be used for tax purposes and kept confidential.

1. A new entry (6A) has been inserted after serial number (6) as under:-

"6a.	Caffeinated energy drinks	2202.1010 2202.9900	25% of the retail price";
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2. Rate for cigars, cheroots, cigarillos and cigarettes of tobacco and tobacco substitutes is proposed to be enhanced to 100% against present rate of 65%.

3. After serial number (8) new entry (8A) shall be inserted as under:-

"8a.	E-liquids by whatsoever name called, for electric cigarette kits	Respective heading	Rupees ten per ml";
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4. Bill proposes to reduce the rate of FED on Portland cement, aluminus cement, slug cement et cetera from Rs. 2/kg to Rs. 1.75/kg.

5. New serial number (55C) and (55D) are proposed to be included at the rate of FED as under:-

"55C.	Imported double cabin (4x4) pick-up vehicles	8704.2190 8704.3190	25% ad val
55D	Locally manufactured double cabin (4x4) pick-up vehicle	8704.2190 8704.3190	7.5% ad val";

6. The rate of FED for filter rod for cigarettes is proposed to enhance at Rs. 1.00 as against present rate of Rs. 0.75/ filter rod.

SIGNIFICANT CHANGES IN CUSTOMS ACT, 1969

The following significant amendments have been proposed in the Customs Act, 1969:

Definitions – Advance ruling

Section 2(ai)

Clause (ai) has been proposed to be amended as follows:-

“(ai) “advance ruling” means a written decision by the Board or any officer or a committee authorized by Board, on the request of an applicant for determination of classification, origin or applicability of a particular relief or exemption on goods prior to their importation or exportation, valid for a specified period of time.”

Definitions – Smuggle

Section 2(s)

The clause (s) has been amended to further elaborate the definition of “Smuggle” as ‘to bring into or take out of Pakistan in breach of any prohibition or restriction for the time being in force *or in any way being concerned in carrying, transporting, removing, depositing, harbouring, keeping, concealing* or en route pilferage of transit goods or evading payment of customs duties or taxes leviable thereon;

- (i) Gold, silver, platinum, palladium, currency, precious stones, antiques and narcotics etc.
- (ii) Manufactures of gold, silver, platinum, palladium, etc. exceeding Rs. 150,000
- (iii) Any goods by any route other than a route declared under section 9 or 10 or from any place other than a customs-station etc.

Assistance to the officers of customs

Section 7

Section 7 empowers and requires all the officers of Federal governments, Inland Revenue, Police, National Highways and Pakistan Motorway Police, Civil Armed Forces, and officers engaged in the collection of land-revenue to assist the officers of customs in discharge of their functions under the Act. The Finance Bill now proposed to add “Border Military Police (BMP)” in such officers.

Detention, seizure and confiscation of goods imported in violation of section 15 or section 16 Assistance to the officers of customs

Section 17

This section provides that in case goods are imported or attempted to be exported in violation of section 15 or any notification under section 16 of this Act, in addition to any other penalty under this Act, such goods may be liable to detention, confiscation, subject to the conditions mentioned in the section 17. A proviso has been proposed to be inserted in section 17, to limit such detention, as in the proviso:

“Provided that the period of detention shall not exceed fifteen days which may be extended by the Chief Collector or Director General for a period not exceeding fifteen days.”

General power to exempt from custom duties

Section 19

Section 19 empowers Federal Government to exempt whole or part of custom duty on any imported or exported goods in special circumstances, by way of notification in the official gazette.

Second proviso to sub-section (5) has been proposed to be amended to extend the validity of the notifications under sub-section (1) issued on or after the first day of July, 2016, and placed before the National Assembly as required under sub-section (4), from 2020 to 2021.

Minimal duties not to be demanded

Section 19C

The existing section 19C provides that Where the cumulative amount of all duties and taxes on a Goods Declaration is equal to, or less than, one hundred rupees, the same shall not be demanded.

The section has been substituted to allow imported goods go without taxes and duties, if their value does not exceed rupees five thousand, subject to conditions and restrictions as may be prescribed by the Board.

Allowing mutilation or scrapping of goods

Section 27A

Section 27A allows scrapping or mutilation of goods at the request of the owner. A proviso has been proposed to be added to section 27A, which provides as follows:

“Provided that the goods imported in new condition shall not be allowed scrapping and mutilation and shall be classified and chargeable to leviable duty and taxes as new goods.” ;

Fiscal fraud

Section 32A

According to Section 32A, if any person submits documents concocted, altered, mutilated, false, forged, tempered or counterfeit to a functionary of customs, etc., he shall be guilty of offence under this section.

To include under-declaration as an offence under this section, the following new clause (ca) has been proposed to be inserted after clause (c) of sub-section (1):

“(ca) declares value which is significantly higher or lower than the actual value, that is, the price actually paid or payable for the goods when sold for export to Pakistan, proceedings may be initiated under this section subject to conditions or limitations as may be prescribed by the Board under the rules;”

The reference to clause (ca) has been proposed to be incorporated in clause (e).

In sub-section (2), the following proviso has been proposed to be added:

“Provided that an offence, having no revenue implication but covered under sub-section (1), shall also be served with show cause notice within a period of one hundred and eighty days of detection of such fraud for penal action under the relevant provisions of law.”

Checking of goods declaration by the Customs

Section 80

Sub-section (3) provides that any statement in the declaration is incorrect, the goods shall be reassessed to duty. A proviso has been proposed to be added to sub-section (3), which requires that opportunity of being heard will be provided to such importer through notice before such reassessment.

Declaration by passenger or crew of baggage

Section 139

For sub-section (2), the following shall be substituted, namely:-

“(2) Where any passenger or a member of the crew makes a false declaration or fails to make such declaration as required under sub-section (1), he shall be guilty of an offence under this Act.”

A new sub-section (3) has been proposed to be inserted as follows:

“(3) Notwithstanding the provisions of sub-section (2), where any person attempts to bring into or takes out of Pakistan, currency, gold, precious metals or stones, in any form, through concealment in baggage or circumventing customs controls at airports, sea-ports and land border custom-stations, he shall be guilty of an offence of smuggling within the meaning of clause (s) of section 2.”

Punishment for offences

Section 156

In sub-section (1), in the Table against S.No. 8, for sub-serial (i) and entries relating thereto in columns (1), (2) and (3), the following has been proposed to be substituted:

(i)	where any goods be smuggled into or out of Pakistan,-	such goods shall be liable to confiscation and any person concerned in the offence shall be liable to-	General
	(a) if the value of the goods is from PKR 150,001 to 3,000,000 (both inclusive);	a penalty not exceeding the value of the goods; and upon conviction by a Special Judge he shall further be liable to imprisonment for a term not exceeding two years;	
	(b) if the value of the goods is from PKR 3,000,001 to 5,000,000 (both inclusive);	a penalty not exceeding two times the value of the goods; and upon conviction by a Special Judge he shall further be liable to imprisonment for a term not exceeding three years: Provided that the sentence of the imprisonment shall not be less than two years.	
	(c) if the value of the goods is from PKR 5,000,001 to 7,500,000 (both inclusive);	a penalty not exceeding three times the value of the goods; and upon conviction by a Special Judge he shall further be liable to imprisonment for a term not exceeding five years: Provided that the sentence of the imprisonment shall not be less than two and half years.	
	(d) if the value of the goods is from PKR 7,500,001 to 10,000,000	a penalty not exceeding four times the value of the goods; and upon conviction by a Special Judge he shall further be liable to imprisonment for a term not exceeding ten years:	

	(both inclusive);	Provided that the sentence of the imprisonment shall not be less than three years.	
	(e) if the value of the goods exceeds PKR 10,000,000;	a penalty not exceeding five times the value of the goods; and upon conviction by a Special Judge he shall further be liable to imprisonment for a term not exceeding fourteen years: Provided that the sentence of the imprisonment shall not be less than five years and the whole or any part of his moveable and immoveable assets and property shall also be liable to forfeiture in accordance with section 187 of the Customs Act, 1969: Provided further that, in the case of such goods as may be notified by the Federal Government in the official Gazette, the sentence of imprisonment shall not be less than five years and the whole or any part of his property shall also be liable to forfeiture.	

In sub-section (1), in the Table against S.No. 8, for sub-serial (iii) and entries relating thereto in columns (1), (2) and (3), the following has been proposed to be substituted:

(iii)	If the smuggled or prohibited goods comprise currency, gold, silver, platinum or precious stones in any form-	such currency or goods shall be liable to confiscation and any person concerned in the offence shall be liable to-	
	(a) if the value of the currency or goods is up to US \$ 10,000 or equivalent in value (currency of other denomination) etc.;	a penalty not exceeding the value of the goods; and upon conviction by a Special Judge he shall further be liable to imprisonment for a term not exceeding two years;	General
	(b) if the value of the currency or goods is from US \$ 10,001 to US \$ 20,000 (both inclusive) or equivalent in value (currency of other denomination) etc.;	a penalty not exceeding two times the value of the goods; and upon conviction by a Special Judge he shall further be liable to imprisonment for a term not exceeding three years: Provided that the sentence of the imprisonment shall not be less than two years.	
	(c) If value of the currency or goods is from US \$ 20,001 to US \$ 50,000 (both inclusive) or equivalent in value (currency of other denomination) etc.;	penalty not exceeding three times the value of the goods; and upon conviction by a Special Judge he shall further be liable to imprisonment for a term not exceeding five years: Provided that the sentence of the imprisonment shall not be less than two and half years.	
	(d) if the value of the currency or goods is from US \$ 50,001 to US \$	a penalty not exceeding four times the value of the goods; and upon conviction by a Special Judge he shall	

100,000 (both inclusive) or equivalent in value (currency of other denomination) etc.;	further be liable to imprisonment for a term not exceeding ten years: Provided that the sentence of the imprisonment shall not be less than three years.	
(e) if the value of the currency or goods exceeds US \$ 100,000 or equivalent in value (currency of other denomination) etc.;	a penalty not exceeding five times the value of the goods; and upon conviction by a Special Judge he shall further be liable to imprisonment for a term not exceeding fourteen years: Provided that the sentence of the imprisonment shall not be less than five years and the whole or any part of his moveable and immoveable assets and property shall also be liable to forfeiture in accordance with section 187 of the Customs Act, 1969.	

Against S.No. 8, sub-serial (iv) and entries relating thereto in columns (1), (2) and (3), have been proposed to be omitted.

Power of adjudication

Section 179

The Bill proposes to insert a proviso to sub-section (3), which states that, where clause (s) of section 2 have been invoked, such cases will be decided within a period of thirty days of issuance of show cause notice.

Burden of proof as to lawful authority etc.

Section 187

Two provisos have been proposed to be added to this section:

The first proviso proposes that any person, alleged to have committed an offence under this Act, shall bear the burden of proof that any property owned by him in his name or someone else name was not acquired from the proceeds of such crime:

The second proviso proposes that the procedure for forfeiture of such property shall be prescribed by the Board under the rules.

Order of Appellate Tribunal

Section 194B

Another proviso has been proposed to be inserted after the first proviso, which states that wherein the provisions of clause (s) of section 2 have been invoked, appeals shall be decided within a period of thirty days.

Alternative dispute resolution (ADR)

Section 195C

Clause (c) of sub-section (2) has been proposed to be substituted to provide for appointment of member from the panel mentioned in clause (b) instead of a retired judge not below the rank of District and Sessions Judge, as per current provisions.

Under sub-section (3), the requirement to withdraw appeal by aggrieved person after constitution of committee has been proposed to be withdrawn. Now the Board shall communicate the order of

appointment of committee to the court of law or the appellate authority and the Collector, without the requirement of withdrawal of the appeal.

Sub-section (4), requiring withdrawal of appeal before starting the proceedings of the committee, has been proposed to be omitted.

Similarly, the proviso in sub-section (5) regarding the communication of withdrawal order has been proposed to be omitted.

The existing sub-section (6) provides that the recovery of taxes or duties shall be deemed to have been stayed on withdrawal of appeal till the date of decision by the committee. The expression 'on withdrawal of appeal up to the date of decision by the committee' has been proposed to be replaced with 'from the date of appointment of the committee up to the date of decision of committee or its dissolution.

Sub-section (7) has been proposed to be substituted, which provides that the decision of the committee under sub-section (5) shall be binding on the Collector when the aggrieved person, being satisfied with the decision, has withdrawn the appeal pending before the court of law or any appellate authority and has communicated the order of withdrawal to the Collector.

However, if the order of withdrawal is not communicated to the Collector within sixty days of the service of decision of the committee upon the aggrieved person, the decision of the committee shall not be binding on the Collector.

Sub-section (8) provides that the committee will be dissolved if it could not decide within 90 days. An amendment has been proposed to be removing the expression about withdrawal of order and inserting the expression 'where appeal is pending' to align it with other amendments in this section.

Procedure for sale of goods and application of sale proceeds

Section 201

This section provides that the confiscated goods may be sold by auction. A proviso has been proposed to be inserted in sub-section (3), which provides that in case wherein goods declaration has been filed, the share of importer in sale proceeds shall not exceed the declared value of the goods.

Regulation of business in gold, etc.

Section 212

After sub-section (2), a new sub-section (3) has been proposed to be inserted empowering the Board to impose, grant benefits to the authorized economic operators, in such manner as may be provided under the rules made, including;

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

This newly proposed section provides the following:

(1) An applicant desirous of advance ruling shall make an application in such form and in such manner as may be prescribed under the rules, stating any of the questions as contained in sub-section (2), on which the advance ruling is sought.

(2) The question on which advance ruling is sought shall be in respect of-

(i) classification of goods under First Schedule to this Act;

(ii) determination of origin of the goods under the rules of origin notified for bilateral and multilateral agreements;

(iii) applicability of notifications issued in respect of duties under this Act or any tax or duty chargeable under any other law for the time being in force in the same manner as duty of customs leviable under this Act; or

(iv) any other matter as the Board may specify by notification in the official Gazette.

(3) The advance ruling issued under sub-section (1) shall be binding on the applicant.

(4) The advance ruling issued under sub-section (1) shall be binding on the customs collectorates for the period specified by the Board in the rules, unless there is a change in law or facts or circumstances on the basis of which the advance ruling was pronounced.”

The First Schedule

Customs duty on specified imports made for construction, development and operation of 'Gwadar port and Free Zone Area is currently chargeable at the rate of 0%, subject to certain conditions. The following amendments have been proposed in this regard, which will be applicable from June 1st 2020:

Import of equipment/ materials by concession holders, its operator companies and their contractors/ sub-contractors to specifically include the following operating entities and their contractors / subcontractors:

- M/s Gawadar International Terminals Limited; and
- M/s Gawadar Marine Services Limited;

The Finance Bill proposes to introduce 0% Customs Duty on import of the following raw materials/industrial inputs:

PCT Code	Description	Existing Duty (%)	Proposed Duty (%)
2529.1000	Feldspar	3	0
2803.0030	Acetylene black	3	0
2827.1000	Ammonium chloride	3	0
2915.3200	Vinyl acetate	3	0
2917.1200	Adipic acid, its salts and esters	3	0
3806.1010	Gum Rosin	3	0
3810.1000	Pickling preparations for metal surfaces; soldering brazing or welding powders and pastes consisting of metal and other materials	3	0
3810.9010	Preparations of a kind used as cores or coatings for welding electrodes or rods	3	0
3903.2000	Styrene acrylonitrile (SAN) copolymers Other	3	0
3910.0000	Silicones in primary forms	3	0
8901.3000	Refrigerated vessels, other than those of subheading 8901.20	11	0
8902.0000	Fishing vessels; factory ships and other vessels for processing or preserving fishery products.	11	0
9013.8000	Other devices, appliances and instruments	3	0
9028.2000	Liquid meters	20	0

The Customs duty is proposed to be reduced on following items:-

PCT Code	Description	Existing Duty (%)	Proposed Duty (%)
2530.9030	Earth colours	11	3
2801.2000	Iodine	11	3
2801.3000	Fluorine; bromine	11	3
2811.1100	Hydrogen fluoride (hydrofluoride acid)	11	3
2811.1200	Hydrogen cyanide (hydrocyanic acid)	11	3
2811.1920	Phosphorous acid hypo phosphoric acid	11	3
2811.1990	Other	11	3
2812.1100	Carbonyl dichloride (phosgene)	11	3
2812.1200	Phosphorus oxychloride	11	3
2812.1300	Phosphorus trichloride;	11	3
2812.1400	Phosphorus pentachloride	11	3
2812.1500	Sulphur monochloride	11	3
2812.1600	Sulphur dichloride	11	3
2812.1700	Thionyl chloride	11	3
2812.1910	Arsenic trichloride	11	3
2812.1990	Other	11	3
2812.9000	Other	11	3
2813.1000	Carbon disulphide	11	3

2813.9000	Other	11	3
2816.1010	Magnesium hydroxide	11	3
2816.1090	Other	11	3
2821.1020	Iron hydroxides	11	3
2821.2000	Earth colours	11	3
2835.3900	Other	11	3
2836.9930	Bicarbonate of ammonium	11	3
2837.1100	Of sodium	11	3
2902.1920	Limonene(Dipentene)	11	3
2902.9010	Naphthalene	11	3
2903.9200	Hexachlorobenzene (ISO) and DDT (ISO) (clofenotane (INN), 1,1,1-trichloro-2,2-bis(p-chlorophenyl)ethane)	11	3
2904.1010	Benzene sulphonic acid	11	3
2915.2100	Acetic acid	11	3
2915.7090	Other	11	3
2929.9020	N,N-Dialkyl(methyl, ethyl, n-propyl, or isopropyl) phosphor amidic dihalides	11	3
2929.9030	Dialkyl(methyl, ethyl, n-propyl or isopropyl)N,N-dialkyl (methyl, ethyl, n-propyl or isopropyl) phosphoramidates	11	3
2929.9090	Other	11	3
2933.7990	Other	11	3
2933.9100	Alprazolam (INN), camazepam (INN), chlordiazepoxide (INN), clonazepam (INN), clorazepate, delorazepam (INN), diazepam (INN), estazolam (INN), ethyl loflazepate (INN), fludiazepam (INN), flunitrazepam (INN), flurazepam (INN), halazepam (INN), lorazepam (INN), lormetazepam (INN), mazindol (INN), medazepam (INN), midazolam (INN), nimetazepam (INN), nitrazepam (INN), nordazepam (INN), oxazepam (INN), pinazepam (INN), prazepam (INN), pyrovalerone (INN), temazepam (INN), tetrazepam (INN) and triazolam (INN);salts thereof	11	3
2933.9200	Azinphos-methyl (ISO)	11	3
2934.1090	Other	11	3
2935.1000	N-Methylperfluorooctane sulphonamide	11	3
2935.2000	N-Ethylperfluorooctane sulphonamide	11	3
2935.3000	N-Ethyl-N-(2-hydroxyethyl) perfluorooctane sulphonamide	11	3
2935.4000	N-(2-Hydroxyethyl)-N-methylperfluorooctane sulphonamide	11	3
2935.5000	Other perfluorooctane sulphonamides	11	3
2939.6900	Other	11	3
2939.7900	Other	11	3
2939.8090	Other	11	3
3002.3000	Vaccines for veterinary medicine	11	3
3204.1110	Powdered*		3
3204.1710	Powdered	16	3
3205.0000	Colour lakes; preparations as specified in Note 3 to this Chapter based on colour lakes.	11	3

3207.2000	Vitrifiable enamels and glazes, engobes (slips) and similar preparations	11	3
3207.3000	Liquid lusters and similar preparations	11	3
3802.1000	Activated carbon	11	3
3802.9000	Other	11	3
3807.0000	Wood tar; wood tar oils; wood creosote; wood naphtha; vegetable pitch; brewers' pitch and similar preparations based on rosin, resin acids or on vegetable pitch.	11	3
3824.8500	Containing 1,2,3,4,5,6-hexachlorocyclohexane (HCH (ISO)), including lindane (ISO, INN)	11	3
3824.8600	Containing pentachlorobenzene (ISO) or hexachlorobenzene (ISO)	11	3
3824.8700	Containing perfluorooctane sulphonic acid, its salts, perfluorooctane sulphonamides, or perfluorooctane sulphonyl fluoride	11	3
3824.8800	Containing tetra-, penta-, hexa-, hepta- or octabromodiphenyl ethers	11	3
3824.9100	Mixtures and preparations consisting mainly of (5-ethyl-2-methyl-2-oxido-1,3,2-dioxaphosphinan-5-yl)methyl methyl methylphosphonate and bis[(5-ethyl-2-methyl-2-oxido-1,3,2-dioxaphosphinan-5-yl)methyl] methylphosphonate	11	3
3824.9920	Ion exchangers	11	3
3824.9930	Prepared binders	11	3
3824.9980	Chloroparaffins liquid	11	3
3909.3100	Poly(methylene phenyl isocyanate) (crude MDI, polymeric MDI)	20	3
4005.1020	Sheets	11	3
4005.9100	Plates, sheets and strip	11	3
4804.2100	Unbleached	16	3
4804.2900	Other	16	3
4805.3000	Sulphite wrapping paper	11	3
4805.4000	Filter paper and paperboard	11	3
4809.2000	Self- copy paper	11	3
6903.1000	Containing by weight more than 50 % of graphite or other carbon or of a mixture of these products	11	3
6903.2090	Other	11	3
7604.1010	Bars and rods	11	3
8007.0010	Tin plates, sheets and strip, of a thickness exceeding 0.2 mm.	11	3
8007.0020	Tin foil (whether or not printed or backed with paper, paperboard, plastics or similar backing materials), of a thickness (excluding any backing) not exceeding 0.2 mm; tin powders and flakes.	11	3
8410.1100	Of a power not exceeding 1,000 kW	11	3
8410.9010	For machines of heading 8410.1100	11	3
8412.8090	Other	11	3
8412.9090	Other	11	3
8413.8200	Liquid elevators	11	3
8413.9140	Other parts for machines of heading 8413.1100	11	3
8414.2000	Hand- or foot- operated air pumps	11	3
8424.2020	For industry	11	3

8425.4200	Other jacks and hoists, hydraulic	11	3
8504.9040	Toroidal cores and strips	11	3
8506.5000	Lithium	11	3
8535.2110	Up to 17.5 kV	20	3
8536.5010	Pressure switches	11	3
8539.9030	Base cap for tube light	11	3
8539.9090	Other	11	3
8543.1000	Particle accelerators	11	3
8543.2000	Signal generators	11	3
8901.2000	Tankers	11	3
9402.1010	Dentists' chairs	11	3
2710.1997	Transformer oil	16	11
3204.1120	Liquid*		11
3204.1720	Liquid	16	11
3204.1990	Dyes, synthetic	16	11
3212.9010	Aluminium paste and powder	16	11
3506.9110	Shoe adhesives	16	11
6903.9010	Refractory products of a kind used in industrial ovens, kilns and furnaces	16	11
7613.0010	Aerosol cans without valves and covers	11	11
8481.1000	Pressure- reducing valves	16	11
8501.5210	Submersible motors of stainless steel	3	11
2707.5000	Other aromatic hydrocarbon mixtures of which 65 % or more by volume (including losses) distils at 250oC by the ISO 3405 method (equivalent to the aStM D 86 method)	20	16
2803.0020	Carbon black (other than rubber grade)	20	16
2915.1100	Formic acid	20	16
3202.9010	Tanning substances, tanning preparations based on chromium sulphate Disperse dyes and preparations based thereon:	20	16
3204.1790	Other	16	16
3403.1910	Greases	20	16
3911.1010	Petroleum resins	20	16
3921.1300	Of polyurethanes	20	16
4007.0010	Single cord	20	16
4007.0090	Other	20	16
7616.9920	Aluminium slugs	20	16
8308.9020	Buckle	20	16
8419.9020	Of machine of heading 8419.4000 and 8419.5000	16	16
8504.3100	Having a power handling capacity not exceeding 1 kVA	20	16

- The Bill seeks to levy Customs duty on the following items:-

PCT code	Description	Rate
3903.9010	Styrene acrylic emulsion	11
3903.9090	Other	11
7326.1911	Forgings of crank shaft: ----Upto 10 Kg	11
7326.1919	Other	11
3204.1190	Other	16

- The Bill has proposed to increase the rate of CD on following item:-

PCT Code	Description	CD (%)	
		(Existing)	(Proposed)
9406.9100	Modular clean room panels	3	20

The Bill seeks to widen the scope of certain exemptions available to imports by privileged persons, organizations and other dignitaries under Chapter 99 of the First Schedule to the Act in the following manner:-

PCT Code	Exemption	
	Existing	Proposed
9903	Imports by Privileged personnel/ organization: Goods imported by privileged personnel or by organizations or by any person authorized by the contracting parties, under grant-in- aid agreements (including those agreements which cover off budget foreign contributions or funds brought by registered INGO's without any financial liabilities to the Government of Pakistan) signed by the Economic Affairs Division (EAD) and or by any Ministry authorized by the Government of Pakistan and duly concurred by the Federal Board of Revenue (FBR)	Imports by Privileged personnel/ organization: (i) Goods imported by privileged personnel or by organizations or by any person authorized by the contracting parties, under grant-in- aid agreements (including those agreements which cover off budget foreign contributions or funds brought by registered INGO's without any financial liabilities to the Government of Pakistan) signed by the Economic Affairs Division (EAD) and or by any Ministry authorized by the Government of Pakistan and duly concurred by the Federal Board of Revenue (FBR) (ii) Goods imported by the foreign airlines under Air Services Agreements signed by the Aviation Division, Cabinet Secretariat, Government of Pakistan with other countries on the basis of reciprocity and duly concurred by the Federal Board of Revenue.
9917	(1) Goods imported into and exported (except to tariff area of Pakistan) from the Export Processing Zones established under the Export Processing Zone Authority	(1) Goods imported into and exported (except to tariff area of Pakistan) from the Export Processing Zones established under the Export Processing Zone Authority Ordinance, 1980 (IV of 1980) and any enactment relating to Gwadar Special Economic Zone, subject to such conditions,

<p>Ordinance, 1980 (IV of 1980) and any enactment relating to Gwadar Special Economic Zone, subject to such conditions, limitations and restrictions as the</p> <p>Federal Board of Revenue may impose from time to time.</p> <p>(2) Plant and machinery, except the items listed under Chapter 87 of the Pakistan Customs Tariff, imported for setting up of a Special Economic Zone (SEZ) by zone developers and for installation in that zone by Zone Enterprises, on one time basis</p> <p>as prescribed in the SEZ Act, 2012 and rules thereunder subject to such conditions, limitations and restrictions as the Federal Board of Revenue may impose from time to time.</p> <p>(3) Following imports for construction, development and operations of Gwadar port and Free Zone Area subject to such conditions, limitations and restrictions as the</p> <p>Federal Board of Revenue may impose from time to time:-</p> <p>(i) Equipments and materials (plant, machinery, equipment, appliances and accessories), imported by the Concession holder, its operating companies and contractors/sub-contractors exclusively for construction and operation of the terminals and the Free Zone Area for a period of forty (40) years;</p> <p>(ii) Ship bunker oils imported by the Concession holder for the sole purposes of supplying fuels and lubricants to the ships used in the port and its terminals for a period of forty (40) years;</p> <p>(iii) Vehicles imported by the concession holder and its operating companies for a period of twenty three (23) years for construction, development and operations</p>	<p>limitations and restrictions as the Federal Board of Revenue may impose from time to time.</p> <p>(2) Capital goods, as defined in the preamble of Part-I of the Fifth Schedule to the Customs Act, and firefighting equipment, except the items listed under Chapter 87 of the Pakistan Customs Tariff, imported for setting up of a Special Economic Zone (SEZ) by zone developers and for installation in that zone by Zone Enterprises, on one-time basis as prescribed in the SEZ Act, 2012 and rules thereunder subject to such conditions, limitations and restrictions as the Federal Board of Revenue may impose from time to time. Co-developer as defined in Special Economic Zone Rules, 2013, shall also be entitled to avail the same incentives and exemptions for the same period as available to the Developer under the SEZ Act 2020*, subject to condition that the Developer of the SEZ relinquishes its rights to the incentives and exemptions in favour of the Co-developer; provided further that the respective Special Economic Zone Authority duly endorses such reassignment, and ensures that such reassignment shall not be misused.</p> <p><i>*should be SEZ Act 2012</i></p> <p>(3) Following imports for construction, development and operations of Gwadar port and Free Zone Area subject to such conditions, limitations and restrictions as the Federal Board of Revenue may impose from time to time: -</p> <p>(i) Equipments and materials (plant, machinery, equipment, appliances and accessories), imported by the Concession holder, its operating companies including Gwadar International Terminals Limited and Gwadar Marine Services Limited*, and their contractors and sub-contractors exclusively for construction and operation of the terminals and the Free Zone Area for a period of forty (40) years;</p> <p>(ii) Ship bunker oils imported by the Concession holder for the sole purposes of supplying fuels and lubricants to all visiting ships including foreign and local and fishing vessels at Gwadar Port for a period of forty (40) years;</p> <p>(iii) Vehicles imported by the concession holder and its operating companies for a period of twenty-three (23) years for construction, development and operations of Gwadar Port and</p>
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	<p>of Gwadar Port and Free Zone Area under the regulatory mechanism. The regulatory mechanism for such vehicles, including the number and types importable, shall be devised by the Ministry of Port & Shipping and FBR (in consultation with the Provincial Government if so required) and notified by the FBR;</p> <p>(iv) Imports for port-related businesses established in the Free Zone Area for a period of 23 years.</p>	<p>Free Zone Area under the regulatory mechanism. The regulatory mechanism for such vehicles, including the number and types importable, shall be devised by the Ministry of Port & Shipping and FBR (in consultation with the Provincial Government if so required) and notified by the FBR;</p> <p>(iv) Imports by the following businesses to be established in the Gwadar Free Zone Area for a period of 23 years with effect from 1st July, 2016, packaging, distribution, stuffing and de-stuffing, CFS, container yard, warehousing including cool and cold rooms, transshipment, labelling, light end assembly and re-assembly, imports and exports/value added exports, value adding of imports, other similar or related businesses activities and such commercial activities as are required to support the free zone.</p> <p><i>*the amendment once approved will have retrospective effect from June 01, 2020.</i></p>
9925	<p>Artificial kidneys, hemodialysis machines, hemodialyzers, A.V. fistula needles, hemodialysis fluids & powder, blood tubing tines for dialysis, reverse osmosis plants for dialysis, double lumen catheter for dialysis, catheters for renal failure patients, peritoneal dialysis solution and cardiac catheters. colostomy bags and appliances identifiable for Ostomy use.</p>	<p>(A) Artificial kidneys, hemodialysis machines, hemodialyzers, A.V. fistula needles, hemodialysis fluids and powder, blood tubing tines for dialysis, reverse osmosis plants for dialysis, double lumen catheter for dialysis, catheters for renal failure patients, peritoneal dialysis solution and cardiac catheters.</p> <p>(B) Following items and appliances for Ostomy use: -</p> <ol style="list-style-type: none"> 1. Baseplate/Stoma Wafer/Flange. 2. Ostomy (Colostomy/Ileostomy/ Urostomy) bags (All type) 3. Ostomy (Colostomy/Ileostomy/ Urostomy) Paste 4. Ostomy (Colostomy/Ileostomy/ Urostomy) Belt 5. Ostomy (Colostomy/Ileostomy/ Urostomy) Deodorizers 6. Ostomy (Colostomy/ Ileostomy/ Urostomy) Strip Paste 7. Stoma Powder/Ostomy Powder (Colostomy/ Ileostomy/ Urostomy Powder/ Ileostomy/Urostomy Powder) 8. Ostomy (Colostomy/Ileostomy/ Urostomy) Skin Barrier Spray and Wipe 9. Ostomy (Colostomy/Ileostomy/ Urostomy) Adhesive Remover Spray and Wipe.

	<p>10. Ostomy (Colostomy/Ileostomy/Urostomy) Adhesive Spray & Wipe.</p> <p>11. Ostomy (Colostomy/Ileostomy/ Urostomy) Mouldable Ring</p> <p>12. Ostomy (Colostomy/Ileostomy/ Urostomy) Elastic Tape</p> <p>13. Ostomy (Colostomy/Ileostomy/ Urostomy) Barrier Cream</p> <p>14. Ostomy (Colostomy/Ileostomy/ Urostomy) Protective Sheets</p> <p>15. Ostomy (Colostomy/Ileostomy/ Urostomy) Cap</p> <p>16. Ostomy (Colostomy/Ileostomy/Urostomy) Protective Seal</p> <p>17. Plastic Clips for closing the Ostomy bags.</p> <p>18. Liquid washers and wipes for cleaning and washing peristomal skin</p> <p>19. Night Drainage Bag</p> <p>20. Cystoscope</p> <p>21. Lithotripter</p> <p>22. Colonoscope</p> <p>23. Sigmoidoscope</p> <p>24. Laparoscope</p> <p>25. Suprapubic Cystostomy Set</p> <p>26. Ryles Tube (Nasogastric Tube)</p> <p>27. Foley's Catheter</p> <p>28. Endoscope (Video Endoscopes)</p> <p>29. Linear Cutter/Stapler</p> <p>30. Circular Stapler</p> <p>31. Right Angle Cutter/Stapler</p> <p>32. Laparoscopic Hand Instruments:</p> <p>a) Dissector</p> <p>b) Grasper</p> <p>c) Scissors</p> <p>d) Clipper</p> <p>e) Hook</p> <p>f) Retractors</p> <p>g) Needles Holders</p> <p>h) Knot Pusher</p> <p>i) Telescope (0o, 30o)</p> <p>33. Urological Endoscopic Instruments:</p> <p>(a) Resectoscope (Rotating and Fix)</p> <p>(b) Optical Urethrotone</p> <p>(c) Telescope (0o, 30o, 75o)</p> <p>(d) Turp Resecting Loops</p> <p>(e) Diathermy Cord</p> <p>(C) Dietetic foods for medicinal purposes, subject to submission of provisional enlistment</p>
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		certificate duly issued under the Drug Regulatory Authority Act, 2012 (XXI of 2012), and the rules made thereunder, by the Drug Regulatory Authority of Pakistan.
9939	Diagnostic kits for HIV and Hepatitis	Diagnostic kits for HIV, Hepatitis. Cancer and Corona Virus

The Fifth Schedule

Part-I

Imports of Plant, Machinery, Equipment and Apparatus, including Capital Goods for various industries/sectors

The Bill proposes to reduce the rate of customs duty on items imported under following PCT headings in the below table, subject to the condition mentioned against each item:-

Sr. No.	Description	PCT Code	Customs duty %		Condition
			Existing	Proposed	
23	Parts, Components and inputs for manufacturing LED lights: (ii) Pickling preparations for metal surfaces; soldering brazing or welding powders and pastes consisting of metal and other materials (iii) Poly Butylene Terephthalate	3810.9090 3907.7000	20 20	0 0	If imported by LED Light and Bulbs manufacturers registered under the Sales Tax Act, 1990 subject to annual quota determination by the Input Output Coefficient Organization (IOCO).
36	Machinery, equipment and other project related items for setting up of Submarine Cable Landing stations				
	(i) Tubes Pipes and hollow profiles of cast iron	7303.0000	20	0	If imported by Internet Service providers registered under the Sales Tax Act 1990, duly certified by the Ministry of Information Technology and Telecommunication and Pakistan Telecommunication
	(ii) Articles of non-malleable cast iron	7325.1000	20		
	(iii) Static Converters	8504.4090	16		
	(iv) Machines for the reception, conversion and transmission or regeneration of	8517.6290	16		

	voice, images or other data, including switching and routing apparatus				Authority (PTA), and subject to annual quota determination by the Input Output Co-efficient Organization (IOCO).
	(v) Optical fiber Cables	8544.7000	20		
37	Other Electric Conductors exceeding 32000 V	8544.6090	20	11	If imported by manufacturers of transformers, registered under the Sales Tax Act 1990.

Further, it is proposed to enhance the meaning of capital goods given under the above part to include plant, machinery and equipment imported by the IT sector, storage and communication within its scope. It is also proposed to extend the period of exemption from CD on import of plant and machinery for setting up of industries in erstwhile FATA areas from June 30, 2020 to June 30, 2023 under serial number 26 of the table under Part-I.

The Fifth Schedule

Part-II

Import of Active Pharmaceutical Ingredients, Excipients/Chemicals, Drugs, Packing Material/ Raw Materials for Packing and Diagnostic Kits and Equipment, Components and other Goods

The customs duty on "Meglumine antimonite" under PCT heading '3004.9099' is proposed to be reduced from 11% to 0% without any applicable condition under Table C of Part-II.

The Fifth Schedule

Part-III

Ships and Floating crafts, Nashir-e-Quran, Raw Materials/Inputs for Poultry and Textile Sector; Other Goods

It is sought to extend the period of exemption from CD on import of Ships and other floating crafts including tugs, survey vessels and other specialized crafts purchased or bare-boat chartered by a Pakistani entity and flying Pakistani flag from June 30, 2020 to June 30, 2030 under serial number 105 of the table under Part-III. Further, it proposes to allow exemption for those Nashir-e-Quran who do not have their own in-house printing facility in respect of paper of certain specification imported for printing of Holy Quran subject to certain conditions.

The customs duty on import of following goods is proposed to be further reduced under this Part:-

Sr. No.	Description	PCT Code	Customs duty %	
			Existing	Proposed
96	(i) Coils of aluminium alloys	7606.9290	5	0
109	(i) Other craft paper	4804.3900	16	15
116	(xiii) Glass board for manufacturing TV panels (LCD, LED, OLED, HDI etc.)	8529.9090	10	0

The following entries are proposed to be inserted under Part-III for granting reduced rate of Custom Duty:-

Sr. No.	Description	PCT Code	Customs duty %		Condition
			Existing under First Schedule	Proposed	
119	Organic composite solvents and thinners, not elsewhere specified or included; prepared paint or varnish removers.	3814.0000	20	5	If imported by manufacturers of Butyl Acetate registered under the Sales Tax Act 1990, subject to annual quota determination by Input Output Co-efficient Organization (IOCO).
120	Semi-finished products of Iron or non- alloy steel	7207.1110 7207.1190 7207.1210 7207.1290 7207.1910 7207.1920 7207.1990 7207.2010 7207.2020 7207.2090	11	5	If imported by manufacturers of Wire Rods registered under the Sales Tax Act 1990, subject to annual quota determination by Input Output Co-efficient Organization (IOCO).
121	Plasticised (Poly Vinyl Chloride)	3904.2200	20	0	If imported by manufacturers of disposable syringes and saline infusion sets, registered under the Sales Tax Act 1990, subject to annual quota determination by Input Output Co-efficient Organization (IOCO).
122	Other unsaturated Polyesters	3907.9100	20	0	If imported by manufacturers of buttons, registered under the Sales Tax Act 1990, subject to annual quota determination by Input Output Co-efficient Organization (IOCO).
123	Other saturated Polyesters	3907.9900	20	5	If imported by manufacturers of interlining/ buckram, registered under the Sales Tax Act 1990, subject to annual quota determination by Input Output Co-efficient Organization (IOCO).
124	(i) Skimmed milk powder	0402.1000	20	0	If imported by manufacturers of Ready to Use Supplementary Foods (RUSF), duly authorized
	(ii) Chickpeas	0713.2010	3		

(iii) Soyabean oil	1507.9000	Rs 11700MT	by United Nations World Food Program (UNWFP) and subject to annual quota determination by Input Output Co-efficient Organization (IOCO).
(iv) Palm Olein	1511.9030	Rs 9050MT	
(v) Hydrogenated vegetable fats	1516.2010	Rs 10200MT	
(vi) Malto dextrins	1702.9030	11	
(vii) Premixes of vitamins and minerals	2106.9090	20	
(viii) Emulsifier	3404.9090	11	
(ix) Antioxidant	3824.9999	11	

The Fifth Schedule

Part-IV

Imports of Aviation Related Goods i.e. Aircrafts and Parts etc. by Airline Companies/Industry under National Aviation Policy 2015

Incentive on the import of Aircraft engine classified under PCT heading '8407.1000' is proposed to be introduced by further decreasing already reduced rate of 3% under first schedule to 0% under serial number 7 of the Part-VI of fifth schedule with the condition that same is used in aircraft and trainer aircraft.

DISCLAIMER

The Commentary on Finance Bill, 2020-21 has been prepared as a general guide line for the benefits of Corporate Sector Organizations, Industries, Consulting Services and Management Accountants and other interested persons.

We hope that the commentary on the Bill will be beneficial to all.

Although every care has been taken in the publication of this commentary, however, 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 any clarification, the original document may be consulted.

Institute of Cost and Management Accountants of Pakistan