ICMA Pakistan

Estd. 1951

BUDGET COMMENTARY

2017

Institute of Cost and Management Accountants of Pakistan

PREFACE

It is my pleasure to present the Budget Commentary for the year 2017-18, 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 2017-18 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 2017-18 and the Finance Bill 2017 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. 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 in the areas of good governance, audit and review.

I would like to express my deep appreciation to all our members and their teams who have contributed in putting up the commentary especially Mian Muhammad Ramzan, FCMA; Mr. Muhammad Tariq Khurshid, FCMA; Malik Muhammad Imran, FCMA; Mr. Muhammad Arshad Bashir, 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 us your questions and comments at tspd@icmap.com.pk.

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

Waqar Ali Khan, FCMA
Chairman TSPD Committee

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ECONOMIC REVIEW

The economic history of Pakistan shows some in-consistence trends in growth level, there were the years when we witnessed hike in economy growth rates and just after two three years of that growth, a rapid downfall was also witnessed, this clearly depict that the conditions are uncertain due to several reasons like Power issues, law & order situation, low foreign investments, Political instability etc.,

However the current elected government is positively restoring the economic stability of Pakistan with in short period of time, Year 2016-17 shows 5.28% growth in GDP which is higher than 4.4 % 2015-16 and also the highest in 10 years. Pakistan economy is growing rapidly, according to a report published by Price Water House Coopers in 2017, Pakistan is projected to become the world's 20th largest economy by 2030 and 16th largest by 2050, an over view is as under;

- Due to increase in agricultural credit disbursement and Government supportive policies the agriculture sector of Pakistan shows the impressive growth and met it target level 3.5% growth rate. During 2015-16, the agriculture credit disbursement was close to Rs 600 billion while during 2016-17, the target was raised to Rs 700 billion.

- Most effective step of the elected government is the Gwadar Port project and CPEC project which is contributing a lot towards the economic stability of Pakistan. Gwadar Port is fully functional with three multipurpose berths, each 200 meters in length dredged to 14.5 meters in depth alongside the berth, handling a ship of 50,000 DWT capacity. By 2055, it is anticipated that Gwadar Port will be the largest site of its kind in Pakistan, with a 50 km sea front and 10,000 hectares of port backup area. The CPEC envisages projects in energy and infrastructure, with a total financial outlay of around US$ 46 billion. Financial outlay of Energy sector's projects are estimated to be US$ 34.74 billion. Energy sector's projects include power generation and transmission projects to be implemented in IPP mode. Till March 2017, twelve (12) projects have been signed in Energy Sectors with eight (8) projects in PPIB and four (4) projects in AEDB.

- Large Scale Manufacturing growth has picked up momentum and posted a strong 10.5 percent growth in the month of March 2017 compared to 7.6 percent in March 2016. The YoY growth augurs well for further improvement in growth during the period under review.

- In 2017 the stock market touched the highest level of 52,000 mark which is sign of interest of foreign investors. The inclusion in the Emerging Markets Index by Morgan Stanley Capital International has empowered the Pakistan Stock Exchange to outperform its regional peers over the last four years.

- National Doing Business Reform Strategy is formulated by the government in order to attract the investments in Pakistan. Pakistan's ranking in the World Bank's Ease of Doing Business index has improved by four points to 144 out of 190 economies in the Doing Business Report 2017 and the country has been recognized as one of the top ten reformers globally in the area of business regulation.

- Mining and quarrying contributes 13.91 percent in industrial sector and its share in GDP is 2.90 percent. Mining and quarrying has recorded a growth of 1.34 percent against the growth of 6.86 percent last year. Electricity generation & distribution and Gas Distribution contributes 8.55 percent in industrial sector and in GDP its share is 1.78 percent. This sub-sector has recorded a growth of 3.40 percent during the outgoing fiscal year as compared to 8.43 percent growth last year.

- The current year started with inflation at 4.1 percent in July 2016. It reached to 4.9 percent in March 2017 and then slow down to 4.8 percent in April 2017. On average during Jul-April FY 2017, it recorded at 4.1 percent. The target for current year is 6.0 percent, the present trend suggests that it will remain below the target. Food and non-food inflation have been estimated at 3.9 percent and 4.3 percent as compared to 2.1 percent and 3.3 percent respectively, in the same period last year. Core inflation during July-April recorded at 5.1 percent as against 4.1 percent during the same period last year. The uptick in inflation is due to revival of international commodity and oil prices, along with rise in domestic demand due to pick up of economic activities.

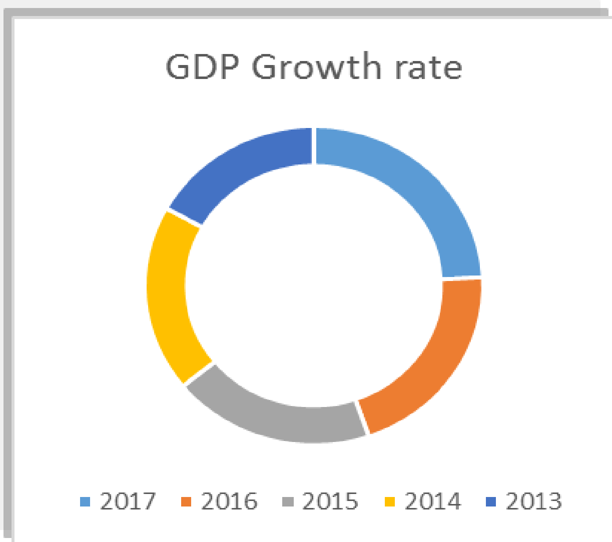
- Credit to private sector increased to Rs 457.4 billion during July-21st April, FY 2017 compared to Rs 296.8 billion in the same period of last year, registered a significant growth of 54.1 percent. Private sector borrowed Rs 155.1 billion for fixed investment during Jul-Mar FY2017 as compared to Rs 140.3 billion availed in the corresponding period of last year.

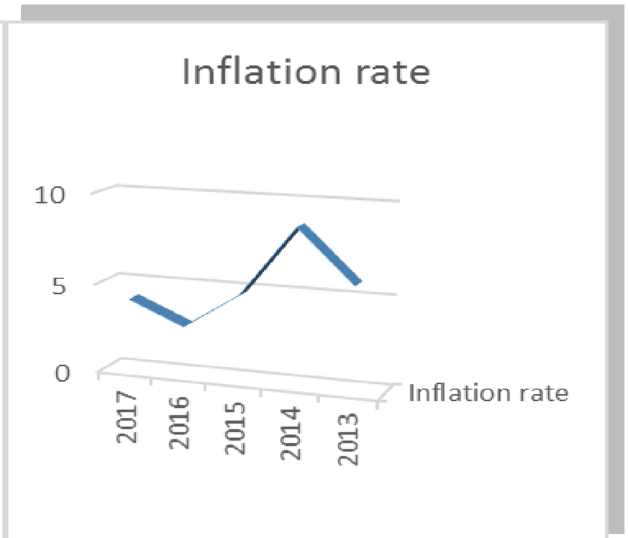
- The present government has given importance to assess the demographic situation and the long awaited 6th National Population and Housing Census 2017 is under way in Pakistan. The census data will be helpful for government, researchers and planners to enhance critical evidence-based decision making, planning and strategies for demographic policies. The census will provide reliable data on population, its growth and migration trends in different regions/areas, employment, urban-rural population, male-female ratio, Afghan refugees etc. The national population census is also important for the resource allocation formula under the National Finance Commission (NFC) Award.

- Prime Minister of Pakistan has launched, the Green Pakistan Program with the objective to facilitate transition towards environmentally resilient Pakistan. The objectives of the program will be achieved by implementing different initiatives and projects.

Sector wise Growth rate comparison. (In %age)

Particulars	2017	2016	2015	2014	2013
GDP Growth	5.28	4.4	4.24	4.14	3.7
Inflation rate	4.1	2.8	4.8	8.7	5.8
Agriculture Sector	3.46	0.27	2.9	2.1	3.5
Industrial Sector	5.02	5.8	3.62	4.45	3.4
Mining and quarrying sector	1.34	6.8	3.8	4.3	7.6
Services Sector	5.09	5.71	4.91	4.2	3.7
Exports	1.4	-12.9	-3.1	4.24	4.2
Imports	14	-4.3	-1.6	1.2	-1.02





BUDGET AT A GLANCE

Budget 2017-18
Comparative Analysis with Previous Budget

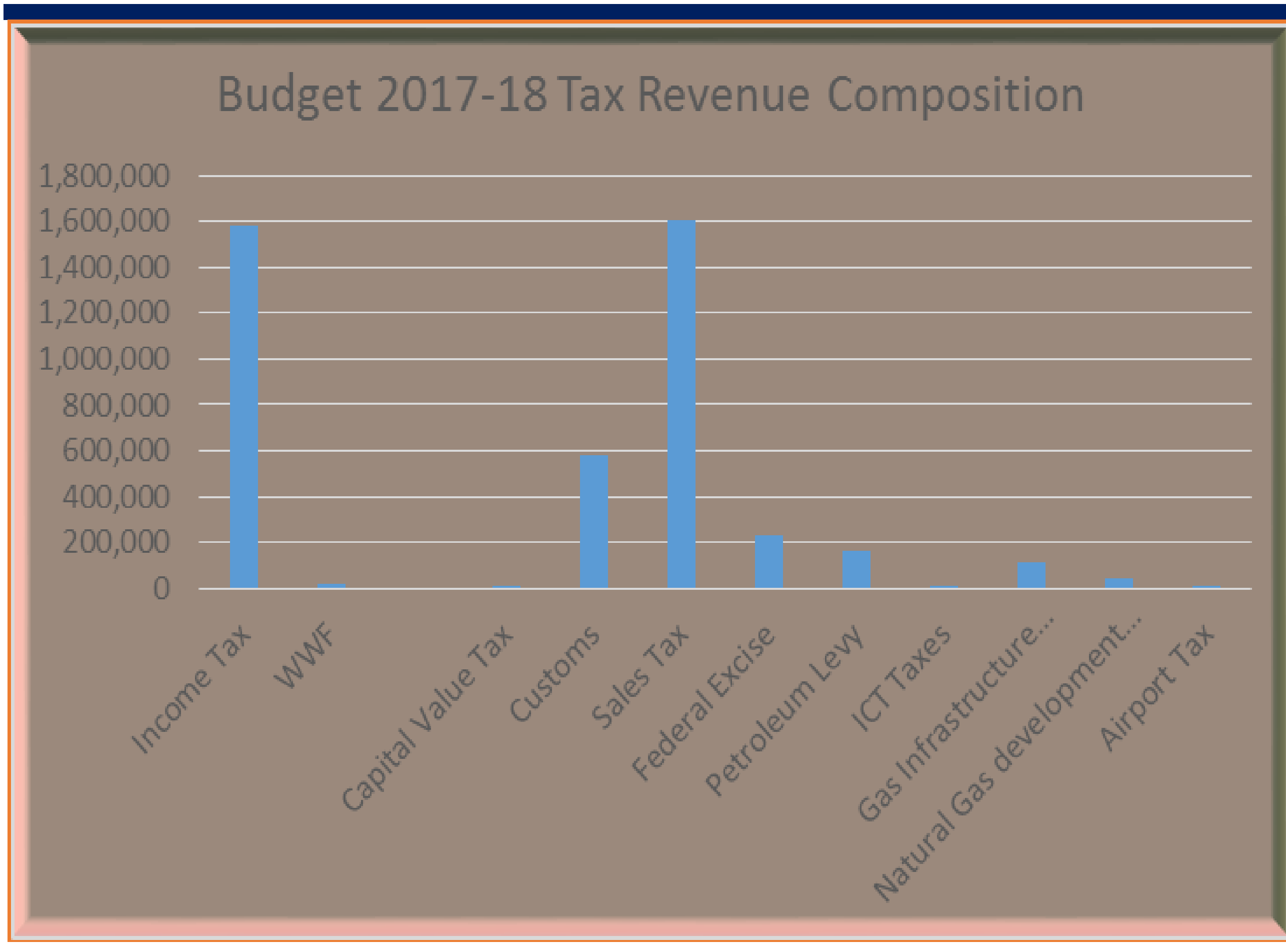
(Ruppes in million)

	Budget Estimates 2016-17	Revised Estimates 2016-17	Budget Estimates 2017-18	% age Increase
A. TOTAL RESOURSES				
Tax Revenue Receipts *	3,956,123	3,825,235	4,330,463	13.21
Non-Tax Revenue Receipts	959,452	912,119	979,853	7.43
Capital Receipts	453,638	180,171	552,520	206.66
External Receipts	819,610	996,287	837,824	(15.91)
Privatization Proceeds	50,000	17,774	50,000	181.31
Gross Federal Resources	**6,238,823**	**5,931,586**	**6,750,660**	13.81
Less: Provincial share in federal taxes	2,135,881	2,121,347	2,384,243	12.39
Net Federal Resources	4,102,942	3,810,239	4,366,417	14.60
Cash balance built up by provinces	339,022	289,589	347,269	19.92
TOTAL RESOURSES	**4,441,964**	**4,099,829**	**4,713,686**	**14.97**
B. TOTAL EXPENDITURES				
Current Expenditure	3,843,986	3,904,753	3,763,709	(3.61)
Development Expenditures (PSDP)	1,050,893	936,444	1,340,071	43.10
TOTAL EXPENDITURES	**4,894,879**	**4,841,196**	**5,103,780**	**5.42**
Bank Borrowings (A-B)	**452,915**	**741,367**	**390,094**	**(47.38)**
Difference	-	-	-	
***Tax Revenue Receipts**				
Direct Taxes	1,558,000	1,378,840	1,594,910	15.67
Indirect Taxes	2,063,000	2,142,160	2,418,090	12.88
FBR Taxes	3,621,000	3,521,000	4,013,000	13.97
Other Taxes	335,123	304,235	317,463	4.35
	3,956,123	3,825,235	4,330,463	13.21

BREAKUP OF FEDERAL TAX REVENUE RECEIPTS

Rs.in million

	Budget 2016-17	Revised 2016-17	%age of T.Rev.	Budget 2017-18	%age of T.Rev.
Direct Taxes					
Income Tax	1,538,756	1,363,837	35.65%	1,577,557	36.43%
WWF	16,947	12,641	0.33%	14,622	0.34%
Capital Value Tax	2,297	2,362	0.06%	2,731	0.06%
	1,558,000	**1,378,840**	**36.05%**	**1,594,910**	**36.83%**
Indirect Taxes					
Customs	413,000	491,054	12.84%	581,371	13.43%
Sales Tax	1,437,000	1,444,962	37.77%	1,605,200	37.07%
Federal Excise	213,000	206,144	5.39%	231,519	5.35%
Petroleum Levy	150,000	155,000	4.05%	160,000	3.69%
ICT Taxes	5,003	4,165	0.11%	4,373	0.10%
Gas Infrastructure Development Cess	145,000	80,000	2.09%	110,000	2.54%
Natural Gas development surcharge	35,000	65,000	1.70%	43,000	0.99%
Airport Tax	120	70	0.00%	90	0.00%
	2,398,123	**2,446,395**	**63.95%**	**2,735,553**	**63.17%**
Total Tax Revenue Receipts	**3,956,123**	**3,825,235**	**100.00%**	**4,330,463**	**100.00%**


Budget 2017-18 Tax Revenue Composition
1,800,000
1,600,000
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
0
Income Tax
WWF
Capital Value Tax
Customs
Sales Tax
Federal Excise
Petroleum Levy
ICT Taxes
Gas Infrastructure...
Natural Gas development...
Airport Tax

BUDGET HIGHLIGHTS

BUDGET LAYOUT

- The total outlay of budget 2017-18 is Rs 5,103.8 billion. This size is 4.3% higher than the size of budget estimates 2016-17.
- The resource availability during 2017-18 has been estimated at Rs 4,713.7 billion against Rs 4,442 billion in the budget estimates of 2016-17.
- The tax revenue estimated at Rs. 4,330,463 million (FBR Taxes Rs.4,013,000 million, Other Taxes 217,436) and non tax revenue estimated at Rs.979,854 million hence gross revenue Rs.5,310,317 less provincial share Rs.2,384,243 million which equals to net revenue receipts of 2,926 billion indicating an increase of 5.3% over the budget estimates of 2016-17.
- The provincial share in federal taxes is estimated at Rs 2,384.2 billion during 2017-18, which is 11.6% higher than the budget estimates for 2016-17.
- The net capital receipts for 2017-18 have been estimated at Rs 552.5 billion against the budget estimates of Rs 453.6 billion in 2016-17 i.e. an increase of 21.8%.
- The external receipts in 2017-18 are estimated at Rs 837.8 billion. This shows an increase of 2.2% over the budget estimates for 2016-17.
- The overall expenditure during 2017-18 has been estimated at Rs 5,103.8 billion, out of which the current expenditure is Rs 3,763.7 billion and development expenditure is Rs 1,340.1 billion.
- The share of current and development expenditures respectively in total budgetary outlay for 2017-18 is 73.7% and 26.3%.
- The expenditure on General Public Services is estimated at Rs 2,553.6 billion which is 67.8% of the current expenditure.
- The development expenditure outside PSDP has been estimated at Rs 152.2 billion in the budget 2017-18.
- The size of Public Sector Development Programme (PSDP) for 2017-18 is Rs 2,113 billion. Out of this, Rs 1,112 billion has been allocated to provinces. Federal PSDP has been estimated at Rs 1,001 billion, out of which Rs 377.9 billion for Federal Ministries/Divisions, Rs 380.6 billion for Corporations, Rs 30 billion for Prime Minister's SDGs Achievement Programme, Rs 40 billion for Special Federal Development Programme, Rs 12.5 billion for Energy for All, Rs 12.5 billion for Clean Drinking Water for All, Rs 7.5 billion for Earthquake Reconstruction and Rehabilitation Authority (ERRA), Rs 5 billion for Special Provision for Competition of CPEC Projects, Rs 45

billion for Relief and Rehabilitation of IDPs, Rs 45 billion for Security Enhancement, Rs 20 billion for Prime Minister's Initiative and Rs 25 billion for Gas Infrastructure Development Cess.

- To meet expenditure, bank borrowing has been estimated for 2017-18 at Rs 390.1 billion, which is significantly lower than revised estimates of 2016-17.

INCOME TAX

- Tax Rate for Companies will be 30% for the Tax Year 2018 onward.
- Rate of minimum tax u/s 113 is being enhanced from 1% to 1.25% of turnover.
- Tax on dividend being increase from 12.5% to 15%. Furthermore, rate of tax on dividend received from mutual funds is being enhanced from existing 10% to 12.5%.
- At present, Super Tax is levied at the rate of 4% on the income of Banking Companies and at the rate of 3% for other persons having income Rs.500million or more. The circumstances which necessitated introduction of Super Tax are still continuing, therefore, being extended for the tax year 2017.
- Withholding income tax for mobile phone subscribers is being reduced from 14% to 12.5%.
- At present, there is exemption from tax on the undistributed reserves of a public company, other than a banking company or a modaraba if the lesser of at least 40% of after tax profit or 50% of the paid up capital is distributed as dividend. In order to protect the interest of small investors and to promote payment of dividends the condition regarding distribution of 50% of paid up capital is being omitted.
- The three tier rate structure for capital gains tax on securities is being merged to one, irrespective of holding period and to be taxed at a flat /single rate of tax of 15% for filers and 20% for non-filers is being introduced.
- IT start–up proprietorship individual, AOP or a company having turnover upto Rs.100 Million, registered and certified by the Pakistan Software Export Board (PSEB) will have tax exemption on profits for a period of three years including exemption from levy of minimum tax as well as withholding tax (as recipient).
- The rate of withholding tax u/s 236H on sales made by manufacturers, wholesaler, dealers and distributors of electronics goods to retailers is being enhanced from 0.5% to 1%.
- The scope of withholding advance tax @0.1% and 0.5% u/s 236G & 236H is being extended to sale of batteries by the manufacturers/commercial importers/dealers and to retailers.

- Differential of withholding tax rates for filers viz-a-viz non-filers, is being enhanced under various withholding/advance tax provisions including, payments made to residents and non-resident persons for sales/services/contracts, payments for prize bond/lottery, sale by auction, commission/discount to petrol pump operators etc.
- The quantitative limit for import of raw materials by an industrial undertaking for its own use, without collection of tax at the import stage, is being enhanced from 110% to 125% of the raw materials imported and consumed in the previous tax year.
- The threshold for payment of advance tax on the basis of latest assessed taxable income is being enhanced from Rs.500,000/- to Rs.1,000,000/- for individual proprietors.
- The eligibility threshold to avail tax credit on education expenses for Individuals is being increased from Rs.1,000,000/- taxable income to Rs.1,500,000/-.
- Eligible threshold amount for tax credit for health insurance premium being increased from Rs.100,000/- to Rs. 150,000/-.
- Reduction of withholding tax on registration and transfer of motor vehicles having engine capacity upto 850cc, 851cc to 1000cc and 1001cc to 1300 cc is being reduced from existing Rs.10,000/-, Rs.20,000/- and Rs.30,000/- to Rs.7,500/-, Rs.15,000/- and Rs.25,000/- respectively.
- The exemption limit for interest as perquisite on interest free loan for employees increased from 0.5 Million to 1 Million.
- At present, upon enlistment of a company in the stock exchange, 20% tax credit for a period of two tax years is available on the tax payable by such company. In order to further incentivize the enlistment of companies on the stock exchange such tax credit is being extended for another two tax years, however, such tax credit shall be allowed @10% of the tax payable for each of these subsequent two tax years.
- Presently, services rendered by Pakistan Stock Exchange Limited are subjected to 8% minimum tax which results in an effective tax rate which is much higher than the prevalent corporate rate of tax. To further improve the performance of the Stock Exchange it is being subjected to reduced rate of minimum tax @ 2% on its services.
- The restriction for admissibility of on sales promotion, advertisement and publicity, for pharmaceutical companies is being relaxed from existing 5% of turnover to 10% of the turnover.
- For Hajj Group Operators, the facility of fixed tax of Rs.5000/- per Haji is being extended for the Tax Year 2017.

- Exemption on income is being proposed on income of all political parties registered with the Election Commission of Pakistan under the Political Parties Order, 2002.
- Provision is being introduced enabling taxpayers to revise withholding tax statements suo-moto within 60 days of the filing of withholding tax statements.
- Chief Commissioners are being empowered to revise an order by a Commissioner refusing to grant extension in filing of tax return and wealth statement to provide remedy to tax payers.
- The rates of withholding tax on fast moving consumer goods are being reduced from 3% and 3.5 to 2% and 2.5% respectively for companies and non-companies.
- The slabs for taxation of profit on debt being changed as first slab up to Rs.25 Million is reduced to 5M, second slab of "from 25 Million to 50 Million" changed as "from 5M to 25M" and last slab "exceeding Rs.50 Million" changed to as "exceeding 25M". The rates for each slab are 10%, 12.5% and 15% respectively.
- Provision of tax credit for sales tax registered persons is being withdrawn. Such tax credit of 3% of tax liability was made available to all manufacturers who make 90% of their sales to sales tax registered persons.
- Vide the Finance Act, 2016 a fixed tax on builders and developers on the basis of developed or built up area was introduced at different rates for various cities across the country, now being withdrawn.
- Presently tax collected at import stage on DAP fertilizer constitutes final discharge of tax liability for commercial importers whereas the same is adjustable for urea manufacturers who also commercially import DAP fertilizer. In order to rationalize this disparity and for the sake of uniformity, commercial import of DAP fertilizer both by commercial importers as well as urea manufacturers is proposed to be brought into the final tax regime.
- Advance withholding tax collected from stock exchange brokers is 0.02% is being made final tax instead of adjustable.
- Withholding tax on purchase of tobacco by manufacturers of cigarettes at the rate of 5% of the purchase value of tobacco, at the time of collecting Cess to be collected by Pakistan Tobacco Board.

SALES TAX & FEDERAL EXCISE

The budgetary measures pertaining to Sales Tax & Federal Excise are primarily aimed at:

- Reduction of sales tax on fertilizers to replace subsidy. Due to complications in payment of subsidy to fertilizers manufacturers and importers, the subsidy is proposed to be substituted with reduction in sales tax rates on various fertilizers. Instead of ad valorem rates, specific rates have been proposed. However, the rate on urea fertilizer shall remain unchanged at 5% ad valorem.
- Reduction in rate of sales tax on poultry machinery. Sales tax on import of seven types of poultry machinery is proposed to be reduced to 7%.
- Exemption from sales tax on combined harvesters. Presently, combined harvesters are subject to sales tax at 7% ad valorem under Eighth Schedule. It is proposed to provide exemption from whole of sales tax on combined harvesters up to five years old by inserting an entry in the Sixth Schedule.
- Exemption from sales tax on agriculture diesel engine. Sales tax on agricultural diesel engines (from 3 to 36 HP) is proposed to be exempted.
- Exemption from sales tax on imported seeds for sowing. Presently, imported oil seeds are subject to sales tax @ 5% under Eighth Schedule. Exemption from payment of sales tax is being provided on import of sunflower and canola hybrid seeds meant for sowing.
- Exemption from sales tax on multimedia projectors. Exemption from sales tax is being provided on import of multimedia projectors by educational institutions.
- Exemption from sales tax on gifts and donations. Exemption from sales tax is being provided to gifts and donations received from foreign governments and organizations to the Federal and Provincial Governments and public sector organizations.
- In order to enable industrial consumers to avail input tax adjustment on lubricating oils purchased from the traders, the entry relating to lubricating is being omitted from Chapter XIII of the Sales Tax Special Procedures Rules, 2007, thus withdrawing the levy of 2% sales tax on lubricating oils.
- Reduction in sales tax on import and supply of hybrid electric vehicles.
- It is proposed to provide for automatic stay against recovery of Sales Tax and Federal Excise Duty demand till decision by the Commissioner Inland Revenue (Appeals) subject to 25% of the amount of sales tax and FED demand on the line of auto stay facility available under the ITO, 2001.
- Exemption from sales tax on premixes to fight growth stunting. It is proposed to provide for exemption from sales tax on premixes to fight growth stunting.

- It is proposed to provide exemption from sales tax to vehicles for construction and development of Gwadar Port and Gwadar Free Zone on the line of exemption available to vehicles under the Customs Act, 1969. Scope of exemption already provided to materials and equipment, is being clarified by extending exemption to plant, machinery, equipment, appliances and accessories.
- Existing exemption available to items for renewable sources of energy is being aligned with exemption available to these items under the Customs Act, 1969.
- Exemption from sales tax to be provided to items for conservation of energy on the pattern of exemption available under the Customs Act, 1969.
- Exemption is proposed to be provided to parts and components for manufacturing LED lights on the pattern of exemption available under the Customs Act, 1969.
- Sales tax withholding is proposed to be withdrawn on supplies from registered persons to other registered persons with the exception of advertisement services.
- Federal Excise Duty on telecommunication services is proposed to be reduced from 18.5% to 17%.
- Services which are subject to sales tax on the basis of turnover without input tax adjustment under Provincial Sales Tax Laws are proposed to be taxed in the similar manner in ICT.
- Exemption from sales tax is also proposed to be provided on export of IT services.
- Rationalization of sales tax on mobile phones. Mobile phones are chargeable to sales tax at the rates of Rs. 300, Rs. 1,000 and Rs. 1,500 per mobile phone set depending upon categories of mobile phones. It is proposed to merge sales tax rates of Rs. 300 and Rs. 1,000 per set into Rs. 650 per set. The proposal will promote use of information technology and will also reduce disputes on categorization of mobile phones.
- Increase in Federal Excise Duty on cement is proposed to be enhanced from Rs. 1 per kg to Rs. 1.25 per kg.
- Enhancement of rates of Federal Excise Duty on cigarettes effective from 27.05.2017 enforced through notification.
- Steel sector is currently paying sales tax on the basis of consumption of electricity at the rate of Rs. 9 per unit of electricity. The existing rate of Rs 9/unit of electricity is proposed to be enhanced to Rs.10.5 and corresponding increase shall be made in ship breaking and other allied industry. And to promote the ease of doing business the issues pertaining to steel industry shall be resolved in consultation with the industry to be enforced through amendment of the Sales Tax Special Procedures Rules, 2007 with effect from 01.07.2017.

- Regularization of retailers' regime. Tier-1 retailers are under obligation to pay sales tax under normal regime. Alternatively, they have the option to pay sales tax @ 2% of turnover without any input tax adjustment. The said regime had been introduced under an SRO which has been struck down by the Lahore High Court. It is proposed to provide for payment of sales tax by tier-1 retailers through Sales Tax Act, 1990.
- Payment of sales tax on retail sales of five export oriented sectors. Retail sales of five export oriented sectors are chargeable to sales tax @ 5%. It is proposed to increase the said rate to 6%.
- Sales tax on commercial import of fabrics. Commercial import of fabrics is zero-rated under SRO 1125(I)/2011 dated 31.12.2011. It is proposed to levy sales tax @ 6% on commercial import of fabrics.
- Removing ambiguity regarding application of further tax in respect to persons making zero rated supplies. Clarificatory amendment is proposed to be made regarding application of further tax under section 3(1A) on zero-rated supplies covered under section 4 of the Sales Tax Act, 1990. However, zero-rated supplies made to diplomats, privileged persons, duty free shops and similar categories shall be excluded from the purview of further tax.
- Inclusion of Inland Revenue Authorities. District Taxation Officer, Deputy/Assistant Director Audit are proposed to be included in the list of Inland Revenue authorities.
- Assigning of jurisdiction of sales tax to Chief Commissioners Inland Revenue. Presently, Federal Board of Revenue assigns jurisdiction of Sales Tax and Federal Excise directly to Commissioners Inland Revenue. It is proposed that the Federal Board of Revenue may assign jurisdiction to Chief Commissioners Inland Revenue who may further assign jurisdiction to Commissioners Inland Revenue under his administrative control.
- Service of electronically sent notices to companies be construed as proper service.
- Minimum sales tax @ Rs. 425 per metric tonne is proposed to be provided for locally produced coal.

CUSTOMS ACT

- Reduction of duty from 11% to 3% and removal of 5% RD on grandparent and parent stock of chicken
- Reduction of duty on import of hatching eggs from 11% to 3%
- Reduction of RD on aluminium waste or scrap from 10% to 5%
- Exemption of 3% CD on raw skins & hides
- Exemption of 16% CD on stamping foils

- Reduction of CD on sheets for veneering rom 16% to 11%
- Reduction of CD on pre-fabricated modular clean rooms panels from 20% to 3%
- Exemption of 3% CD on import of ostriches
- Reduction of CD on fabric (non-woven) for pharmaceutical industry from 16% to 5%
- 5% RD levied on import of synthetic filament yarn (of polyesters)
- Increase of CD on aluminium beverage cans from 11% to 20%
- CD reduced on uncoated polyester film and aluminum wire from 20% to 11% for manufacturers of metalized yarn
- CD reduced from 20% to 16% and from 16% to 11%, on raw materials for manufacturers of Baby Diapers
- CD rate on Bituminous coal and other coal equalized @ 5%. However, for the Power Projects in IPPs Mode, CD on import of both types of coal reduced to 3%
- Separate PCT code for compressors of vehicle @ 35% CD created
- Separate PCT code for classification of electric cigarettes created at 20% CD
- RD @ 10% levied on animal protein meals
- RD levied/increased on 565 non-essential items by various rates ranging from 5% to 15%
- CD @ Rs. 250 per set converted into RD @ Rs. 250 per set on mobile phones
- CD @ 11% and 16% exempted and instead RD at uniform rate of 9% levied on the telecom equipment
- RD on betel nuts increased from 10% to 25% while RD @ Rs.200/kg levied on betel leaves
- Concession in duty/taxes on Hybrid Electric Vehicles above 2500 cc withdrawn
- Pakistan being a signatory to the HS Convention is obliged to adopt the HS 2017 issued by WCO HS Version 2017, incorporated its nomenclature/New HS Codes in Pakistan Customs Tariff with addition, creation and deletion of local PCT codes and also made relevant changes in the Fifth Schedule and SROs/Notifications where HS Codes have changed.
- Exemption from CD extended on import of combined harvesters-threshers up to 5 years old while 10% and 20% RD levied on five to ten years and more than ten years old respectively.
- Additional duty on cylinder head for motorcycles levied
- Extension of concession on 11 more components of trailers
- Concessionary rate of 11% available on Set top boxes, TV broadcast transmitter and Reception apparatus etc. extended till 30.6.2018.
- Surcharge in excess of 0.25% for cargo in-bonded at Karachi for upcountry Bonds exempted

- Expansion of scope of exemption on import/donation by allowing imports and donation of Federal, Provincial, AJ&K, Gilgit-Baltistan Governments, NDMA, PDMA and Govt. emergency/ rescue services
- Import of solar panels and related components were exempted from the condition of 'local manufacturing' till 30th June 2017 which is extended till 30th June, 2018.

AMENDMENTS IN SALES TAX LAWS

Through Finance Bill, 2017, following amendments have been proposed in the Sales Tax Act, 1990:-

Tier-1 Retailers — Section 2 Clauses, 43A, Section 3(9A), New Insertion

A new clause 43A in section 2 is inserted to define Tier-1 retailers. Tier-1 retailers means

(a) a retailer operating as a unit of a national or international chain of stores;
(b) a retailer operating in an air-conditioned shopping mall, plaza or center, excluding kiosks;
(c) a retailer whose cumulative electricity bill during the immediately preceding twelve consecutive months exceeds rupees six hundred thousand; and
(d) a wholesaler-cum-retailer, engaged in bulk import and supply of consumer goods on wholesale basis to the retailers as well as on retail basis to the general body of the consumers.

The taxation of Tier 1 retailers was specified through *"Special Procedure for Payment of Sales Tax by Retailers"*. However, in consequence of decision of Honorable Lahore High Court, Lahore where in SRO 608(1)/2014 dated 2nd July, 2014 has been held ultra-vires and having been incompetently issued. It is now amended to provide it through insertion of sub-section 9A to section 3 whereby they are required to pay sales tax @ 17% on taxable supplies and file monthly sales tax returns like other registered person or they may opt to pay 2% tax on overall turnover including exempt supplies by notifying Chief Commissioner. However adjustment of input will not be available in such case. Further supplies under SRO 1125(I)/2011 are excluded from purview of this provision.

Scope of Tax — Section 3 (1) (b), 3(1A)

The Honorable Courts had held that import of goods for non-tariff areas are not subject to taxation and now the proposed amendment in section 3(1)(b) seeks to insert the words *"irrespective of their final destination in territories of Pakistan as specified in clause 2 of Article 1 of the Constitution of Islamic Republic of Pakistan"* to provide taxation of goods imported for non-tariff areas.

Further, it is amended that further tax at the rate of two percent of the value for the zero rated goods shall also to charge, levy and pay, where taxable supplies are made to a person who has not obtained registration number.

This amendment is also made to give legal cover as the Lahore High Court, Lahore has held in a judgment that charging of further tax on goods subject to zero rated is not applicable.

Powers of Board — Section, 3(2)(b), 3(3A), 3(5) 4, 7, 7A, 8, 13, 60, 65 & 71, Amendment

Following sections have been amended where by powers have been assigned to Board with the approval of Minister in Charge of the Federal Government which previously was vested to the Federal Government.

- Section 3, Sub-section 2(b): Tax to be paid at such higher or lower rate.

- Section 3, Sub-section (3A): To specify the goods in respect of which the liability to pay tax shall be of the person receiving the supply.
- Section 3, Sub-section (5): To levy & collect tax at such extra rate or amount.
- Section 4(C): Power to specify the zero rated goods.
- Section 7, subsection (3) & (4): Power to allow input tax against output tax to registered persons or class of persons.
- Section 7A, subsection (1) & (2): power to levy & collection of tax on specified goods on value addition.
- Section 8, sub-section (1) (b): Power to specify the goods or services where input tax credit is not allowed.
- Section 13, sub-section (2), (6) & (7): Power to grant/notify exemption shall also be exercised by Board with the approval of the Minister in Charge of the Federal Government pursuant to the approval of the Economic coordination Committee of Cabinet.
- Section 60: Power to authorize import of certain goods without payment of tax.
- Section 65: Power to grant exemption of tax not levied or short levied as a result of general practice.
- Section 71: Power to issue special procedure for scope and payment of tax, registration, book keeping and invoicing requirements and returns etc.

Similarly, the Board shall place all the notifications before the National Assembly for approval as per sub-section 6 of section 13 at the year-end, which have been issued during the financial year.

Further, a new proviso is inserted after subsection 7 of section 13 that notifications issued with effect from July 01, 2016 shall remain in force till June 30, 2018, unless rescinded earlier to give legal cover.

Appointment of Authorities

Section 30, Sub-section (1), (2), (3) & (4), Amendment

Section 30 describes the appointment & functions of authorities under the Sales Tax Act. It is amended to introduce the designations of “District Taxation Officer” “Assistant Director Audit” in section 30 & also corresponding amendments in all the sub sections.

Offences & Penalties

Section 33, sr. 23, new insertion

It is amended to make fines more stringent to any person who manufactures, possesses, transports, distributes, store or sells cigarette packs without, or without counterfeited, tax stamps, banderoles, stickers, labels or barcodes.

Such cigarette stock shall be liable to outright confiscation and destruction. Any person committing the offence shall pay a penalty of twenty-five thousand rupees or one hundred per cent of the amount of tax involved, whichever is higher. He shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to five years, or with additional fine which may extend to an amount equal to the loss of tax involved, or with both.

In case of transport of cigarettes without, or with counterfeited, tax stamps, banderoles, stickers, labels or barcodes, permanent seizure of the vehicle used for transportation of non-conforming or counterfeit cigarette packs; and

In case of repeat sale of cigarettes without or with counterfeited, tax stamps, banderoles, stickers, labelsor barcodes, the premises used for such sale be sealed for a period not exceeding 15 days."

Recovery of Arrears of Tax — Section 48, Amendment

It is amended that the Commissioner IR shall not enforce for recovery of sales tax amount against any order, if the appeal is filed before the Commissioner (appeals) IR under section 45B & appeal is not decided, subject to the condition that twenty five percent (25%) of the amount of tax due has been paid by the taxpayer.

This is a good measure to give some relief to the taxpayer against coercive measures for recovery to make it align with the provisions of Income Tax Ordinance, 2001, introduced last year.

Services of Orders, Decisions etc. — Section 56, Amendment

It is amended that the notices or orders sent electronically through email or to the e-folder maintained for the purpose of e-filing of Sales Tax-cum-Federal Excise returns by the Limited Companies, both public and private shall be treated as served. After, this amendment, sending of notices/orders in person is no more compulsory.

This amendment is made to give legal cover to the notices sent through email or to the e-folder of the taxpayers. Though, this is a good move by FBR as already been adopted in income tax in the era of information technology. However, there may be arises some issues due to ignorance of the taxpayers.

Validation — Section 74A, New Insertion

A new Section 74A has been added to give legal cover to all notifications and orders issued and notified in exercise of the powers conferred upon the Federal Government, before the commencement of Finance Act, 2017. These notifications/orders shall be deemed to have been validly issued and notified in exercise of those powers, notwithstanding anything contained in any judgment of the High Court or Supreme Court.

EXEMPTION OF GOODS — Sixth Schedule

Some tariffs in serial no. 1 on which exemption provided for live animals and live poultry has been omitted being redundant tariff codes.

Tariffs	Status
0102.1010	Omitted
0105.1900	Omitted

Tariff no. 0101.3100 has been substituted to 0101.3000 in above mentioned serial.

Following amendments made in serial no. 15 for Edible fruits:

Existing Tariffs	Description	Amended to

	Substituted/Omitted	
0805.2010	Substituted	0805.2910
0805.2090	Substituted	08052100
0805.2200	Substituted	0805.2990
0803.0000 Tin bars, rods, profiles and wire	Omitted	Exemption on tin bars withdrawn---

Following tariffs codes related to sixth schedule which belongs to exempt goods amended or omitted mostly being redundant.

Sr. No.	Description (Tariff code relates to;)	Existing Tariffs.	Amended/ Omitted	Amended to
17.	Ginger excluding those sold in retail packing bearing brand names and trademarks.	0910.1000	Amended	09.10
19.	Cereals and products of milling industry.	1102.3000	Omitted	----
20.	Seeds, fruit and spores of a kind used for sowing.	1209.1010	Omitted	Being redundant code
23.	Sugar cane.	1212.9990	Amended	1212.9300
26.	Fruit juices, whether fresh, whether fresh, frozen or otherwise preserved but excluding those bottled, canned or packaged.	2009.8000	Omitted	----
31.	Holy Quran, complete or in parts, with or without translation; Quranic Verses recorded on any analogue or digital media; other Holy books.	8523.5100, 8523.5200	Omitted	---
33.	Currency notes, bank notes, shares, stocks and bonds.	4907.0000	Amended	49.07
38.	Monetary Gold	7108.2000	Amended	7108.1390
81.	Cotton Seed	1207.2000	Amended	1207.1000
83.	Meat and similar products of prepared frozen or preserved meat offal of all types including poultry meat and fish.	1604.3000	Omitted	----

In serial no. 84, scope of serial amended from preparations for infant use put up for retail sale to preparations suitable for infants or young children, put for retail sale.

Tariff against serial no. 91 which relates to Energy saver lamps, amended from 8539.3910 to 8539.3110

Scope of serial no. 97 enhanced from the words pens and ball pens to pens, ball pens, markers and porous tipped pens.

Expressions of words of serial no. 100A amended and enhanced which was inserted through finance Act 2016:-

Existing	*Amended*
Materials and equipments for construction and	Materials and equipments ["plant, machinery,

operation of Gawadar Port and development of Free Zone for Gawadar Port as imported by or supplied to China Overseas Ports Holding Company Limited (COPHCL) and its operating companies namely (i) China Overseas Ports Holding Company Pakistan (Private) Limited. (ii) Gawadar International Terminal Limited, (iii) Gawadar Marin Services Limited and (iv) Gawadar Free Zone Company Limited, their contractors and sub-contractors; and Ship Bunker Oils bought and sold to the ships calling on/visiting Gawadar Port, having Concession Agreement with the Gawadar Port Authority, for a period of forty year, subject to certain conditions and procedure.	equipment, appliances and accessories”] for construction and operation of Gwadar Port and development of Free Zone for Gwadar Port as imported by or supplied to China Overseas Ports Holding Company Limited (COPHCL) and its operating companies namely (i) China Overseas Ports Holding Company Pakistan (Private) Limited. (ii) Gwadar International Terminal Limited, (iii) Gwadar Marin Services Limited and (iv) Gwadar Free Zone Company Limited, their contractors and sub-contractors; and Ship Bunker Oils bought and sold to the ships calling on/visiting Gwadar Port, having Concession Agreement with the Gwadar Port Authority, for a period of forty year, subject to certain conditions and procedure.

Note: Anywhere “Gawadar” name is showing, amended to “Gwadar”.

After serial no. 100B, new serial 100C inserted.

Serial No.	Description
“100C.	Vehicles imported by China Overseas Ports Holding Company Limited (COPHCL) and its operating companies namely (i) China Overseas Ports Holding Company Pakistan (private) Limited (ii) Gwadar International Terminal Limited. (iii) Gwadar Marine Services Limited and (iv) Gwadar free Zone Company Limited, For a period of twenty three years for construction , development and operations of Gwadar Port and Free Zone Area subject to limitations, conditions prescribed under PCT heading 9917

Sr. No. 106 Tariff 0206.2000 related to import of Halal edible offal of bovine animals omitted being redundant.

Serial no.108 Tariff 3824.9099 related to sub serial (h) Al-Oxide Suspension amended to 3824.8400.

Tariff 8543.7090 against sub serial(c) of serial no. 110 related to SMD, LEDs with or without ballast, with fittings and fixtures; changed to 8539.5010 and 8539.520.

Tariff 8424.8100 related to sub serial (2) Sprinklers including high and low pressure (center pivotable) system, conventional sprinkler equipment, water reel traveling sprinkler, drop or trickle irrigation equipment, mint irrigation sprinkler system in serial no. 113 changed to 8424.4100.

Tariff 9406.0010 related to sub serial (2) Greenhouses (Prefabricated) in serial no. 114 amended to 9406.1010 and 9406.9010.

Serial no. 130 respective headings column which was inserted through finance Act, 2016 amended as:

Existing	Amended
Respective Headings, and subject to conditions imposed for importation under the Customs Act, 1969;	Sodium iron (Na Fe EDTA), and other premixes of Vitamins, Minerals and Micro-nutrients (food grade) and subject to conditions imposed for importation under the Customs Act, 1969

Following items and tariffs are omitted in serial no. 133 which relates to pesticides and their active ingredients:

Description (Tariff codes relate to:)	Tariffs	Status
Ingredients for pesticides	2903.3040	Omitted
Cadusafos Technical Material	2903.6900	Omitted
Ingredients for pesticides	2918.9010	Omitted
Ingredients for pesticides	2919.0010	Omitted
Other ingredients for pesticides	2919.0090	Omitted
Tiethanolamine and its salts	2922.1300	Omitted
Ingredients for pesticides	2924.2930	Omitted

Following tariffs amended in serial no. 133 related to pesticides to align it with WCO tariff codes:

Existing	Amended
2939.9910	2939.8010
2939.9910	2939.8010
3824.9099	3824.9999

EXEMPTION GRANTED

After serial no. 133, following serials added granting exemptions to the following items:

New Sr. No.	Description	Headings
134	Goods received as gift or donation from a foreign government or organization by the Federal or Provincial Governments or any public sector organization subject to recommendations of the Cabinet Division and concurrence by the Federal Board of Revenue.	9908
135	Sunflower and canola hybrid seeds meant for sowing	Respective heading
136	Combined harvesters up to five years old	8433.5100
137	Single cylinderagriculture diesel engines (compression-ignition internal combustion piston engines) of 3 to 36 HP, and CKD kits thereof	8408.9000."; and

In Paragraph no. ii in Table-3 of Sixth Schedule related to exemption on import of plant machinery equipment and apparatus (capital Goods) subject to conditions:

Tariff 3824.9099 related to Refrigerated liquid Bath in serial no. 2 amended to 3824.9999.

After figure 14, the figure and word "14A and 15" inserted and Sr. 14 and 15 substituted in annexure of table-3:

Sr. No.	Description	PCT Heading	Conditions
14	**Following items for use with solar energy:-** Solar Power Systems.	8501.3110 8501.3210	
	(1) Off–grid/On-grid solar power system (with or without provision for USB/charging port) comprising of : (i) PV Module. (ii) Charge controller. (iii) Batteries for specific utilization with the system (not exceeding 50 Ah in case of portable system). (iv) Essential connecting wires (with or without switches). (v) Inverters (off-grid/ on-grid/hybrid with provision for direct connection/ input renewable energy source and with Maximum Power Point Tracking (MPPT). (vi) Bulb holder (2) Water purification plants operating on solar energy.	8541.4000 9032.8990 8507.2090 8507.3000 8507.6000 8504.4090 8536.6100 8421.2100	
14A.	**Following systems and items for dedicated use with renewable source of energy like solar, wind, geothermal etc.** **1. (a) Solar Parabolic Trough Power Plants.** (b) Parts for Solar Parabolic Power Plants. (i) Parabolic Trough collectors modules. (ii) Absorbers/Receivers tubes. (iii) Steam turbine of an output exceeding 40MW. (iv) Steam turbine of an output not exceeding 40MW. (v) Sun tracking control system. (vi) Control panel with other accessories.	8502.3900 8503.0010 8503.0090 8406.8100 8406.8200 8543.7090 8537.1090	

	2. (a) Solar Dish Stirling Engine. **(b) Parts for Solar Dish Stirling Engine.** (i). Solar concentrating dish. (ii). Sterling engine. (iii). Sun tracking control system. (iv). Control panel with accessories. (v). Stirling Engine Generator	 8543.7000 8543.7000 8543.7090 8406.8200 8501.6100	
	3. (a) Solar Air Conditioning Plant **(b) Parts for Solar Air Conditioning Plant** (i). Absorption chillers. (ii). Cooling towers. (iii). Pumps. (iv). Air handling units. (v). Fan coils units. (vi). Charging & testing equipment.	8415.1090 8418.6990 8419.8910 84133.3090 8415.8200 8415.9099 9031.8000	
	4. (a) Solar Desalination System **(b) Parts for Solar Desalination System** (i). Solar photo voltaic panels. (ii). Solar water pumps. (iii). Deep Cycle Solar Storage batteries. (iv). Charge controllers. (v). Inverters (off grid/on grid/hybrid) with provision for direct connection/input from renewable energy source and with Maximum Power Point Tracking (MPPT)	8421.2100 8541.4000 8413.3090 8507.2090 932.8990 8504.4090	
	5. Solar Thermal Power Plants with accessories.	8502.3900	

	6. (a) Solar Water Heaters with accessories. **(b) Parts for Solar Water Heaters** (i). Insulated tank (ii). Vacuum tubes (Glass) (iii). Mounting stand (iv). Copper and Aluminum tubes **(c) Accessories**: (i) Electronic controller (ii) Assistant/ feeding tank (iii) Circulation Pump (iv) Electric heater/ immersion rod (one piece with one solar water heater) (v) Solenoid valve (one piece with one solar water heater) (vi) Selective coating for absorber plates	8419.1900 7309.0000 7310.0000 7020.0090 Respective Headings Respective Headings	
	7. (a) PV Modules. **(b) Parts for PV Modules** (i). Solar cells. (ii). Tempered Glass. (iii). Aluminum frames. (iv). O-Ring. (v). Flux. (vi). Adhesive labels. (vii). Junction box & cover. (viii).Sheet mixture of paper and plastic	8541.4000 8541.4000 7007.2900 7610.9000 4016.9990 3810.1000 3919.9090 8538.9090	

	(ix). Ribbon for PV Modules (made of silver &Lead). (x). Bypass diodes. (xi). EVA (Ethyl Vinyl Acetate) Sheet (Chemical).	3920.9900 Respective Headings 8541.1000 3920.9900	
	8. Solar Cell Manufacturing Equipment. (i). Crystal (Grower) Puller (if machine). (ii). Diffusion furnace. (iii). Oven. (iv). Wafering machine. (v). Cutting and shaping machines for silicon ingot. (vi). Solar grade polysilicon material. (vii). Phosphene Gas. (viii). Aluminum and silver paste.	8479.8990 8514.3000 8514.3000 8486.1000 8461.9000 3824.9999 2853.9000 Respective Headings	
	9. **Pyranometers and accessories for solar data collection.**	9030.8900	
	10. **Solar chargers for charging electronic devices.**	8504.4020	
	11. **Remote control for solar charge controller.**	8543.7010	
	12. Wind Turbines. (a) Wind Turbines for grid connected solution above 200 KW (complete system). (b) Wind Turbines upto 200 KW for off-grid solutions comprising of: (i). Turbine with Generator/Alternator. (ii). Nacelle with rotor with or without tail.	 8412.8090 8412.8090 Respective Headings	

	(iii). Blades. (iv). Pole/ Tower. (v). Inverter for use with Wind Turbine. (vi). Deep Cycle Cell/ Battery (for use with wind turbine).	8507.2090	
	13. Wind water pump	8413.8100	
	14. Geothermal energy equipment. (i). Geothermal heat pumps. (ii). Geothermal Reversible Chillers. (iii). Air handlers for indoor quality control equipment. (iv). Hydronic heat pumps. (v). Slim Jim heat exchangers. (vi). HDPE fusion tools. (vii). Geothermal energy installation tools and equipment. (viii). Dehumidification equipment. (ix). Thermostats and intellizone.	 8418.6100 8418.6990 8415.8300 8418.6100 8419.5000 8515.8000 8419.8990 8479.6000 9032.1090	
	15. Any other item approved by the Alternative Energy Development Board (AEDB) and concurred to by the FBR.	Respective Headings	
15	**Following items for promotion of renewable energy technologies or for conservation of energy:-** (i) SMD/LED/LVD lights with or without ballast, fittings and fixtures. (ii) SMD/LED/LVD street lights, with or without ballast, PV module, fitting and fixtures (iii) Tubular day lighting device. (iv) Wind turbines including alternators and mast.	 9405.1090 8539.3290 8543.7090 9405.4090 8539.3290 8543.7090 9405.5010 8502.3100	

	(v) Solar torches. (vi) Lanterns and related instruments. (vii) LVD induction lamps. (viii)LED bulb/tube lights. (ix) PV module, with or without, the related components including invertors (off- grid/on grid/ hybrid) with provision for direct connection/input from renewable energy source and with Maximum Power Point Tracking (MPPT), charge controllers and solar batteries. (x) Light emitting diodes (light emitting in different colors). (xi) Water pumps operating on solar energy along with solar pump controllers (xii) Energy saver lamps of varying voltages (xiii) Energy Saving Tube Lights. (xiv) Sun Tracking Control System (xv) Invertors (off-grid/on grid/hybrid) with provision for direct connection/input from renewable energy source and with Maximum Power Point Tracking (MPPT). (xvi) Charge controller/ current controller. Provided that exemption under this serial shall be available with effect from 01.07.2016.	8513.1040 8513.1090 8539.3290 8543.7090 8541.4000 8504.4090 8507.0000 8541.5000 8413.7010 8413.7090 8504.4090 8539.3110 8539.3210 8539.3120 8539.3220 8543.7090 8504.4090 9032.8990	
15A	**Parts and components for manufacturing LED lights:** (i) Aluminum housing/ shell for LED (LED light fixture) (ii) Metal clad printed circuit boards (MCPCB) for LED (iii) Constant current power supply for of LED lights	 9405.1090 8543.0000	If imported by LED light manufacturers registered under the Sales Tax Act, 1990 subject to annual quota determination by the Input Output

	(1-300W) (iv) Lenses for LED lights	8504.4090 9001.9000	Co-efficient Organization (IOCO)

REDUCE RATED GOODS

Eighth Schedule

Tariff 8432.3090 of sub serial no (iv) Sub soiler of serial no. 26 of eighth schedule amended to 8432.4100 which was related to Tillage and seed bed preparation equipment.

Following tariffs amended in sub-serials of serial no. 27 which related to seeding or planting equipment:-

Sub-serial no.	Existing Tariff	New Tariff
(iv)	8432.4000	8432.4100
(vi)	8432.3010	8432.3100
(vii)	8432.3090	8432.3900

Reduce rated concession condition of serial no. 34 which is related to Internet and broadcasting Transmission apparatus has been enhanced from 30th June, 2017 to 30th June, 2018

After serial no. 34, following serials added into the table-1.

New serial no.	Description	PCT Headings	Rate	Conditions
35	DAP	Respective heading	Rs. 100 per 50 kg bag	Nil
36	NP (22-20)	Respective heading	Rs. 168 per 50kg bag	If manufactured from gas other than imported LNG
37	NP (18-18)	Respective heading	Rs. 165 per 50 kg bag	If manufactured from gas other than imported LNG
38	NPK-I	Respective heading	Rs. 251 per 50 kg bag	If manufactured from gas other than imported LNG
39	NPK-II	Respective heading	Rs. 222 per 50 kg bag	If manufactured from gas other than imported LNG
40	NPK-III	Respective heading	Rs. 341 per 50 kg bag	If manufactured from gas other than imported LNG
41	SSP	Respective	Rs. 31 per	If manufactured

		heading	50 kg bag	from gas other than imported LNG
42	CAN	Respective heading	Rs.98 per 50 kg bag	If manufactured from gas other than imported LNG
43	Natural gas	Respective heading	10%	If supplied to fertilizer plants for manufacturing of urea
44	Phosphoric acid	2809.2010	5%	If imported by fertilizer company for manufacturing of DAP
45	Following machinery for poultry sector :			Import and Supply
	(i) Machinery for preparing feeding stuff	8436.1000	7%	
	(ii) Poultry incubators and brooders	8436.2100 and 8436.2900	7%	
	(iii) Insulated sandwich panels	9406.0090	7%	
	(iv) Poultry sheds	9406.0020	7%	
	(v) Evaporative air cooling system	8479.6000	7%	
	(vi) Evaporative cooling pad	8479.9010	7%	
46.	Multimedia projectors	8528.6210	10%	If imported by educational institution
47.	Locally produced coal	27.01	Rs. 425 per metric tonne or 17% ad valorem, whichever is higher	Nil”; and

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

Sales tax on Import or local supply and sales tax (chargeable at the time of registration of IMEI number by CMOs) of category B mobiles has been amended from 300 to 650.

AMENDMENTS IN FEDERAL EXCISE ACT, 2005

Following amendments have been proposed in the Federal Excise Act, 2005 through the Finance Bill, 2017:-

Powers of Board — Section 2, 3 & 16, Amendment

Similar to the other Laws, following sections have been amended where by powers have been assigned to the Board with the approval of Minister in Charge of the Federal Government which previously was with the Federal Government.

- Section 2, clause (8a): Due date of filing of return.
- Section 3: Duties specified in the First Schedule to be levied.
- Section 16: Exemption from chargeability of Federal Excise Duty pursuant to the approval to the Economic Coordination Committee of Cabinet subject to certain conditions.

Similarly, the Board shall place all the notifications before the National Assembly for approval at the year-end which have been issued during the financial year.

Further, a new proviso is inserted after subsection 6 of section 16 that notifications issued with effect from July 01, 2016 shall remain in force till June 30, 2018, unless rescinded earlier to give legal cover.

Offences, Penalties, Fines & Allied Matters — Section 19, Substitution

Sub-section (10) is substituted in section 19 relating to offences, penalties, fines & allied matters.

It has been substituted that where any person is engaged in the manufacture or production of cigarettes in the manner contrary to this Act or the rules made there under or otherwise evades duty of excise on cigarettes or is engaged in the manufacture or production of counterfeited cigarettes or tax stamps, banderoles, stickers, labels or barcodes, or is engaged in the manufacturing or production of cigarettes packs without affixing, or affixing counterfeited, tax stamps, banderoles, stickers, labels or barcodes, the machinery, equipment's, instruments or devices used in such manufacture or production shall, after outright confiscation, be destroyed in such manner as may be approved by the Commissioner and no person shall be entitled to any claim on any ground whatsoever, or be otherwise entitled to any compensation in respect of such machinery or equipments, instruments or devices and such confiscation or destruction shall be without prejudice to any other penal action which may be taken under the law against the person or in respect of the cigarettes, tax stamps, stickers, labels, barcodes or vehicles involved in or otherwise linked or connected with the case.

Appointment of Federal Excise Officers and Delegation of Powers — Section 29, Amendment

It is amended to include the designations of District Taxation Officer and Assistant Director Audit in the list of Inland Revenue Authorities. It has been further amended that Chief Commissioner Inland Revenue shall perform functions in accordance with the directions of the Board while Commissioner Inland Revenue shall follow directions of Chief Commissioner for performance of their duties.

Deposit, Pending Appeal, of Duty Demanded or Penalty Levied | **Section 37, Amendment**

It is amended that the Commissioner IR shall not enforce for recovery of sales tax amount against any order, if the appeal is filed before the Commissioner (appeals) IR under section 33 of FED Act & appeal is not decided, subject to the condition that twenty five percent (25%) of the amount of tax due has been paid by the taxpayer.

This is a good measure to give some relief to the taxpayer against coercive measures for recovery to make it align with recovery provisions of the other Laws.

Validation | **Section 43A, New Insertion**

A new Section 34A has been added to give legal cover to all notifications and orders issued and notified in exercise of the powers conferred upon the Federal Government, before the commencement of Finance Act, 2017. These notifications/orders shall be deemed to have been validly issued and notified in exercise of those powers, notwithstanding anything contained in any judgment of the High Court or Supreme Court.

Services of Notices and Other Documents | **Section 47, Amendment**

It is amended that the notices or orders sent electronically through email or to the e-folder maintained for the purpose of e-filing of Sales Tax-cum-Federal Excise returns by the Limited Companies, both public and private shall be treated as served. After, this amendment, sending of notices/orders in person is no more compulsory.

This amendment is made to give legal cover to the notices sent through email or to the e-folder of the taxpayers. Though, this is a good move by FBR as already been adopted in income tax in the era of information technology. However, there may arise some issues due to ignorance of the taxpayers.

AMENDMENTS IN THE CUSTOMS ACT, 1969

Following have been proposed to be amended in the Customs Act, 1969 through Finance Bill, 2017:-

Definition	Section 2, Clause (la) & (z), Amendment

Clause (la); Goods Declaration: It is amended to introduce the "Bill of Coastal Goods" in the meaning of Goods Declaration.

Clause z; Controlled Delivery: It is amended to insert a new clause of controlled delivery to regulate the provision to supervise and coordinate operational activities that allow suspected consignments of prohibited and restricted goods, including Smuggled items, to pass out of, through or into the territory of Pakistan, with a view to identifying persons involved in the commission of an offence cognizable under the Customs Act.

Directorate General of China Pakistan Economic Corridor	Section 3AAA, New Insertion

A new section 3AAA is being inserted introducing the Director General of China Pakistan Economic corridor (CPEC) to supervise & monitor the trade under CPEC. The Directorate General of China Pakistan Economic Corridor shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.

Assistance to the Officers of Customs	Section 7, Amendment

It is amended to broaden the assistance to the officers of Customs by also requiring and empowering the officers of Inland Revenue, National highway and Pakistan Motorway Police in the already empowered officers of Police, civil armed forces and other officers engaged in revenue collection.

Uniform	Section 8A , New Insertion

A new section is being introduced empowering Board to issue notification to prescribe rules for wearing of uniform by officers and staff of Customs Services of Pakistan.

General Power to Exempt from Custom-duties	Section 19, Sub-section (5), Amendment

It is amended that the Board, with prior approval of Minister-in-Charge and pursuant to the approval of the Economic Coordination Committee of Cabinet, whenever circumstances exist to take immediate action for the purposes of national security, natural disaster, national food security in emergency situations, protection of national economic interests in situations arising out of abnormal fluctuation in international commodity prices, removal of anomalies in duties, development of backward areas, implementation of bilateral and multilateral agreements, and to any international financial institution or foreign government-owned financial institution operating under a memorandum of understanding an agreement or any other arrangement with the Government of Pakistan], subject to such conditions, limitations or restrictions, if any, as it deems fit to impose, may, by notification in the official Gazette, exempt any goods imported into, or exported from, Pakistan or into or from any specified port or station or area therein, from the whole or any part of the customs-duties chargeable thereon and may remit fine, penalty, charge or any other amount recoverable under this Act.

Previously, this power was with the Federal Government.

It is amended to insert new proviso in sub-section (5) of section 19 to give legal coverage to certain notifications earlier issued, except those earlier rescinded, to be deemed to be in force with effect from first day of July, 2016. Further all notifications issued on or after first day of July, 2016 shall also continue to be in force till thirtieth day of June, 2018, if not earlier rescinded.

Power to Determine the Customs Value

Section 25, Sub-section (2), New Insertion

Section 25A empowers the Customs official to determine the customs value of any goods or category of goods imported into or exported out of Pakistan, after following the methods laid down in section 25, whichever is applicable.

Now, it is amended through insertion of a new proviso after sub-section (2) that where the value declared in a goods declaration, filed under section 79 or section 131 or mentioned in the invoice retrieved from the consignment, as the case may be, is higher than the value determined under sub-section (1) of section 25A, such higher value shall be the customs value.

Obligation to Produce Documents and Provide Information

Section 26, Sub-section (1), New Insertion

It is amended to add new sub-section (1A) that subject to rules, the Board or any officer authorized in this behalf may require any person to provide such information as is held by that person which is required for the purposes of End Use Verification of goods.

Refund to be Claimed Within [One Year]

Section 33, Sub-section (1), New Insertion

It is amended that the refund shall not be allowed, if the sanctioning authority is satisfied that the incidence of customs duty and other levies has been passed on to the buyer or consumer, where refund has become due in consequence of any decision or judgment by any appropriate officer of Customs or the Board or the Appellate Tribunal or the Court.

Period for Which Goods May Remain Warehoused

Section 98, Sub-section (1) & (3), New Insertion

It is amended through insertion of new clause, empowering a Chief Collector of Customs to further allow a second extension in warehousing period, for a period not exceeding one month in case of notified perishable goods and a period not exceeding three months in case of non-perishable goods.

Cancellation of Registration of Registered User

Section 155F, New Insertion

It is amended through new insertion in section 155F to give a right of appeal to the aggrieved person who may prefer an appeal before the Chief Collector of Customs within 30 days of cancellation or suspension of his unique user identifier. The Chief Collector may pass an order annulling, modifying or confirming the order passed by the Collector of Customs.

This is a good measure to provide the right of appeal to the aggrieved person against the decision of the Collector, cancelling or suspension of unique user identifier.

Punishment for Offences

Section 156, Clause 7A, Sub-section (3), New Insertion

It is amended to insert a new clause 7A in Table, to impose a penalty not exceeding five hundred thousand rupees, if any agency or person including port authorities managing or owning a customs port, customs airport or a land customs station or a container freight station, fails to entertain a delay and detention certificate issued by the officer of Customs.

Further a new clause is inserted in section 156, empowering Board to regulate the imposition, including the time and manner, of any penalty specified in this section.

Appeals to Collector (Appeals)

Section 193, Sub-section (1), Amendment

It is amended to allow appeal before the Collector (appeals) against the order passed under section 195 by an officer of Customs below the rank of an Additional Collector.

Good step as the accused should have the right of appeal against any decision passed him.

Appellate Tribunal

Section 194A, Sub-section (1), Clause (d), Substitution

Similarly, it is amended that appeal can be filed before the Appellate Tribunal against the order passed under section 195 by the Board or an officer of Customs below the rank of an Additional Collector.

Powers of Board or Collector to Pass Certain Orders

Section 195, Sub-section (1A), New Insertion

A sub-section is being inserted empowering Board or Collector of Customs or Collector of Customs (Adjudication) to dispose of a case on its own or to assign the case to equal or higher mark officer, who may have passed the order earlier, for passing such order as he may think fit.

Power to enter into mutual legal assistance agreements on customs matters

Section 219A, New Insertion

A new section 219A is being inserted proposed to enable the Customs Department to enhance international cooperation, participation in international initiatives/joint operations and greater access to Technical Assistance and Capacity Building activities. Section 219A is as under:

The Board may, of its own motion or upon request from an international organization, a foreign customs administration, or any other foreign competent authority, enter into memorandum of understanding pertaining to mutual legal assistance in customs matters, or in pursuance of any bilateral or a multilateral agreement, undertake activities, which, inter alia, include:

(a) Coordinated border management;

(b) Information and data sharing;

(c) bilateral and multilateral international special operations, including, by the method of controlled delivery;

(d) capacity building and technical assistance initiatives; and

(e) any other matter to which both or all parties agree.

(2) Notwithstanding anything contained in any other law, for the time being in force, the Board may, on behalf of the Federal Government, request an international organization, a foreign customs administration, or any other foreign competent authority for legal assistance on any matter or offence under this Act, or upon request received therefrom; and

(3) The Board may, by notification in the official Gazette, prescribe the rules for any of the matters enumerated in this section.

Validation **Section 221-A, New Insertion**

It is amended to insert a new section 221-A to provide savings to all notifications and orders issued and notified in exercise of the powers conferred upon the Federal Government before the commencement of Finance Act, 2017, which shall be deemed to have been validly issued and notified in exercise of those powers, notwithstanding anything contained in any judgment of the High Court or Supreme Court.

AMENDMENTS IN INCOME TAX ORDINANCE, 2001

Through Finance Bill 2017, following amendments have been proposed in the Income Tax Ordinance, 2001:-

Fast Moving Consumer Goods	**Section 2(22A), Division III, Clause (ab) Part 1II, First Schedule**

Durable goods excluded from the preview of fast moving consumer goods and rate of income tax withholding in case of supplies made by distributor of fast moving consumer goods have been reduced from 3% to 2% if supplier is a company and 3.5% to 2.5% if supplies are made by other than company i.e. individual & AOP.

Startup	**Section 2(62A), Clause (144), Part 1, Clause (11A)(xxix), Clause (43F) Second Schedule**

New concept of startup business has been introduced through insertion of definition of startup being an Individual, AOP & Company having annual turnover less than 100 million in each of last five tax years and engaged in technology driven products or services and person is registered and duly certified by Pakistan Software Export Board (PSEB). The profits of startup business entities are exempt from income tax as well as minimum tax for three years and payments received by such persons are also not subject to withholding tax U/s 153.

Existing undertaking incorporated or registered on or after 1st July, 2012 are also entitled for this exemption if engaged in similar business.

The nature of technology driven products and services would have to be prescribed for proper implementation of this concession / exemption.

Super Tax for Rehabilitation of temporarily displaced persons	**Section 4B,**

One-time super tax for tax year 2015 on (i) banking companies; and (ii) all other taxpayers having income of Rs 500 million or above was imposed vide Finance Act, 2015 for Tax Year 2015 and vide Finance Act, 2016 it was extended for tax year 2016 .The rate of super tax for banking companies is 4% of the income while the rate of tax for other taxpayers shall be 3% of the income and as specifically stated in the relevant provision, this 'tax' is for the rehabilitation of temporary displaced persons.

This tax is amended to apply for tax year 2017 also. Consequently seventh schedule is to be amended accordingly for banking companies.

Tax on Undistributed Reserves | **Section 5A**

The concept of tax on undistributed reserves was introduced vide Finance Act, 2015 and now the same has been substituted by a new concept of tax on undistributed profits for the tax year 2017 and onward. This is applicable on every public company other than scheduled bank and Modaraba.

The salient features of this new regime are as under:-

(i) 10% tax shall be payable on profits for the year if not distributed up to 40% of after tax profits within 6 months of the end of the tax year.

(ii) Distribution will include cash distribution as well as issue of bonus shares.

In the earlier regime, such tax was payable where the company did not distribute 40% of after-tax profits or 50% of paid up capital, whichever was less. Now, the applicability is solely based on the profits for the year if distribution during the year is less than the prescribed limit.

The new regime shall remain inapplicable on Power Companies and State owned companies.

Distribution relates to the 'accounting profit' of a company, accordingly, it would have to be prescribed in the law that the term 'profit' for the purpose of applicability of this section in relation to distribution represents the accounting profit.

The concept of taxation of undistributed profits needs to be examined in the context and in comparison to the tax incidence for a non-corporate entity and multiple taxation on the same income.

Tax on Builders & Developers | **Section 7C, Section 7D & Section 8**

New sections 7C & 7D were inserted vide Finance Act, 2016 to tax the builders & Developers on Fixed Tax Regime basis.

Under this regime, tax liability for the builders & developers was determined on the basis of area constructed / developed instead of net income basis. This fixed tax regime for builders and developers is rescinded from tax year 2018 onwards and they will be taxed under normal tax regime on net income basis. Moreover, the persons who failed to discharge the tax liability as required under Rule 13S are also excluded from the fixed tax regime for tax year 2017 as well.

Consequent amendments have been made in section 8 as well.

Value of Perquisites | **Section 13(7)**

The existing threshold of loan from employer to employee treating as perquisite has been enhanced from existing rupees five hundred thousand to rupees one million.

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

A restriction of 5% of turnover was placed on admissibility of expenditure incurred by pharmaceutical manufacturers on sales promotion, publicity and advertisement vide Finance Act, 2016. This limit has been enhanced to 10% of the turnover as admissible expenses by pharma industry.

Depreciable Assets — **Section 22(15)**

It has been prescribed that where depreciable asset is jointly held by a taxpayer and Islamic Financial Institution licensed by SBP or SECP under a Musharika or diminishing Musharika arrangement, such asset will be considered as owned by the taxpayer for the purpose of claiming depreciation.

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

Federal Government has been empowered to grant exemption and concession from tax in second schedule of the Ordinance in a manner specified in the relevant provision of law.

Now, the process of exemptions and tax concessions can be initiated by the Federal Board of Revenue with the approval of the Minister Incharge subject to approval of Economic Coordination Committee.

Consequently any notification issued from July 1, 2016 onwards is validated on account of this amendment up to June 30, 2018.

Deductible Allowance for Education Expenses — **Section 64AB / Section 60D**

A new section 64AB was inserted vide Finance Act, 2016 to allow deductible allowance to individual for education expenses of children who is deriving taxable income less than one million. The allowance is allowed @ 5% of the total tuition fee paid by individual or 25% of person's taxable income or Rs.60,000/- per children whichever is lower

Now the secion64AB has been renumbered as 60D and the limit of taxable income to avail this concession has been enhanced to Rs.1,500,000/-

Tax Credit for Investment in Health Insurance — **Section 62A**

Tax credit shall be allowed in respect of contribution paid by a non-corporate resident taxpayer for health insurance to any insurance company approved by SECP. The tax credit is, however, only available to resident persons, *being a filer*, deriving income from salary or income from business. The amount eligible for tax credit shall be the lower of actual premium paid, 5% of taxable income or Rs.150,000/- . Previously this limit was lower of actual premium paid, 5% of taxable income or Rs.100,000/-

Tax Credit to a Person Registered Under sales Tax Act, 1990	Section 65A

In order to provide incentive for sales tax registration, a tax credit @ 3% of the tax liability was introduced for manufacturers if they sold 90% of the goods to sales tax registered persons. Now this incentive has been withdrawn.

This incentive should be continued being instrumental to promote the documentation.

Tax Credit for Enlistment in Stock Exchange	Section 65C

At present tax credit @20% for enlistment in stock exchange is available to companies for two tax years starting from the year of enlistment. Now in order to encourage enlistment in stock exchange the period has been extended to four tax years starting from the year of enlistment but rate of tax credit for last two tax years will be 10% of the taxable.

Taxation of Dividend Received From Non Resident Companies	Section 94(3)

Dividend received from non-resident companies are to be taxed in a manner similar to the dividends received from resident companies and taxed as business income or other source of income in the hands of resident person. Nevertheless, the provisions of sub-section 3 of section 94 were prone to misinterpretation resulting in taxation of the dividend income from non-resident companies at the rate higher than the maximum rate of tax on dividend income as per section 5. The said provision has been omitted.

Taxation of Profits and Gains from Sui Gas Field	Section 100(2)

Section 100 contains special provisions for taxation of oil and natural gas and Exploration and Extraction of other mineral deposits.

Presently the tax payable on such gains and profits is computed in accordance with Rules provided in part1 of fifth schedule except the profit and gains attributable to production of petroleum and natural gas discovered before 24th September, 1954.

It is now proposed that from tax year 2017 onward profits and gains derived from Sui Gas Filed shall be computed in accordance with part1 of fifth schedule.

Tax Credit to Non Profit Organizations	Section 100C

Prior to Finance Act, 2014, Non-profit Organizations (NPOs) were exempt from tax under clause 58 of the Second Schedule. Through Finance Act, 2014 a special regime was introduced through section 100C whereby exemption was substituted by 100% tax credit. This tax credit is available to NPOs on fulfilling conditions inter alia prescribed in Rule 213.

In the Bill, it is proposed that in case of all NPOs:-

(i) The administrative expenses will not exceed 15% of total receipts;
(ii) The surplus funds as defined in the said section will be taxed at 10%.

The term surplus funds has been defined in the Bill as under:-
"Surplus funds mean funds or monies:
(i) not spent on charitable and welfare activities during the tax year;
(ii) received during the tax year as donations, voluntary contributions, subscriptions and other incomes;
(iii) or more than 25% of the total receipts of the NPO received during the tax year; are not part of the restricted funds.

Explanation: For the purposes of this sub-section, "restricted funds" means any fund received by the organization but could not be spent and treated as revenue during the year due to any obligation placed by the donor."

There appears to be a drafting error in above definition as the amount received as donations, voluntary contributions, subscriptions and other incomes cannot be held as surplus funds. It is considered that appropriate draft of the definition of surplus fund may be as under:

"surplus fund means amounts received during the year as donations, voluntary contributions, subscriptions and other incomes not spent on charitable and welfare activities during the year and not part of the restricted funds, if the unspent amount is more than 25% of the total receipts during the tax year."

The proposed amendment does not appear to be in line with the rationale seems behind the amendment because the amount of surplus funds will now be taxed in almost all cases. The proposed amendment needs to be withdrawn as it results in taxation of a non-profit organization which is neither correct nor in line with the above referred rationale.

This is not the right course of action as 'Not for Profit Organizations' by their very nature are not taxable entities as such income is available only for welfare and charitable purposes.

The restriction on the quantum of expenditure may be justified in certain cases however tax on surplus funds is not desirable as the same funds will ultimately be used only for charitable, welfare and not for profit purposes. However, Rule 213 needs to be aligned with the proposed amendments in section 100C.

Minimum Tax	**Section 113, Division IX Part-1, First Schedule**

Standard rate of minimum tax has been enhanced from 1% to 1.25%.

Revision of Wealth Statement	**Section 116 (3)**

Wealth statement could be revised on discovering a wrong statement or omission any time before the issuance of an assessment order. Now, such revision cannot be made after the receipt of notice under section 122 (9) of the Ordinance.

Extension in Filing of Tax Return	Section 119

Chief Commissioner is now empowered to grant extension in filing of tax return unless there are exceptional circumstances justifying a longer extension in time for filing the return of income and if the extension is declined by commissioner.

Best Judgment Assessment	Section 121

Scope of best judgment assessment has been enhanced by inserting the provision that if a person failed to file the return of income in response to a notice under sub-section (3) or sub-section (4) of the section 114, the Commissioner is empowered to pass best judgment assessment on the basis of available record.

Provisional Assessment	Section 122C, 114(6), 116(2A), 122, 127 & 137

The concept of provisional assessment in case of non-furnishing of return was introduced vide Finance Act, 2010 and now the same has been done away and corresponding relevant provisions have been amended accordingly.

However, in case the taxpayer fails to file a return, the Officer still has the power to frame a best judgement assessment under section 121 of the Ordinance.

Appointment of Judicial Member of Appellate Tribunal	Section 130

The provision enabling the appointment of an Inland Revenue Officer as a Judicial Member of the Appellate Tribunal has been deleted.

Recovery of Tax from person assessed in Gilgit-Baltistan	Section 146

Section 146 empowers the Commissioner to recover from a person who is asessed to tax in Azad Jammu & kashmir if he received a certificate from Deputy Commissioner of Azad Jammu & Kashmir.

Now the Commissiner is also empowered to recover from a person who is asessed to tax in Gilgit - Baltistan if he received a certificate from Deputy Commissioner of Gilgit Baltistan because Gilgit Baltistan has adopted the Income Tax Ordinance, 2001.

Advance Income Tax	Section 147

At present individual is required to pay advance tax if his latest assessed taxable income is Rs.500,000/- or more. Now the limit of taxable income for payment of advance tax has been enhanced to Rs.1000,000/-.

Tax on Commercial Import of Fertilizers **Section 148**

Presently tax collected at import stage on DAP fertilizer constitutes final discharge of tax liability for commercial importers whereas the same is adjustable for urea manufacturers who also commercially import DAP fertilizer. In order to rationalize this disparity and for the sake of uniformity, commercial import of DAP fertilizer both by commercial importers as well as urea manufacturers is proposed to be brought into the final tax regime.

Nonresident person to file option for FTR **Section 152**

The permanent establishments of a non-resident person engaged in the following activities will now also be entitled to exemption certificate, if they do not opt for final tax regime:-

(i) contracts or sub-contract under construction, assembly or installation project in Pakistan;
(ii) contract for construction or services rendered relating thereto;
(iii) contract for advertisement services by T.V Satellite channels.

Previously, such facility of exemption was only available to permanent establishments of non-residents who were engaged in supply of goods, rendering of services and execution of contracts.

Retention of services charges be treated as paid for Withholding Tax & Minimum tax on Stock Exchange Services **Section 153, Clause 94**

Payment made to resident person for rendering or providing of services is subject to withholding tax under section 153(1)(b).

It has been clarified that where the service charges are retained by the agent or any other third person , the said person treated to have been paid the service charges and the receipant shall collect the tax alongwith paymet from the agent or other third person.

Service sector companies were subjected to Minimum Tax Regime under section 153 of the Ordinance vide Finance Act, 2015, wherein tax withholding at applicable rate (8%) was made Minimum Tax . The said regime was however rationalized for thirteen service sectors for the period July 1, 2015 till June 30, 2017, under Clause (94) of Part IV of Second Schedule to the Income Tax Ordinance, 2001.

The said rationalized scheme has been be extended from June 30, 2017 to June 30, 2018, provided taxpayer files an irrevocable undertaking by November, 2017 to present its accounts to the Commissioner for audit of its tax affairs.

In addition to thirteen sectors, services rendered by Pakistan Stock Exchange have been proposed to avail rationalized Minimum Tax Regime, subject to fulfilment of prescribed conditions.

Revision of Withholding Statement | Section 165

Withholding tax statements are now allowed to be revised within sixty days of filing on discovery of any omission or wrong statement.

Audit by Cost & Management Accountants | Section 176

A firm of Cost and Management Accountants has been made eligible to conduct audit as per Income Tax Ordinance, 2001.

Offences and Penalties | Section 182

The scope of penalty provisions by including section 108 in serial No. 7 and 9 of the schedule has been enhanced whereby taxpayer who has entered into transactions with the associates and has failed to maintain the records as prescribed in section 108(3) or fails to furnish information pursuant to notice issued by the tax authorities under section 176.

The proposed amendment also seeks to insert two more offences in the list as follows:-

17.	Any reporting financial institution or reporting entity who fails to furnish information or country-by-country report to the Board as required under section 107, 108 or 165B within the due date.	Such reporting financial institution or reporting entity shall pay a penalty of two thousand rupees for each day of default subject to a minimum penalty of twenty five thousand rupees.	107, 108 and 165B
18.	Any person who fails to keep and maintain document and information required under section 108 or Income Tax Rules, 2002.	1% of the value of transactions, the record of which is required to be maintained under section 108 and Income Tax Rules, 2002.	108.

Default Surcharge for Non Compliance with Advance Payment of Tax by Person Having Special Tax year | Section 205(1B)

A new proviso inserted which stipulates that the calculation of default surcharge for failure to pay advance tax in case of a person having a special tax year shall be calculated on and from the first day of the fourth quarter of the special tax year till the date on which the assessment is made or the last day of the special tax year whichever is earlier.

Advance Ruling | **Section 206A**

Presently provisions of advance ruling is not applicable to non-resident taxpayer having permanent establishment (PE) in Pakistan. Now PE of the non-resident person in Pakistan can also avail the benefit of advance ruling after fulfilling the prescribed conditions. This is the positive change and will help in limiting tax litigation with the non-residents. Normally non-resident taxpayer for smooth operations of their businesses prefer to seek advance rulings rather than entering into tax litigation at a later stage.

Disclosure of Information by the Public Servant | **Section 216(3) (ka) & 216(5)**

A new clause inserted in the sub-section (3) whereby protection is being extended to tax authorities for disclosure of information regarding salaries statement furnished under section 165 of the Ordinance to Employees Old Age Benefit Institution.

Further the power of publication of information is vested with board with the prior approval of Minister in charges of the Federal Government.

Reward to Whistleblowers | **Section 227B**

Another condition to claim the reward by whistleblower is inserted that the information provided to the board for tax evasion must accompanied by the evidence.

Directorate General of Broadening of Tax Bas | **Section 230D**

Through this insertion a separate and designated directorate of broadening of tax base is being created comprises of Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may notify and appoint together with their functions, powers & jurisdiction.

This is the good step and results can be achieved through focused approach by increasing the number of taxpayer and eventually the tax to GDP ratio will also increase.

Directorate-General of Transfer Pricing | **Section 230E**

Under the present system, the matters relating to transfer pricing are undertaken by the regular field force. This has resulted in lack of emphasis on the tax matters which are essential for the development of effective tax culture in the country. As a matter of administrative reform and to bring Pakistan's present system in line with international best practices, separate directorate for transfer pricing have been established.

The Directorate of transfer pricing will be empowered to conduct independent transfer pricing audits. This will be in addition to the regular tax audits undertaken by the field forces.

Advance tax on Private Motor Vehicles | **Section 231B (1A), Clause 102 Part-IV, Second Schedule**

Through this substitution three percent advance tax is levied on the value of motor vehicles leased to a non-filer by leasing company or a scheduled bank or a nonbanking financial institution of an investment bank or a Modaraba or a development finance institution , whether shariah compliant or under conventional mode of financing.

The provisions of advance tax under this section has been proposed not to apply to light commercial vehicles leased under the Prime Minister's Youth Business Loan Scheme.

Collection of Tax by Stock Exchange Registered in Pakistan | **Section 233A**

The commission income of members of the Stock Exchange will now be subject to final tax regime. Earlier this was adjustable.

Tax on CNG Stations | **Section 234A, Part-III, Division VIB**

Total tax liability of CNG stations shall be the aggregate amount of tax collected on electricity and gas bills. If there is any other tax collection or deduction on account of CNG stations then the said amount will be now refundable to them. Earlier adjustment of tax collected or deducted under other heads was not allowed in case of CNG station income.

A separate rate of advance tax for non-filers @ 6% of the gas consumption charges is proposed in case of CNG station. Currently, the applicable rate is 4 % for both filers and non-filers.

In case of person running CNG station and Petrol pump at the same premises on single electricity meter, the matter of final taxation of electricity should be clarified through rules.

Advance tax on Sale or Transfer of Immovable Property | **Section 236C**

Persons required to collect the tax under this section clarified and the tax collected by registering authority on transfer of immovable property shall be the minimum tax on income of the seller if it is acquired and disposed of in the same tax year. Earlier this tax was adjustable.

Advance Tax on Sales to Retailers — **Section 236H Division XV, Part IV of First Schedule**

Presently, every manufacturer, distributor, dealer, wholesaler or commercial importer of specified goods at the time of sale to retailers and every distributor or dealer at the time of sale to wholesaler are required to collect advance tax at 0.5%.

The Bill proposes to increase the rate to 1% for non-filers and for sale of electronics by filers. The batteries are also included under the scope of advance tax under this section.

Advance Tax on Insurance Premium — **Section 236U, Division XXV, Part-IV, First Schedule**

The lower limit for collection of advance tax by insurance companies on life insurance premium from non-filers is enhanced from Rs. 0.2 million to Rs. 0.3 million in aggregate.

Advance Tax on Tobacco — **Section 236X**

Through this insertion of new section Pakistan Tobacco Board is now required to collect advance tax at the rate of 5% of the purchase value of tobacco from persons purchasing tobacco including manufacturers of cigarettes.

The tax so collected shall be adjustable against the income of the purchasers. This measure has been introduced to curtail the manufacture of illicit and non-duty paid cigarettes.

AMENDMENTS IN THE SCHEDULES TO THE INCOME TAX ORDINANCE, 2001

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

INCOME TAX RATES — First Schedule

The Rate Table is provided in the end and changes where any change is proposed are marked;

EXEMPTIONS AND TAX CONCESSIONS — Second Schedule

Exemption from total income- PART I - Second Schedule

Exemptions Granted/Amended in Part I of Second Schedule.

Clause 66 sub clause (xxxi) Part I (amended)	Exemption available to "Society for welfare of Patients of SIUT" has been amended by substituting the word with the "Society for the Welfare of SIUT".
Clause 66 sub clause (xxxvi) Part I (inserted)	Exemption is granted, to the 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 December 25, 2015, by inserting a new sub clause namely (xxxvi) in clause 66 Part I.
Clause 66 sub clause (xxxvii) Part I (inserted)	Exemption is granted to the "Gulab Devi Chest Hospital", by inserting a new sub clause namely (xxxvii) in clause 66 Part I.
Clause 66 sub clause (xxxviii) Part I (inserted)	Exemption is granted to the "Pakistan Poverty Alleviation Fund", by inserting a new sub clause namely (xxxviii) in clause 66 Part I.
Clause 126A, 126AA, 126AC & 126D Part I (amended)	Clauses are amended by correcting the spelling of the word "Gwadar" in place of already provided word "Gawadar".
Clause 140A, Part I (inserted)	Exemption is granted to any profit on debt received by Japan International Cooperation Agency (JICA), from Islamabad- Burhan Transmission Reinforcement Project (Phase-I) undertaken in pursuance to the loan agreement for Islamabad-Burhan Transmission Reinforcement Project (Phase-I), by inserting a new clause namely 140A after clause 140 in Part I.
Clause 143 Part I (inserted)	Exemption is granted to any income derived by a political party registered under the Political Parties Order, 2002 with the Election Commission of Pakistan, by inserting a new clause namely 143 after clause 142 in Part I.
Clause 144 Part I (inserted)	Exemption is granted by inserting a new clause namely 144 in Part I to Profit and gains derived by a start–up, as defined in clause (62A) of section 2, for the

	tax year in which the start- up is certified by the Pakistan Software Export Board and the following two tax years.

Exemption from Specific Provisions **PART IV –Second Schedule**

The Finance Act 2017-18 provided to amend/withdraw the following in Part IV:-

Clause 11A, sub clause (xxix) of Part IV (inserted)	Exemption from provision of section 113 of minimum tax, shall be available to start-up as defined in clause (62A) of section 2, by inserting new clause xxvi after clause xxv as the income is exempt from total income as per part 1 of the first schedule.
Clause 41 of Part IV (omitted)	Exemption from provision of sub section 1B of section 152 available to non-resident where his income arising out of a contact after deduction of tax was exempted to be considered as final tax unless he opts for the presumptive tax regime, has been withdrawn by omitting the clause 41 of Part IV.
Clause 43F of Part IV (inserted)	Exemption from applicability of the provisions of section 153 has been provided in the case of a start-up, being recipient of payment, as defined in clause (62A) of section 2, by inserting the clause 43F of Part IV.
Clause 56, sub clause (ia) of Part IV (amended)	Exemption from applicability of provision of section 148 regarding withholding tax on imports has been provided to Z&M Oils (Pvt) Ltd, Exceed Petroleum (Pvt.) Ltd, Petrowell (Pvt.) Ltd, Quality-1 Petroleum (Pvt) Ltd, Horizon Oil Company (Pvt.) Ltd, Outreach (Pvt.) Ltd and Kepler Petroleum (Pvt.) Ltd. by amending the sub clause (ia) of clause 56 of Part IV.
Clause 56A of Part IV (omitted)	Exemption available to the income of the person liable of withholding tax under section 236E (advance tax on foreign-produced TV plays and serial), being the final income, has been withdrawn by omitting clause 56A of Part IV. This clause has been omitted being redundant as section 236E has already been omitted through Finance Act, 2016.
Clause 72A of Part IV (amended)	Exemption from applicability of provision of clause (1) of section 21, section 113 and section 152 available to Hajj Group Operator in respect of Hajj operations, provided that the tax has been paid at the rate of Rs. 3,500 per Hajji for the tax year 2013 and Rs. 5,000 per Hajji for tax year 2014, 2015 & 2016. The applicability of the above referred sections has been extended for tax year 2017, by amending the clause 72 A of Part IV.
Clause 72B of Part IV (amended)	Exemption from applicability of provision of section 148 available to an industrial undertaking if the tax liability for the current tax year, on the basis of determined tax liability for any of the preceding two years, whichever is higher, has been paid and a certificate to this effect is issued by the concerned commissioner. The conditions for such certificate has been changed by amending the second proviso of clause 72B of Part IV that • The quantity of raw material to be imported which is sought to be exempted from tax under section 148 shall not exceed 125 per cent of the quantity of raw material imported and consumed during the previous tax year. Earlier this limit was 110 per cent.
Clause 91, sub clause (i) & (ii) of Part IV (amended)	Exemption available to Tillage and seed bed preparation equipment on import under section 148 has been amended by substituting the PCT code for Sub soiler from “8432.3090”, to “8432.3900”, for Tractor mounted trancher from 8701.9020”, to “8701.9200 in sub clause (i) of clause 91 of Part IV.

Clause 91, sub clause (ii) of Part IV (amended)	Exemption available to Seeding or planting equipment on import under section 148 has been amended by substituting the PCT code for Seed-cum fertilizer drill from "8432.3010", to "8432.3100", for Cotton or maize planer with fertilizer attachment from "8432.3090", to "8432.3900", for Potato planter from "8432.3090", to "8432.3900", for Fertilizers or manure spreader or broadcaster from "8432.4000", to "8432.4100", for Rice transplanter from "8432.3090", to "8432.3900", for Canola or sunflower drill from "8432.3010", to "8432.3100" and for Sugercane planter from "8432.3090" to "8432.3900", in sub clause (ii) of clause 91 of Part IV.
Clause 94 Part IV(amended)	Exemption from the applicability of clause (b) of the proviso to sub section (3) of section 153 available to a company being a filer, subject to payment of minimum 2% income tax on turnover and engaged in providing or rendering freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, IT services and IT enabled services, tracking services, advertising services(other than by print or electronic media), share registrar services, engineering services or car rental services, shall continue to be available for tax year 2018 to the companies providing the earlier mentioned services and through current amendment also available to the services rendered by Pakistan Stock Exchange Limited. Provided further that for tax year 2018, the company shall furnish irrevocable undertaking by November, 2017, to present its accounts for audit to the Commissioner. The above clause was inserted through Income Tax (Second Amendment) Ordinance 2015 dated 31.10.2015) to provide relief from applicability of minimum tax for TY 2015 then was extended for next years. Now the same has been extended for the TY 2018 as amended through Finance Act 2017.
Clause 101 Part IV (new insertion)	Exemption from applicability of provisions of section 231A, Cash withdrawal from Bank, has been granted in respect of cash withdrawal made from a "Branchless Banking (BB) Agent Account" utilized to render branchless banking services to customers by inserting new clause 101 after clause 100 in Part IV.
Clause 102 Part IV (new insertion)	Exemption from applicability of provisions of section 231B, Advance tax on private motor vehicles, has been granted to light commercial vehicles leased under the Prime Minister's Youth Business Loan Scheme by inserting new clause 102 in Part IV.

RULES FOR THE COMPUTATION OF THE PROFITS AND GAINS OF A BANKING COMPANY AND TAX PAYABLE THEREON — SEVENTH SCHEDULE

FURNISHING OF INCOME PROFITS AND GAINS OF A BANKING COMPANY — Rule 1

As per sub rule g of rule 1 where application of international accounting standards 39 and 40 shall be excluded in arriving at taxable income while making adjustment in the annual accounts of a banking company on account of application of international accounting standards 39 and 40 shall be excluded in arriving at taxable income. A clarification has been inserted after sub rule g of rule 11 that for the removal of doubt, it is clarified that nothing in this sub-rule shall be so construed as to allow a notional loss, or charge to tax any notional gain on any investment under any regulation or instruction unless all the events that determine such gain or loss have occurred and the gain or loss can be determined with reasonable accuracy.

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

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

In sub-rule (6) of Rule 1, where NCCPL is required to furnish within thirty days of the end of each quarter, a statement of capital gain and tax computed thereon in that quarter in the prescribed manner and format. Now the time period given to furnish such statement has been increased from thirty to forty-five days by amending sub-rule (6) of Rule 1.

Payment of tax collected by NCCPL to the Board | **Rule 4**

In sub-rule (6) of Rule 1, where the amount collected by the NCCPL on behalf of the Board as computed in the manner laid down under the Schedule is required to be deposited in a separate bank account with National Bank of Pakistan and the said amount shall be paid to the Board along with interest accrued thereon on yearly basis by July 31st next following the financial year Now time period given to deposit the said amount has been increased from July 31st to August 15th, by amending Rule 4 of Eight schedule.

INCOME TAX RATES

The rate schedule giving effect of the proposed changes through Finance Bill is given below:-

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

NO CHANGE

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

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

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

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

NO CHANGE

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

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

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

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

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

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

• Companies other than banking companies for the tax year 2016	***For TY 2017 31%*** **For TY2018 and onwards 30%**
• Banking Companies	**35%**
• Small Company	**25%**

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

Inserted through Finance Act 2015 to continue

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

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

S. No	**Dividend declared by**	**Current**	**Proposed**
a	Power projects of WAPDA & power generation project.	7.5%	7.5%
b	Other than mentioned in (a) and (c)	12.5%	15%
c	In case of dividend received from mutual fund	10%	12.5%
12.5% on Dividends received from Stock Funds if dividend receipts are less than capital gain.			
25% Dividend Received by a Company from collective investment Scheme, REIT Scheme or a mutual fund, other than a stock fund from TY2015 onwards.			
Dividend Received by a Person from REIT Scheme shall be reduced by 50% for three Years from 30th day of June 2018.			

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

The rate of tax for profit on debt under section 7B amended as follows

S. No	**Current Slabs & Rates**		**Proposed slab & Rates**	
1	Where profit on debt does not exceed Rs. 25,000,000	10%	Where profit on debt does not exceed Rs. 5,000,000	10%
2	Where profit on debt exceed Rs. 25,000,000 but does not exceed Rs. 50,000,000	2,500,000+12.5% of the amount exceeding Rs. 25,000,000	Where profit on debt exceed Rs. 5,000,000 but does not exceed Rs. 25,000,000	12.5%
3	Where profit on debt exceed Rs. 50,000,000	Rs. 5,625,000+15% of the amount exceeding Rs. 50,000,000	Where profit on debt exceed Rs. 25,000,000	15%

Royalty or Fee for Technical services To Non-Resident

Part 1, Division IV (Section 6)

The rate of tax imposed under section 6 on payment to non-residents shall be 15% of the gross amount of the royalty or fee for technical services.

Shipping or Air Transport Income of Non-Resident Person

Part 1, Division VIA (Section 7)

The rate of tax to be paid under section 7 shall be as follows:

S. No.	Period	Tax Year 2016	*Tax Year 2017*
(1)	(2)	(3)	*(4)*
1	In case of shipping income	*8%*	*8%*
2	In case of air transport income	3%	*3%*

Income from Property

Part 1, Division V (Section 15)

Inserted through Finance Act, 2016. The rate of tax to be paid for tax year 2017 under section 15 in case of individual and association of persons shall be as follows:-

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

Capital Gains on Disposal of Securities

Part 1, Division VII (Section 37A)

The rate of tax to be paid under section 37A shall be as follows:

S. No.	Period	Tax Year 2015	*Tax Year 2016*	*Current*		*Proposed*	
				Filer	*Non-Filer*	*Filer*	*Non-Filer*
(1)	(2)	(3)	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
1	Where holding period of a security is less than twelve months.	*12.50%*	*15%*	*15%*	*18%*	*15%*	*20%*
2	Where holding period of a security is more than twelve or more but less than twenty-four months.	10%	*12.50%*	*12.50%*	*16%*		
3	Where holding period of a security is twenty-four months or more but the security was acquired on or after Ist	0%	*7.5%*	*7.5%*	*11%*		

	July,2013						
4	Where the security was acquired before Ist July,2013	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
5	Future commodity contracts entered into by the members of Pakistan Mercantile Exchange	*0%*	*0%*	*5%*	*5%*	*5%*	*5%*

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

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

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

Provided further that in case of a stock fund if dividend of receipts of the fund are less than capital gains the rate of tax deductions shall be 12.5%
Provided further that no capital gain tax shall be deducted where holding period of the security is more than four years.

Capital Gains on disposal of immovable property — Part-1, Division VIII, Section 37(1A)

The rate of tax to be paid for tax year 2017 onward under section 37(1A) shall be as follows:

S.No.	**Period**	**Rate of tax**
1.	Where holding period of immovable property is up to five years	10%
2	*Where holding period of immovable property is more than five years.*	*0%*

Provided that gain arising on the disposal of immovable property by a person in a tax year to a Rental REIT Scheme shall be taxed at the rate of five percent up to thirtieth day of June, 2019, irrespective of the holding period.

The rate of tax to be paid for tax year 2016 under section 37(1A) shall be as follows:

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

Tax on Builders — Part-1, Division VIIIA, Section 7C

Inserted through Finance Act, 2016. The Fixed tax regime on builders withdrawn, however the rates for those who have opted/availed the fixed tax regime, the rate shall apply.

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

Tax on Developers — Part-1, Division VIIIB, Section 7D

Inserted through Finance Act, 2016. The Fixed tax regime on Developers withdrawn, however the rates for those who have opted/availed the fixed tax regime, the rate shall apply.

(A) Karachi, Lahore and Islamabad		(B)Hyderabad,Sukhur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbottabad, Quetta		(c) Urban Areas not specified in A and B	
For Commercial Buildings					
Rs.210/Sq.Yd		Rs.210/Sq.Yd		Rs.210/Sq.Yd	
For Residential Buildings					
Area in Sq.Yd	Rate /Sq.Yd	Area in Sq.Yd	Rate /Sq.Yd	Area in Sq.Yd	Rate /Sq.Yd
Up to 120	Rs.20.	Up to 120	Rs.15	Up to 120	Rs.10
121 to 200	Rs.40	121 to 200	Rs.35	121 to 200	Rs.25
201 & more	Rs.70	201 & more	Rs.55	201 & more	Rs.35

Minimum tax — Part-1, Division IX, Section 113

S. No.	Person(s)	Current: Minimum Tax as percentage of the person's turnover for the year	Proposed: Minimum Tax as percentage of the person's turnover for the year
(1)	(2)	(3)	(4)
1	(a) Oil marketing companies, Oil refineries, Sui Southern Gas Company Limited and Sui Northern Gas Pipelines Limited (for the cases where annual turnover exceeds rupees one billion.); (b) Pakistan International Airlines Corporation; and (c) Poultry industry including poultry breeding, broiler production, egg production and poultry feed production. (d) Dealers or distributors of fertilizer.	0.5%	0.5%
2	(a) Distributors of pharmaceutical products, fast moving consumer goods and cigarettes; (b) Petroleum agents and distributors who are registered under the Sales Tax Act, 1990; (C) Rice mills and dealers; and (d) Flour mills.	0.2%	0.2%
3	Motorcycle dealers registered under the Sales Tax Act, 1990.	0.25%	0.25%
4	In all other cases.	1%	1.25%

Advance tax on Imports — Part II, (Division II, (Section 148)

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

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

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

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

Rate			
S. No.	**Person(s)**	***Current***	***Proposed***
a)	In the case of dividends declared or distributed by purchaser of a power project privatized by WAPDA or on shares of a company set up for power generation or on shares of a company, supplying coal exclusively to power generation projects;	*7.50%*	*7.50%*
b)	Filers other than mentioned in (a) above;	*12.5%*	*15%*
c)	Non-filers other than mentioned in (a) above:	20%	20%

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

	Stock Fund		*Money market Fund, Income Fund or any other fund*		
	Current	*Proposed*	*Current for Filer*	*Proposed for Filer*	*Non-Filer*
Individual	*10%*	*12.5%*	*10%*	*12.5%*	*15%*
Company	*10%*	*12.5%*	*25%*	*25%*	*25%*
AOP	*10%*	*12.5%*	*10%*	*12.5%*	*15%*

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

Provided that if Development of RIET Scheme with the objective of development of residential building is setup by 30th June 2018, Tax on dividend received from such scheme shall be reduced by 50% for three years from 30th June 2018.

Rate of Tax on Collective Investment Scheme, RIET Scheme or a Mutual Fund for tax year 2017

	Stock Fund	*Money market Fund, Income Fund or any other fund*	
		Filer	*Non-Filer*
Individual	*10%*	*10%*	*15%*

Company	*10%*	*25%*	*25%*
AOP	*10%*	*10%*	*15%*

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

Provided that if Development of RIET Scheme with the objective of development and construction of residential building is setup by 30th June 2018, Tax on dividend received from such scheme shall be reduced by 50% for three years from 30th June 2018.

Rate of Tax on Collective Investment Scheme, RIET Scheme or a Mutual Fund for tax year 2016

	Stock Fund	*Money market Fund, Income Fund or any other fund*
Individual	*10%*	*10%*
Company	*10%*	*25%*
AOP	*10%*	*10%*

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

Provided that if Development of RIET Scheme with the objective of development of residential building is setup by 30th June 2018, Tax on dividend received from such scheme shall be reduced by 50% for three years from 30th June 2018.

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

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

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

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

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

Withholding Tax Rates on Certain Payments to Non-Residents under Section 152 — Part 1, Division IV (Section 6 & Section 152 (1) Part III, Division II (Section 152(1A) (1AA) Section 152(1AAA), 2A

Nature of Payment	Relevant Section	Current	Proposed
Royalty or Fee for technical services	Payment to non-residents u/s 152(1) & Section 6	15%	15%
Payment to non-residents against	From payments on execution of construction contract including supervisory activities & related services u/s	7% for Filer and 12%	7% for Filer and

contracts	152(1A)	for Non-Filer	13% for Non-Filer
Insurance premium or Re-insurance to non-resident persons	The rate of tax to be deducted under sub-section (1AA) of the section 152.	5%	5%
Advertisement services to non- resident media persons	The rate of tax to be deducted under sub-section (1AAA) of the section 152.	10%	10%
Payments to non-residents	In other cases. not covered under Section 152 (1),(1A),(1AA) (1AAA)(2A)	20%	20%

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

Part III Division II (Section 152(2)

Nature of Payment		Current	Proposed
Payments to a Permanent establishment of a non-resident person for payments against sales of goods	The rate of tax to be deducted from a payment under clause (a) of Section 152 (2A)		
	i. If the company is filer	4%	4%
	ii. If the company is non-filer	6%	7%
	iii. In any other case if the person is a filer	4.5%	4.5%
	iv. In any other case if the person is a non-filer	6.5%	7.75%
Payments to a Permanent establishment of a non-resident person for payments against services	The rate of tax to be deducted from a payment under clause (b) section 152(2A)		
	i. In case of transport services	2%	2%
	ii. In case other than transport		
	a) In case of company		
	If the company is filer	8%	8%
	If the company is non-filer	12%	14%
	b) In any other case (other than company)		
	If the person is filer	10%	10%
	If the person is non-filer	15%	17.5%
Payments to a Permanent establishment of a nonresident person for payments against contracts	• The rate of tax to be deducted from a payment referred to in clause (c) section 152 (2A)		
	i. In case of sportspersons	10%	10%
	ii. In case :		
	If the person is filer	7%	7%
	If the person is non-filer	12%	13%

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

Part III, Division III (Section 153)

Nature of Payment	Nature of Income	Current		Proposed	
		Filers	Non-Filers	Filers	Non-Filers
Supplies (Section 153(1)(a)	In case of sale of rice, cotton seed oil or edible oil	1.5%	1.5%	1.5%	1.5%
	In case of sale of goods on amount by payable to companies.	*4%.*	*6%*	*4%.*	*7%*

	In case of supplies made by distributors of fast moving consumer goods-for companies	3%	3%	2%	2%
	In case of supplies made by distributors of fast moving consumer goods-other than companies	3.5%	3.5%	2.5%	2.5%
	In case of sale of goods -on payments to other taxpayers i.e. other than companies	4.5%	6.5%	4.5%	7.75%
Services (Section 153(1)(b)	In the case of transport services	2%	2%	2%	2%
	In case of other services on amount payable to Companies	8%	12%	8%	14.5%
	In case of other services on payments to other tax payers i.e. other than companies	10%	15%	10%	17.5%
	In Case of persons making payments to electronic and print media for advertising services (in case payment to a Company)	1.5%	12%	1.5%	12%
	In Case of persons making payments to electronic and print media for advertising services (in case payment to other that a company)	1.5%	15%	1.5%	15%
Contracts (Section 153(1) (c)	In case of contracts on payments to companies	7%	10%	7%	12%
	In case of contracts on payments to other tax payers i.e. other than companies	7.5%	10%	7.5%	12.5%
	In case of contracts on payments to sportspersons	10%	10%	10%	10%

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

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

WHT on Income from Property — Part III, Division V (Section 155)

(a)	**The rate of tax to be deducted under section 155, against (payments to) individual/AOPs**		
	S.No.	Gross Amount of Rent	Rate of Tax
	(1)	Where the gross amount of rent does not exceed Rs.200,000.	Nil.
	(2)	Where the gross amount of rent exceeds Rs.200,000 but does not exceed Rs.600,000.	5% of the gross amount exceeding Rs.200,000.
	(3)	Where the gross amount of rent exceeds Rs.600,000 but does not exceed Rs.1,000,000	Rs.20,000 plus 10 per cent of the gross amount exceeding Rs,600,000
	(4)	Where the gross amount of rent exceeds Rs.1,000,000 but does not exceed Rs.2,000,000	Rs.60,000 plus 15 per cent of the gross amount exceeding Rs.1,000,000
	(5)	Where the gross amount of rent exceeds Rs. 2,000,000	Rs.210,000 plus 20 per cent of the gross amount exceeding Rs.2,000,000
(b)	The rate of tax to be deducted under section 155, against **(payment to) company**, shall be **15%** for filers and 17.5 % of the gross amount of rent for non-filers.		

In case of individual /AOP, the tax shall be charged as separate block of income as provided under section 15:

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

Nature of Payment	Current	Proposed
• On a prize on prize bond or cross-word puzzle	15% of the gross amount paid for Filer and 20% of the gross amount for Non-Filer	15% of the gross amount paid for Filer and 25% of the gross amount for Non-Filer
• On winnings from a raffle, lottery, prize on winning a quiz, prizes offered by a company for promotion of sale	20% of the gross amount paid	20% of the gross amount paid

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

Current	Proposed
12% of the amount for filers	12% of the amount for filers
15% of the amount for non-filers	17.5% of the amount for non-filers

Rate of tax on Cash Withdrawal from Bank — Part IV Division VI (Section 231A)

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

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

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

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

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

S. No.	Person(s)	Rates	
		Filer	Non-Filer
(1)	(2)	(3)	(4)
1	Advertising Agents	10%	15%
2	Life Insurance Agents where commission received is less than Rs.0.5million per annum	8%	16%
3	Persons not covered in 1 and 2 above	12%	15%

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

- 0.02% of the share purchase/sale value

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

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

Advance Tax on new registration or purchase of Motor Vehicles — Part IV Division VII (Section 231B

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

		Current Rate		Proposed	
S.No.	**Engine Capacity**	**Filers**	**Non-filers**	**Filers**	**Non-filers**
(1)	(2)	(3)	(4)	(5)	(6)
1	Upton 850cc	*Rs. 10,000*	*Rs. 10,000*	*Rs. 7,500*	*Rs. 10,000*
2	851cc to 1000cc	*Rs. 20,000*	*Rs. 25,000*	*Rs. 15,000*	*Rs. 25,000*
3	1001cc to 1300cc	*Rs. 30,000*	*Rs. 40,000*	*Rs. 25,,000*	*Rs. 40,000*
4	1301cc to 1600cc	*Rs. 50,000*	*Rs. 100,000*	*Rs. 50,000*	*Rs. 100,000*
5	1601cc to 1800cc	*Rs. 75,000*	*Rs. 150,000*	*Rs. 75,000*	*Rs. 150,000*
6	1801cc to 2000cc	*Rs. 100,000*	*Rs. 200,000*	*Rs. 100,000*	*Rs. 200,000*
7	2001cc to 2500cc	*Rs. 150,000*	*Rs. 300,000*	*Rs. 150,000*	*Rs. 300,000*
8	2501cc to 3000cc	*Rs. 200,000*	*Rs. 400,000*	*Rs. 200,000*	*Rs. 400,000*
9	Above 3000cc	*Rs. 250,000*	*Rs. 450,000*	*Rs. 250,000*	*Rs. 450,000*

Advance Tax on transfer of Motor Vehicles — Part IV Division VII (Section 231B (2)

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

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

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

Advance Tax on Motor Vehicles – collected with Token Tax — Part IV, Division III (Section 234

(i.)Rate of collection of tax on Goods Transport Vehicles

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

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

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

(iii) Advance Tax on Private Motor Vehicle to be collected with Token Tax (if in Installment)- upto10 years:

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

(iv) Advance Tax on Private Motor Vehicle to be collected with Token Tax (if paid lumpsum)

S. No.	Engine Capacity	Rate For Filers	Rate For Non-filers
1	upto 1000cc	*Rs. 10,000*	*Rs. 10,000*
2	1001cc to 1199cc	*Rs. 18,000*	*Rs. 36,000*
3	1200cc to 1299cc	*Rs. 20,000*	*Rs. 40,000*
4	1300cc to 1499cc	*Rs. 30,000*	*Rs. 60,000*
5	1500cc to 1599cc	*Rs. 45,000*	*Rs. 90,000*
6	1600cc to 1999cc	*Rs. 60,000*	*Rs. 120,000*
7	2000cc & above	*Rs. 120,000*	*Rs. 240,000*

Collection of tax from CNG Stations — Part III, Division VIB (Section 234A)

The rate of tax to be collected under section 234A shall be 4% of the gas consumption charges for filers and 6% for non-filers.

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

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

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

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

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

Subscribers		Current	Proposed
(a)	in the case of a telephone subscriber (other	10% of the exceeding amount	10% of the exceeding

	than mobile phone subscriber) where the amount of monthly bill exceeds Rs.1000.	of bill	amount of bill
(b)	in the case of subscriber of internet, mobile telephone and pre-paid internet or telephone card	*14% of the amount of bill* or sales price of internet pre-paid card or prepaid telephone card or sale of units through any electronic medium or whatever form.	*12.5% of the amount of bill* or sales price of internet pre-paid card or prepaid telephone card or sale of units through any electronic medium or whatever form.

Advance tax at the time of sale by auction — Part IV Division VIII (Section 236A)

- 10% of the gross sale price of any property or goods sold by auction for filers and 15% for non-filers

Advance tax on Purchase of Air Ticket — Part IV Division IX (Section 236B)

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

Advance Tax on Sale or Transfer of Immovable Property — Part IV Division X (Section 236C)

- ***1%** of the gross amount of the consideration received for filers and 2% of the gross amount of the consideration received for non-filers.*

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

- *5% of the bill amount*

Advance tax on Cable Operators and other Electronic Media — Part IV, Division XIII (Section 236F)

1) The rate of tax to be collected in case of Cable Television Operator shall be as per following table:-

License Category as provided in PEMRA Rules	Tax on License Fee	Tax on Renewal	License Category as provided in PEMRA Rules	Tax on License Fee	Tax on Renewal
H	Rs. 7,500	Rs. 10,000	B-4	Rs. 75,000	Rs. 100,000
H-1	Rs. 10,000	Rs. 15,000	B-5	Rs. 87,500	Rs. 150,000
H-II	Rs. 25,000	Rs. 30,000	B-6	Rs. 175,000	Rs. 200,000
R	Rs. 5,000	Rs.12,000	B-7	Rs. 262,500	Rs. 300,000
B	Rs. 5,000	Rs. 40,000	B-8	Rs. 437,500	Rs. 500,000
B-1	Rs. 30,000	Rs. 35,000	B-9	Rs. 700,000	Rs. 800,000
B-2	Rs. 40,000	Rs. 45,000	B-10	Rs. 875,500	Rs. 900,000
B-3	Rs. 50,000	Rs. 75,000			

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

3) In addition to tax collected under paragraph (2) Pakistan Electronic Media Regulatory Authority shall collect tax at the rate of 50% of the permission fee or renewal fee, as the case may be, from every TV Channel on which foreign TV drama serial or play in any language , other than English, is screened or viewed.

Advance tax on sale to Distributors, Dealers or Wholesalers — Part IV, Division XIV (Section 236G)

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

Advance tax on sale to Retailers — Part IV, Division XV (Section 236H)

Category of sales (sectors)	**Current**	**Proposed Rate of Tax**	
		Filer	Non Filer
Electronics	0.5%	1%	1%
Others (sugar, cement, iron and steel products, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector		0.5%	

Collection of Advance Tax by Educational Institution — Part IV, Division XVI (Section 236I)

5% of the amount of Fee/Charges

Advance Tax on Dealers, Commission Agents and Arhatis etc. — Part IV, Division XVII (Section 236J)

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

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

Advance Tax on purchase of immovable property — Part IV, Division XVIII (Section 236K)

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

Advance Tax on international air ticket — Part IV, Division XX (Section 236L)

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

Advance Tax on Banking Transactions Otherwise Than Through Cash — Part IV, Division XXI (Section 236P)

The rate of tax to be collected under section 236P shall be **0.6%** of the transaction for the non-filers and 0.3% for the period it deems appropriate

Payment to a resident person for right to use machinery and equipment — Part IV, Division XXIII (Section 236Q)

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

Collection of advance tax on education related expenses remitted abroad — Part IV, Division XXIV (Section 236R)

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

Advance Tax on Insurance Premium — Part IV, Division XXV (Section 236U)

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

Sr.No.	Type of Premium	Type of Premium (Proposed)	Rate
1	General Insurance Premium	General Insurance Premium	4%
2	Life Insurance Premium if exceeding Rs.0.2 million in aggregate	Life Insurance Premium if exceeding Rs.0.3 million in aggregate	1%
3	others	others	0%

Advance Tax on Extraction of Minerals — Part IV, Division XXVI (Section 236V)

Inserted through Finance Act 2016

The rate of tax to be collected under section 236V shall be 5% of the value of the minerals for non-filers and 0% for filers

DISCLAIMER

The Commentary on Finance Bill, 2017-18 has been prepared as a general guide line for the benefits of Corporate Sector Organizations, Industries, Consulting Services and management Accountants.

We hope that the commentary on Finance Bill, 2017-18 will be beneficial to all.

Although every care has been taken in the publication of commentary on Finance Bill, 2017-18. The Institute shall not be responsible for any loss or damage cause to any person on account of errors or omission which might have crept in.

For clarification, original document may be consulted.