MOORE STEPHENS

Shekha & Mufti
Chartered Accountants

Tax Memorandum 2015

Shekha & Mufti is an independent member firm of Moore Stephens International Limited, members in principal cities throughout the world.

PREFACE

This tax memorandum summarizes crucial changes proposed in the Finance Bill 2015 in Income Tax, Sales Tax, Federal Excise Duty and Customs Duty Laws.

All changes through the Finance Bill 2015 are effective from 01 July 2015 except for changes proposed in the First and Fifth Schedules to the Customs Act, 1969 which shall have effect from the next day of assent given to the Finance Act by the President of Pakistan.

The tax memorandum contains the comments, which represent our interpretation of the legislation. We, therefore, recommend that while considering their application to any particular case, reference be made to the specific wordings of the relevant statute(s).

The memorandum can also be accessed on our website www.shekhamufti.com

June 05, 2015

1. BRIEF OVERVIEW OF TAX MEASURES IN INCOME TAX

- Corporate tax rate reduced by 1% from 33% to 32%.
- Period of exemption on gain from disposal property to REIT extended up to 2020.
- Minimum Tax on builders suspended for three years.
- Limit of capital and reserves increased from Rupees. 25M to Rupees. 50M for small company.
- Holding period of Shares has again been enhanced from 24 months to 48 months for getting the exemption.
- Concept of excess deduction / withholding from Non-Filer has been broadened.
- Withholding tax exemption has been taken away from Electronic & Print Media.
- Tax on royalty on use of industrial, commercial or scientific equipment proposed to be imposed @ 10%.
- Super Tax imposed on Banking Sector & High Networth Individual @ 4% & 3% respectively.
- Interest Income proposed to be taxed a separate block of income as per slab rate between 12% to 15%.
- CNIC will be considered as NTN.
- Rate of Additional Tax reduced from 18% to 12%.
- Limit of claiming rebate on House Loan Mark-up enhanced from 750,000/- to 1,000,000/-
- Tax rate for Salary Individuals who falls under the Slab from 400,000/- to 500,000/- reduced from 5% to 2%.

BRIEF OVERVIEW OF TAX MEASURES IN SALES TAX & FEDERAL EXCISE

- Further tax increased to 2%.
- Restrictions on admissibility of input tax enhanced.
- Tax Rates for zero rated sectors notified in SRO 1125 enhanced.
- Sales Tax levied on 42 Services rendered in Islamabad Capital Territory
- Zero rating on dairy products (other than milk) transformed to exemption. All such products sold under retail packing exposed to sales tax @ 10%.
- Sales tax slabs on import and registration of cell phones doubled. Regularity duty on import of mobile phones withdrawn.
- Sales Tax on import of agricultural machinery reduced from 17% to non-adjustable 7%
- Reinforcement of FBR’s right on Toll Manufacturing
- Average rate of FED on locally produced cigarettes increased from 58% to 63%.
- FED on aerated waters increased from 9% to 12%.
- Sales tax on steel sector melters, re-rollers and ship breakers rationalized.
- Diagnostic kits and equipment; aircrafts and specified goods related to aviation sector exempted from sales tax.
- Concept of temporary registration introduced to facilitate importers-cum-manufacturers.
- Concept of whistleblower introduced for identification of concealment, fraud, evasion, corruption and misconduct.
- Federal government authorized to enter into agreements with Provincial governments and governments of foreign countries for sharing of information on Sales Tax and FED matters.
- Electronic monitoring system introduced for cigarettes, beverages, cement, fertilizer, sugar and restaurants to monitor production, sales and taxes thereon.

2. INCOME TAX ORDINANCE, 2001

A. MAJOR CHANGES

SUPER TAX
Section 4B

One would recall that previously, 15% Flood Surcharge was imposed under Section 4A of the Ordinance vide Income Tax (Amendment) Ordinance, 2011 which was payable for three and a half months (3 ½ months) for the Tax Year 2011, alone.

Whether one calls it Super Tax, Sur Tax or Surcharge or simply an Extra Tax, it has come back, yet once again. The Finance Bill, now, seeks to propose to impose it @ 3% on every company which will earn equal to or more than 500 Million Rupees in TY 2015.

Banking companies will have to pay it anyways despite their earning is below than the above threshold and that too @ 4%.

Moreover it should be cleared that once the income crosses the threshold of Rupees 500 Million the whole of the Income including the 500 Million will be subject to Super Tax and not merely the income exceeding 500 Million.

The way the schedule of Super Tax rate has been placed in the 1st Schedule it appears that it is meant for Companies alone though the wording used suggest it for Individuals and firms as well.

On the other side the term and definition of "Income" has been reinvented for this purpose alone to have included every possible earning under the Ordinance except for the exempt Income. It has been suggested as follows;

Income shall include the following head of accounts;

- Interest Income
- Dividend Income
- Capital Gains
- Brokerage & Commission Income
- Income under 4th, 5th, 7th and 8th Schedule
- All the Taxable income u/s 9 or the Ordinance (Rent, Business and Other Sources)
- Imputable Income as defined in Section 9 and Clause 28A of Section 2

As can be seen that phraseology "Imputable Income" has been used as well after around twenty years which show the determination of the government to collect this Super Tax from the following as well on their Presumptive Incomes.

- Exporter
- Importer
- Commercial Trader

This Super tax shall be payable for the Tax Year 2015, only. It is understood that this Super tax might also attract the provisions of the quarterly advance tax payment under Section 147 of the Ordinance for making advance tax payment for the period ending June 30, 2015. However, a clarification on this procedure for making the payment of advance should be announced by FBR, sooner as the Finance Bill cannot be enforced unless it turns into Finance Act. Hence therefore the provisions of Default Surcharge should not be invoked later on based on tax payment falling short of 90% due to this extra 3% Super Tax as the amendment suggest otherwise.

REVISED RETURN; FILED IN SIXTY (60) DAYS; WITHOUT COMMISSIONER APPROVAL
Section 114(6)

A taxpayer has a right to file a revised return of income if he discovers any omission or wrong statement in the return. The right to revise the return, is however, enjoyed with certain conditions as laid down in this Section. Prior approval, in writing, from the Commissioner is one of these.

The bill seeks to restrain the above condition by inserting new proviso to give the right file a revised return without prior approval of the Commissioner if the revised return is filed within sixty (60) days from the date of filing of the original return.

This is, though a welcoming amendment, some room for genuine inadvertence should have been provided for as for instance some error which occurred while filing the return of income after prescribed time of sixty (60), should be lawfully allowed to be corrected by way of filing the revision. There should not be conditions attached as regards these corrections which are ought to be made. Therefore, any time bound condition proposed should be considered at least on a time scale of six months.

Rest of conditions in the first proviso remain unchanged which restricts the right of filing a revised return that the declared taxable income shall not be less than; or loss being re-declared shall not be more than the income or loss determined under any of the above mentioned provisions. Non-fulfillment of these conditions prescribed, while filing a revised return shall be deemed as not having furnished the revised return.

COMMISSIONER APPEAL; STAY TAX RECOVERY FOR 60 DAYS
Section 128(1AA)

The Commissioner Appeal has been proposed to be empowered to stay the recovery of tax demand by another 30 days. This provision for extra 30 days, however, will be applicable for the coming Tax Year 2016 starting from July 01, 2015. It should, however, be noted that the Commissioner Appeal cannot Stay the demand for 60 days together.

The power to grant further Stay has been given with one prime condition on the part of the Commissioner Appeal that he would finalize the Appeal and would pass the order within. As to what repercussion would otherwise follow on his part or on the part of the taxpayer in the event of failure of passing the appellate order have not been envisaged under the proposed amendments.

There has been compelling need for this relief as every responsible person is effected and very much aware of the pressing due and undue tax demands from the tax department that these have created a chaotic situation amongst the genuine and bona fide taxpayers.

THIRTY (30) DAYS GIVEN TO PAY TAX
Section 137(2)

It is proposed that the time limit of fifteen (15) days for payment of tax against an assessment order should be restored to thirty (30) days instead. As one would recall as it was in the Budget of June 2008, the time limit of thirty (30) days was reduced to fifteen (15) days, which has always been agitated by tax payers genuinely as for being too short to pay for any due or undue tax demand and for being too quick for the tax department for initiating the tax recovery drive soon these fifteen (15) days ends.

ADVANCE TAX; FILING OF HIGHER TAX ESTIMATE IN 2ND QUARTER
Section 147(4A)

It has been proposed in the Finance bill that Higher Tax Estimate should be filed in the 2nd quarter by the Companies and AOPs instead of the last quarter of the tax year. There appears to be no rationale behind this tax measure as the tax payers are already bound to pay 90% of their actual tax liability in four (04) installments. It appears that this amendment is prompted by higher and quicker revenue collection.

The above will imply that a Company and Association of Person are required to pay for the 50% of expected advance tax latest by the Second Installment (on or before 15th of December in case of Normal Tax Year) and thereafter, pay the remaining 50% of such amount equally in the third and the fourth quarter.

One can have a genuine apprehension on this amendment that the early payment of in the event of higher advance tax will cause cash flow problems and that too without any compensation for any early payment from the FBR.

The following table may bring about the desired clarity in the schedule;

QUARTERS	PERIOD	DUE DATE
1st Quarter	July to September	25 September
2nd Quarter	October to December	25 December
3rd Quarter	January to March	25 March
4th Quarter	April to June	15 June

It seems that the change is adhered with the Policy of “paying as you earn concept” and perhaps with the apprehension by the FBR Officials that the taxpayers do not generally disclose their real income which was actually earned during a financial or tax interlude unless comes the due date for the 4th installment.

Non Residents can now obtain Withholding Exemptions
Section 152(4A)

The withholding exemptions to all those Non-residents who have permanent Offices (establishments) in Pakistan have now been restored with the help of insertion of altogether a new Sub Section. They were denied their withholding exemptions after objections were raised by the LTU

ISB and confirmed by the FBR that Section 152 does not contain any power for granting exemption to them as was available to them before the TY 2012 under Section 153 (4).

Up to the June 30, 2012 withholding of all the Non-residents with permanent offices in Pakistan were covered under Section 153 along with its Sub-section 153 (4) in which the Commissioner had the powers to grant withholding exemption to them like they could grant exemption to any resident taxpayer.

However when the law was changed in the Budget of June 2012 and withholding provisions related to Non-residents were brought in Section 152 which is specifically for Non-residents, the provision for powers to the commissioners for granting exempting to these Non-residents could not be brought in and could not be made part of the change in June 2012.

The non-availability of any clear provisions caused serious hardship to the Non-residents taxpayers which had to resort to the provision of Section 159 of the Ordinance for the purpose. Later on even this was denied by Commissioners followed by FBR.

Finally after the noteworthy efforts made by representations by different quarters this Budget has proposed to bring in the desired change in withholding exemptions in following cases;

- Supply of goods;
- Provision for Services; and
- Execution of contracts

On a different note the repercussions for not filing of higher estimate has not been envisaged under the proposed amendments as the starting date for invoking the provisions of Default Surcharge remains the same April 01, 2015 in the event the 90% is not paid.

EXCHANGE OF INFORMATION UNDER DOUBLE TAX TREATIES
Section 107

The bill proposes following fundamental changes for entering into agreements for avoidance of double taxation / prevention of fiscal evasions and collection and exchange of information in addition to the existing powers there under (commonly abbreviated as DTT):

- DTT can now be made with tax jurisdictions (like FBR, IRS, etc.) of foreign countries besides DTT with foreign governments;
- FBR may collect information under a DTT with foreign governments and /or their tax jurisdictions;
- FBR may collect information even in the absence of DTT as per ‘similar arrangement or mechanism’ with foreign governments and /or their tax jurisdictions.

FURNISHING OF INFORMATION BY FINANCIAL INSTITUTIONS
Section 165B

For the purposes of collection of information under a DTT as proposed under Section 107 Financial Institutions including banks are made liable to provide information primarily for non-residents to FBR.

NOTICE TO OBTAIN INFORMATION
Section 176

Currently any person can be called to provide information relevant to tax under the Ordinance to FBR. It is now proposed to extend the scope wherein information can be called for from any person by FBR to fulfill any obligation under a DTT as well, as proposed under Section 107 of the Ordinance.

INCOME TAX AUDIT PANELS;
Section 121; *Best Judgment Assessment*
Section 176(1A); *Exchange of Information or evidence*
Section 177(11); *Income Tax Audit*

The Bill proposes to introduce the concept of Special Audit Panels, to be appointed by the FBR.

Previously, Chartered Accountants or Cost Accountants or a firm thereof, were authorized for conducting special audit of records of registered persons. Both the FBR and Commissioner IRS possessed powers to appoint aforementioned persons for the purpose of such special audit.

The Bill, now again, seeks to introduce the concept of Special Audit Panels, consisting of at least two members from following, who shall conduct audit of records of a registered person or persons, including audit of refund claims and forensic audit.

a) an officer or officers of Inland Revenue;
b) a firm of chartered accountants as defined under the Chartered Accountants Ordinance, 1961 (X of 1961);
c) a firm of cost and management accountants as defined under the Cost and Management Accountants Act, 1966 (XIV of 1966); or
d) any other person as directed by the Board,

We understand the above is an attempt to enhance audit powers of the tax authorities who, apart from conducting audit under Section 177, can now also finalize audit under Section 121. Although, the power to select any case for audit is retained by the Board, the scope of such audit can also be determined by Commissioner IRS.

Further, through insertion of this new sub section, such audit may be continued or finalized in absence of any one member other than Chairman. The Chairman of the audit panel would be officer of Inland Revenue which would mean that role of Chartered Accountants, Cost & Management Accountants and other professionals in the audit panel may not be decisive one. Further, it appears audit under Sections 121 and 177 may be conducted more than once a year.

B. TAXATION OF COMPANIES

Promotion of corporatization is now being viewed as one of the key objective of finance / tax agenda wherein benefits are being offered for carrying on business in corporate model instead of working in individual and partnership statuses. This is perhaps because of the fact that corporate model is more documented and therefore enforcing tax/fiscal laws are more trouble-free than other models of business. This budget is no exception in this regard as well.

The changes proposed in the budget under review are briefly discussed as under:

SMALL COMPANIES
Section 2(59A)

A concessionary rate of tax of 25% is available for companies with limited capital, employees and turnover (referred as Small Companies) instead of paying corporate tax which is currently 33% on net taxable profits. The budget proposes to extend the scope of the above concession by doubling the capital ceiling from the current Rupees 25 Million to Rupees 50 Million. This would result more companies falling under small company criteria and thereby enjoying the lower tax rate.

Situation may arise wherein a company would be paying higher tax (corporate rate) in current year, Tax Year 2015 and would chargeable to lower tax (25%) in Tax Year 2016 after meeting the criteria for the new enhanced capital limit of 50 Million. In such a situation lower estimate of advance tax will be required to be filed by such company.

TAX CREDITS TO COMPANIES;

TAX CREDITS FOR EMPLOYMENT GENERATION
Section 64B

Pakistan is a densely populated country and is generally represented by labour intensive industries. Therefore the fiscal policies are to be designed so as to promote labor intensive industries. Manufacturing is one of the Sectors that engages more work forces. Accordingly a new tax credit is proposed wherein 1% reduction in tax payable is proposed for every 50 employees employed in a manufacturing concern.

This would mean that for every 50 employees 1% tax credit is proposed to be available subject to maximum tax credit of 10% of tax payable. Tax credit is available for a period of ten (10) years. Criteria for availing the above employment tax credit is given as under:

- The company should be new and incorporated and manufacturing unit is set up between July 1st 2015 to June 30th 2018.
- Employs more than 50 employees duly registered with the EOBI (Employees Old Age Benefits Institution (EOBI) and with the Social Security Institutions of the respective Provinces.
- Manufacturing unit is not established by splitting up / reconstruction / reconstitution of already existent undertaking.
- Manufacturing unit is treated to have been set up once ready for production (trial or commercial)

MISCELLANEOUS PROVISIONS RELATING TO TAX CREDITS
Section 65

Tax credits are currently available against minimum tax and final tax as well for investment in Plant & Machinery or for establishing industrial undertakings under Sections 65B, 65D and 65E of the Ordinance. However corresponding change under the provisions for minimum tax and final taxes was missing. This anomaly is proposed to be removed by inserting provisions for inapplicability of minimum / final taxes under the captioned section.

TAX CREDIT ON ENLISTMENT
Section 65C

In order to promote enlistment of companies in stock exchanges of Pakistan, the budget proposed enhancement of Tax credit for enlistment from current @ 15% to 20% of tax payable. This is a one-time tax credit available in the year of enlistment.

TAX CREDIT FOR INDUSTRIAL UNDERTAKINGS ESTABLISHED BEFORE JULY 1ST 2011
Section 65E

Currently tax credit is available up to 100% of tax payable (including minimum and final taxes) for existing industrial undertakings for expansion of plant and machinery and for undertaking new projects provided investment is made with new equity raised through issuance of new shares.

This tax credit is currently accessible in the year plant and machinery is installed and for four (04) subsequent years. The bill proposes to extend by one (01) more year that is this tax credit is now proposed to be available in the year of installation and for five (05) subsequent years.

TAXATION OF DIVIDEND FROM NONRESIDENT COMPANY
Section 94

Dividend received from 'Resident' company is chargeable to final tax. The bill now proposes to delete the word 'resident', thereby dividend received from a 'nonresident' company is also proposed to be taxable under Final Tax regime.

TAXATION OF SERVICE INCOME OF A COMPANY
Section 153(1)(b)

Service income is subject to minimum tax as given under Section 153(1)(b) of the Ordinance, however in case of Companies this withholding tax is 'adjustable' instead of minimum tax vide SRO 1003(1)/2011 dated October 31st 2011. Federal Tax Ombudsman (FTO) has directed FBR to withdraw the referred SRO as the same is issued without amending the mandatory provisions of Section 153(1)(b) of the Ordinance. In order to give legal backing corresponding changes under Section 153 is proposed to be made whereby status of taxation of service income remains intact that is minimum tax for non-company case while adjustable in case of Companies. This is proposed to be effective back dated since Tax Year 2009 so as to avoid unnecessary litigations.

CORPORATE TAX RATE FURTHER REDUCED
First Schedule

Corporate rate of tax, other than banking companies, is further reduced by 1%. It is now proposed to be 32% for the Tax Year 2016 instead of 33% in Tax Year 2015. Corporate rate of tax has constantly been reduced by 1% each year in the last three years from 35% to the current proposition of 32%.

TAX ON UNDISTRIBUTED RESERVES
Section 5A

A new tax on Public Companies is proposed @ 10% on reserves in excess of 100% of its paid up capital. These Companies are now required to distribute cash dividends from the exceeding reserves within six (06) months of the close of tax year so as to avoid this levy. This is made applicable for Tax Year 2015 and onwards. Capital reserves, share premium reserves and reserves required under the law are excluded from the definition of reserves for this section.

This budget measure appears to be opening a new chapter of litigations as the reserves are already taxed in the year of occurrence. Therefore clarification needs to be made so that such tax may not be applicable for reserves relating to preceding years.

Following are excluded from the above proposed levy;

- Companies in which not less than 50% shareholding rest with the Government;
- Companies that do not derive profit in a tax year appear to be exempt for that year;
- Scheduled banks; and
- Modaraba

C. TAXATION OF INTEREST INCOME

Section 7B

The taxation of Interest Income falls under the Normal Tax Regime for Companies. Through this Finance Bill it seems to be pulled down to two different regimes for taxing the Interest Income. Initially, it was taxed as Normal Income in case of Company only under which it could avail the advantage of its expenses too. However, it is now been proposed to be taxed according to the taxation of Business Individual and Association of Person. Thereby, a Company would be doubly jeopardized in term of charging maximum Interest Rate of 15% on the Gross Interest Income as well as unable to allocate its business expenses on the other hand to some other source of income. Accordingly, it would emerge that the tax deducted under Section 151 will be adjustable against the tax to the proposed Section 7B.

However, the taxation of Business Individual and Association of Person remain unchanged except for the charging maximized Interest rate of 15% on the Gross Interest Income.

Factually, the proposed taxation of Interest Income to be taxed ranging between @ 12.5% to 15% where income exceeds Rs. 25 million and Rs. 50 million respectively, if the interest income is below Rs. 25 million the rate will continue to be 10%. It apparently gives the impression of being taxing to the Interest Income on higher scale although the Withholding tax rate for filers will continue to be 10%, while for non-filers, where income exceeds Rs. 500K, withholding tax would be @ 17.5% respectively. Below schedule further clarifies the Withholding and Taxation of Interest Income.

Withholding			Taxation
Slab	**Filer**	**Non-filer**	**Filer**
Less than and equal to 500K	10%	10%	10%
Greater than 500K	10%	17.5%	10%
Less than and equal to 25M	10%	17.5%	10%
Exceed 25 to 50 Million	10%	17.5%	2.5M+12.5% on exceeding 25M
Greater than 50 Million	10%	17.5%	5,625K+15% on exceeding 50M

However, the non-compliant has an option to claim refund or adjustment of such advance tax paid while filling the Income Tax Return.

D. TAXATION OF SALARIES AND TAX RATES

SENIOR CITIZEN REBATE
First Schedule

The Finance bill contains the provisions of Senior Citizen rebate which demonstrates that a certain amendment was desirous, which however appears to have fallen short of the necessary legislative drafting. Hence the same clause has been copied in the bill adverbatim with the same body of text as is currently found in the Ordinance and therefore is of "No effect".

INVESTMENTS REBATE/ LIFE INSURANCE REBATE INCREASED
Section 62

The upper limit for claiming the tax credit either for investment in shares or for life insurance premium has been proposed to be increased from Rupees 1,000,000/- to Rupees 1,500,000/- to encourage saving and investment in new Companies.

The limit for investment in shares or premium upto 20% of the taxable income and the holding period of shares for Two (02) years have remained unchanged.

What change, however, needs to be brought into is that where the investment is made by the taxpayer both in shares and life Insurance within the limit of 1.5M, the rebates should be allowed in both the cases which seems to have missed the keen eye of the Budget makers.

Lastly it would be desirous to allow the amendment to be effective from current Tax Year of 2015.

LAST YEAR OF TAX REBATE ON HOUSE LOANS
Section 64

A taxpayer is entitled to claim the credit for interest payments on his house loan which however, has now been proposed to be withdrawn and replaced with another alternate provision. Therefore, the Tax Year 2015 is the last year to claim the same tax credit against house loan.
A sample computation of House Loan Rebate as per last TY 2015;

Description		TY 2015
Taxable Salary		7,000,000/-
Income tax on above		1,425,000
Tax Rebate on House Loan	**Rebate = (Tax x Interest)** **Taxable Income**	**152,679**
Net Tax Payable		**1,272,321**
Lesser of;		
Interest paid	800,000	
50% of taxable income	3,500,000	
Limit u/s 64(2)C	750,000	

ALLOWANCE FOR INTEREST PAYMENT ON HOUSE LOANS

Section 64A

A new Section has instead been proposed to be introduced after the omission of the above Section 64. The difference between the new clause and the omitted clause remains in the tax treatment of interest payments. Earlier the tax credit was available against the tax liability while now the allowance will be allowed against the taxable income.

Moreover the allowance will be allowed upto the lower of Rupees 1 Million of interest payment or 50% of taxable income.

The allowance will be available on the interest payment or on the payment of share in house value, on the loan taken either for, (a) Construction of new home, (b) Purchase of a house from the following;

- Commercial Bank
- NBFI Regulated by SECP
- Government Authority
- Statutory Body; employees
- Listed Company; employees

We understand the allowance may reap more tax saving than the previous Tax Rebate as the applicable Tax Slab may fall down where he claims the interest payment as an allowance against his taxable income.

A comparative computation is tabulated as under;

Description		Rebate TY 2016	Allowance TY 2016	Saving
Taxable Salary		7,000,000	7,000,000	
Less; Deductible Allowance			1,000,000	
Net Taxable Income			6,000,000	
Income tax on above		**1,422,000**	**1,147,000**	
Tax Rebate on House Loan	**Rebate = (Tax x Interest) / Taxable Income**	**203,143**		
Net Tax Payable		**1,218,857**	**1,147,000**	**71,857**
Interest paid	1,200,000			
50% of taxable income	3,500,000			
Limit u/s 64(2)C whichever is lower	1,000,000			

Lastly, we understand that the above Section 64A should be included in the Part IX of Chapter III [**Deductible Allowance**] and not in the Chapter of Tax credits and therefore, essentially is misplaced.

TAX RATES OF SALARY INCOME
First Schedule

The Finance Bill proposes to increase the numbers of Salary Slabs from *11 to 12 slabs,* Salary Income within the range of 400,000/- to 500,000/- Rupees is proposed to be taxed @ 2% instead of 5%. This change will decrease the tax liability for not more than 3,000/- for whole of the year and too in the very 1st Slab alone. The benefit of the same 3,000/- has been filtered down to the last 12th Slab.

A Comparison of Salary tax between the existing and the proposed Slab is being tabulated as under for ease of understanding;

S. No.	Existing Salary Slab		Proposed		Comparison		
					Existing Tax	Proposed Tax	Tax Saving
1	Up to 400,000	NIL	Up to 400,000	NIL	No Tax	No Tax	Nil
2	400,001 to 750,000	5% of the amount exceeding 400,000	400,001 to 500,000	2% of the amount exceeding 400,000/-	5,000/-	2,000	3,000
3	500,001 to 750,000	Nil	500,001 to 750,000	2,000/- plus 5 % of the amount exceeding 500,000/-	17,500	14,500	3,000
4	750,001 to 1,400,000	17,500 plus 10% of the amount exceeding 500,000	750,001 to 1,400,000	14,500/- plus 10 % of the amount exceeding 750,000/-	82,500	79,500	3,000
5	1,400,001 to 1,500,000	82,500 plus 12.5% of the amount exceeding 750,000	1,400,001 to 1,500,000	79,500/- plus 12.5 % of the amount exceeding 1,400,000/-	95,000	92,000	3,000
6	1,500,001 to 1,800,000	95,000 plus 15.% of the amount exceeding 1,400,000	1,500,001 to 1,800,000	92,000/- plus 15 % of the amount exceeding 1,500,000/-	140,000	137,000	3,000
7	1,800,001 to 2,500,000	140,000 plus 17.5% of the amount exceeding 1,800,000	1,800,001 to 2,500,000	137,000/- plus 17.5 % of the amount exceeding 1,800,000/-	262,500	259,500	3,000
8	2,500,001 to 3,000,000	262,500 + 20% of the amount exceeding 2,500,000	2,500,001 to 3,000,000	259,500/- plus 20 % of the amount exceeding 2,500,000/-	362,500	359,500	3,000
9	3,000,001 to 3,500,000	362,500 + 22.5% of the amount exceeding 3,000,000/-	3,000,001 to 3,500,000	359,500/- plus 22.5 % of the amount exceeding 3,000,000/-	475,000	472,000	3,000
10	3,500,001 to 4,000,000	475.000 + 25% of the amount exceeding 3,500,000/-	3,500,001 to 4,000,000	472,000/- plus 25 % of the amount exceeding 3,500,000/-	600,000	597,000	3,000
11	4,000,001 to 7,000,000	600,000/- plus 27.5% of the amount exceeding. 4,000,000	4,000,001 to 7,000,000	597,000/- plus 27.5 % of the amount exceeding 4,000,000/-	1,425,000	1,422,000	3,000
12	7,000,001 and above	1,425,000/- plus 30% of the amount exceeding 7,000,000/-	7,000,001 and above	1,422,000/- plus 30 % of the amount exceeding 7,000,000/-	1,425,000	1,422,000	3,000

It would not be out of context to comment that it is indeed not more than half-hearted effort on the part of the Budget makers when it comes to pass on tax relief to Salaried Individuals.

E. TAX RATES OF BUSINESS INCOME; INDIVIDUAL AND AOP

The Finance Bill proposes to increase the numbers of Tax Slabs from 7 to 8, Income ranging between 400,000/- to 500,000/- Rupees is proposed to be taxed @ 7% instead of 10%.

A Comparison of Business tax between the existing and the proposed Slab is being tabulated as under for ease of understanding;

S. No.	Existing Slab		Proposed Slab		Comparison		
					Existing Tax	Proposed Tax	Tax Saving
1	Up to 400,000	NIL	Up to 400,000	NIL	NIL	NIL	
2	400,001 to 750,000	10% of the amount exceeding 400,000/-	400,001 to 500,000	7% of the amount exceeding 400,000/-	10,000	7,000	3,000
3	-	-	500,001 to 750,000	7,000/- plus 10 % of the amount exceeding 500,000/-	35,000	32,000	3,000/-
4	750,001 to 1,500,000	35,000/- plus 15% of the amount exceeding 750,000/-	750,001 to 1,500,000	32,000/- plus 15% of the amount exceeding 750,000/-	147,500	144,500	3,000/-
5	1,500,001 to 2,500,000	147,500/- plus 20% of the amount exceeding 1,500,000/-	1,500,000 to 2,500,001	144,500/- plus 20 % of the amount exceeding 1,500,000/-	347,500	344,500	3,000/-
6	2,500,001 to 4,000,000	347,500/- plus 25% of the amount exceeding 2,500,000/-	2,500,001to 4,000,000	344,500/- plus 25 % of the amount exceeding 2,500,000/-	722,500	719,500	3,000/-
7	4,000,001 to 6,000,000	722,500/- plus 30% of the amount exceeding 4,000,000/-	4,000,001 to 6,000,000	719,500/- plus 30 % of the amount exceeding 4,000,000/-	1,322,500	1,319,500	3,000/-
8	6,000,001 and above	1,322,500/- plus 35% of the amount exceeding 6,000,000/-	6,000,000 and above	1,319,500/- plus 35 % of the amount exceeding 6,000,000/-	1,322,500	1,319,500	3,000/-

F. TAXATION OF CAPITAL GAIN (CGT) ON SHARES;

CGT RATES ON SHARES INCREASED ONCE AGAIN TY 2016

First Schedule; Division VII

The FBR would practically withdraw the exemption given to the Capital Gain on Shares if the current amendments are moved into the Finance Act. One would recall that after introducing the CGT in the Tax Year 2011, the FBR has constantly been pushing the tax rate higher every year on one hand and increasing the minimum holding time period requirement for getting exemption on the other. This is proving to be a double edge sword for the Capital Markets and Capital investors and is proving to be costly as well.

The issue of withholding of income tax by NCCPL has already casted a serious chaotic impact on the Non-resident Institutional Investors which will inevitably end in a huge pile of avoidable Tax Refunds if the withholding exemptions are not granted to them by the Tax Commissioners despite the exemption available to them under respective Double Tax Treaties.

Moreover, the desired and expected change of the Index Allowance in the Capital Gain Tax for Foreign Institutional Investors has again been missed by the keen eyes of the Budget makers. One would agree that this Index/Inflation allowance is more needed today that earlier in the wake of the recent fall in Rupee Value against Dollars.

SHARES TO BE KEPT FOR FOUR (04) YEARS FOR GETTING EXEMPTION
Section 37A

The holding period has again been proposed to be increased for four (04) years for getting tax exemption instead of two years. This holding period will be applicable for the Tax Year 2016.

This would simply imply that investor who bought the Shares on July 01, 2013 and kept it for two (02) years to wait out for June 30, 2015 so that his gain would get exempted, will still be taxed as the holding period for same shares is now four (04) years. He now will have to wait for another good two (02) years to get exempted. After the proposed changes the categories would now be as follows;

- Short term gain (sale within 12 months) Taxable
- Long term gain (sale within 12 to 24 months) Taxable
- Long term gain (sale within 24 to 48 months) Taxable
- Long term gain (sale after 48 months) Exempt

A comparison between rates for previous Tax Year 2015 and the Tax Year 2016 is being tabulated;

Tax Year	HOLDING PERIOD OF SECURITIES			
	Less than twelve (12) months	Between twelve to twenty four months	Between twenty four to forty eight months	More than forty eight months
2015	12.5	10	Exempt	Exempt
2016	15	12.5	7.5	Exempt

Lastly the Super Tax has been made to be paid by all those taxpayers as well who income from Capital Gain will be equal to or more than 500 Million Rupees. This will include all the Foreign Institutional Investors as well who are not exempt under any Double Tax Treaty and are covered under the 8th Schedule.

MUTUAL FUNDS

It has been proposed to include the REIT as a withholding agent amongst other mutual funds and collective investment scheme at the time of redemption of securities.

The concept of Filer & Non-filer at the time of redemption of unit has also been introduced in line with the other provision of Income Tax laws.

The rate of tax on redemption proposed to be deducted by a REIT Scheme, a collective investment scheme or a mutual fund has been summarized in the following tabulation;

Category	STOCK FUND		ANY OTHER FUNDS	
	Filer	Non-Filer	Filer	Non-Filer
Individual	10%	17.5%	10%	17.5%
Company	10%	25%	25%	25%
AOP	10%	17.5%	10%	17.5%

Moreover, in case of a Stock Fund, the condition that if the dividends receipts are less than capital gains and its rate of tax deduction remains the same @ 12.5%.

G. TAXATION OF IMMOVEABLE PROPERTY, REIT AND RENT;

INCOME FROM IMMOVEABLE PROPERTIES AND REITS

The tax incentives given to Real Estate Investments Trusts (REITs) under the Ordinance are further proposed to be broadened. Classification of REITs as per REIT regulations 2015 (the Regulations) are proposed to be included in the definitions under the Ordinance as well;

- Development REIT; Section 2(17D)
- Rental REIT; Section 2(47C)

The objects of the above REITs as given in the Regulations are as under:

- Development REIT; REIT established for the development, construction and refurbishment of real estate for commercial, industrial and residential purposes or combination thereof;

- Rental REIT; REIT established for making investment in industrial, commercial or residential real estate for the purpose of generating rentals.

Further editorial correction is made for the recent update in REIT regulations in Year 2015 by SECP whereby reference to the year '2008' is replaced with the year '2015'.

TAX REDUCTION ON DIVIDEND FROM REIT
First Schedule

Dividend received by a person from Development REIT established up to June 30th 2018 for the development and construction of 'residential' building will be given 50% tax reduction for three (03) years from Tax Year 2018 onwards. Tax withholding on dividends from development REIT is also proposed to be reduced accordingly.

TAX EXEMPTION ON DISPOSAL OF PROPERTY TO REIT EXTENDED
Second Schedule; Clause 99A

Gains arising from disposal of immoveable property to developmental REIT established for the purposes of construction and development of 'residential buildings' is proposed to be exempted till Tax Year 2020. Earlier exemption was given in general, whether REIT is developmental or rental, the same is expiring on June 30th 2015.

STANDARDIZED CAPITAL GAIN TAX ON REDEMPTION OF SECURITIES BY REIT
First Schedule

New standardized rates are specified for the deduction of capital gain tax on redemption of securities by REIT. Earlier capital gain tax as applicable in case of disposal of securities is applicable in case of redemption of securities by REIT as well. Moreover separate rates are specified for companies and non-company cases. Moreover enhanced rates are proposed in case of non-filers. Tax rates as proposed are given in withholding tax tables as annexed to this commentary.

EXEMPTION TO MINIMUM TAX ON BUILDERS
Section 113A

Builders deriving income from the construction and sales of buildings is currently subject to minimum tax vide Finance Act 2013. This minimum tax is proposed to be exempt till June 30th 2018.

2% MINIMUM TAX TO LAND DEVELOPERS
Section 113B

Persons deriving income from the development and sales of plots are proposed to be subject to tax @ 2% of the value of plots as notified for stamp duty. The tax so levy able is minimum tax on the income.

REAL ESTATE INVESTMENT TRUST

The Finance Bill seeks to propose to extend the period up to June, 2020 [5years] for the development of REIT Scheme. The object is to development and construction of Residential Building.

The said exemption would only be applicable for residential building, exclusively. However, further clarity would be expected to be announced by the FBR.

Previously, the Finance Act, 2007 had introduced that the gain arising on disposal of immovable property to a REIT Scheme is exempted from tax up to June 30, 2015.

RENT COLLECTION CHARGES, SCOPE WIDENED
Section 115A

Persons deriving income from property are allowed to deduct rent collection charges up to @ 6% of the rent chargeable. The scope of the same is proposed to be broadened so as to include ‘administration charges’ as well so incurred for the rent collection. However the total limit 6% remains intact. It is further proposed that the charges so incurred should be wholly and exclusively for deriving property rental incomes.

H. TAX EXEMPTIONS;

MAJOR TAX EXEMPTIONS GIVEN;

S. No.	Description	Applicable	Income	Minimum Tax; 113	ACT; 113C	WHT; 153	Exemption Period
1	**Manufacturer of Plant, Machinery & Equipment for generation of Energy from Solar & Wind;** ***(126I of Part-I of 2nd Schedule)*** An industrial undertaking set up by 31st day of December, 2016 engaged in the manufacturer of plant, machinery & equipment for generation of energy from Solar & Wind	Every Taxpayer (Indv., AOP, Co.)	Exempt	Exempt	Not Exempt	Not Exempt	5 Years Starting from July 01, 2015
2	**Warehousing & Cold chain facilities for Storage of Agricultural products;** ***(126J of Part-I of 2nd Schedule)*** An industrial undertaking set up between 1st day of July 2015 to 30 day of June, 2016 engaged in operating of warehousing or cold chain facilities for storage of agricultural products	Every Taxpayer (Indv., AOP, Co.)	Exempt	Exempt	Not Exempt	Not Exempt	3 Years of the later of industrial set up or start of commercial operation
3	**Halal Meat Production;** ***(126K of Part-I of 2nd Schedule)*** An industrial undertaking set up between 1st July 2015 to 31st day of December, 2016 engaged in operating of Halal Meat Production. **Note;** Tax on exports under Section 154 of the Ordinance has also been proposed to be withdrawn.	Every Taxpayer (Indv., AOP, Co.)	Exempt	Exempt	Not Exempt	Not Exempt	4 Years of the later of industrial set up or start of commercial operation

MAJOR TAX EXEMPTION GIVEN;

S. No.	Description	Applicable	Income	Minimum Tax; 113	ACT; 113C	WHT; 153	Exemption Period
4	**Manufacturing set up in KPK;** *(126L of Part-I of 2nd Schedule)* An industrial undertaking set up between the 1st day of July 2015 to 30th day of June, 2018 for any manufacturing activity in KPK unless the said manufacturing unit is not established by splitting up, reconstruction or transfer of machinery or plant.	Every Taxpayer (Indv., AOP, Co.)	Exempt	Exempt	Not Exempt	Not Exempt	5 Years of the later of industrial set up or start of commercial operation
5	**Transmission Line Project Set up;** *(126M of Part-I of 2nd Schedule)* A set up between the 1st July 2015 and June 30, 2018 for transmission line project unless the said unit is not established by splitting up, reconstruction or transfer of machinery or plant. Further, the shares of the company are not held more than 50% by the Federal Government or Provincial government of Local Government.	Company Only	Exempt	Exempt	Not Exempt	Not Exempt	Life Time
6	**LNG Terminal Operators & Owners;** *(141 of Part-I of 2nd Schedule)* Income derived by LNG Terminal Operators & Terminal Owners	Every Taxpayer (Indv., AOP, Co.)	Exempt	Exempt	Exempt	Not Exempt	5 Years after commercial operations are started

MAJOR TAX EXEMPTIONS WITHDRAWN;

POSTAL ANNUITY CERTIFICATE SCHEME

The exemption on profit income on investment in the Pakistan Postal Annuity Certificate Scheme has been proposed to be withdrawn which was exempt only up to the limit of Rupees. 10,000/- per anum.

WITHHOLDING FROM TV AND RADIO CHANNEL AND NEWS PRINTS MEDIA RESTORED

Before the Finance Act 2012**,** the exemption from withholding was available only for the payment made to news print media in respect of advertisement services. In the Finance Act 2013, the area of exemption from withholding was broadened and covered all the payments made in respect to advertisements services to magazine, digest, news print, TV Channels, Radio Channels and saved them from the tax withholding @ 8%.

It has now been proposed in the Finance Bill of 2015 to withdraw the withholding exemption not only from Electronic but from the Print Media as well.

EXCHANGE COMPANIES TO PAY INCOME TAX ON CASH WITHDRAWAL

Exchange Companies were exempt from withholding of income tax @ 0.3% at the time of their Cash withdrawal for exchange businesses.

It has now been proposed in the Finance Bill to withdraw the said exemption from the exchange companies and instead has proposed to introduce a lower rate of income tax on cash withdrawal @ 0.15% [50% lower from actual rate @ 0.3%].

This lower rate will however, be available only if the exchange companies get the lower tax certificate from the concerned Commissioner – IR.

EXEMPTION TO LARGE TRADING HOUSE TO BE MAINTAINED

Large Trading Houses are normally engaged in-house processing of foods items like Bakery, Meat, Spices and other allied food items for the facilitation to its customers.

There have reportedly been attempts by the tax department whereby they threatened to consider them as Manufacturer and thereby pulling them out from the definition of Large Trading House under clause 57 of Part-IV of 2nd Schedule of the Ordinance.

Through this Finance Bill 2015, the FBR has proposed to remove this anomaly that the Large Trading Houses may process and prepare the food in house and still they will not be treated as manufacturer and the status shall remain the same as that of "Large Trading House" and they can enjoy the benefits of exemption from Minimum Tax and withholding from 153 as well.

However, a cap of 2% of the Annual Sales has been prescribed for the sale of these manufactured and prepared food items, exceeding which the Large Trading Houses may face the problem once again.

I. WITHHOLDING OF INCOME TAX;

WITHHOLDING CHART; TAX YEAR 2016

#	Sections	Nature of Payments	Tax Rates					
1	148	**'Imports'**	Industrial undertaking (Manufacturers)		Companies (Manufacturer or not)		Individuals and AOPs (Non-Manufacturers)	
			Filer	**Non Filer**	**Filer**	**Non Filer**	**Filer**	**Non Filer**
			5.5%	**8%**	**5.5%**	**8%**	**6%**	**9%**
2	149	**'SALARY'**	Slabs					
3	150	**'DIVIDEND'**	**Companies/IND./AOP**					
			Filer			**Non Filer**		
			12.5%			**17.5%**		
4	151	**'INTEREST'**	**Filer**			**Non Filer**		
			10%			**17.5%** (If > 500,000/-)		
5	152(2A)	**'NON-RESIDENT WITH PE'**	**Companies**			**IND./AOP**		
		Supply Of Goods	**Filer**	**Non Filer**			**Non Filer**	
			4%	**6%**		**4.5%**	**6.5%**	
		Services	**8%**	**12%**		**10%**	**15%**	
		Contract	**7%**	**10%**		**7.5%**	**10%**	
		Sportsman	**10%**					
6	153(1)(a)	**'SUPPLY OF GOODS , SERVICES & CONTRACTS'**	**Companies**			**IND./AOP**		
		All Goods	**Filer**	**Non File**		**Filer**	**Non Filer**	
			4%	**6%**		**4.5%**	**6.5%**	
		In case of Sale of rice, cotton, seed, edible oil	**1.5%**			**1.5%**		
7	153(1)(b)	'Services'	**8%**	**12%**		**10%**	**15%**	
		Transport Services	**2%**					
8	153(1)(c)	'Contracts'	**7%**	**10%**		**7.5%**	**10%**	
		Sportsman	**10%**					
9	153(2)	Stitching, Dying, Printing, Embroidery etc.	**1%**					
10	156A	**PETROLEUM PRODUCTS**	**Companies/ IND./AOP**					
			Filer			**Non Filer**		
			12%			**15%**		
11	155	**'INCOME FROM PROPERTY'**	**Companies**			**IND./AOP**		
			15%			**Slab Rates**		
12	156	**'PRIZE AND WINNINGS'**	**Companies/ IND./AOP**					
		Prize Bonds	**15%**					
		Other prizes, Winning, lottery, Raffles	**20%**					
13	233	**'BROKERAGE AND COMMISSION'**	**Companies/ IND./AOP**					
		All Commissions	**Filer**			**Non Filer**		
			12%			**15%**		
		Advertising Agents Commission	**10%**			**15%**		
14	233AA	**'COLLECTION OF TAX NCCPL'**	**Slab**					

WITHHOLDING CHART; TAX YEAR 2016

#	Sections	Nature of Payments	Tax Rates		
15	231A	Advance tax on Cash Withdrawal	**Filer**	**Non Filer**	
			0.3%	0.6%	
16	231AA	Advance tax on transactions in bank	**Filer**	**Non Filer**	
			0.3%	0.6%	
17	231B(1) & (3)	Advance Tax on Purchase, Registration and Transfer of Motor Vehicle	**Engine Capacity**	**Filer**	**Non Filer**
			No Change		
18	231B(2)	Advance Tax on Purchase of Private Motor Vehicle {Tax rate shall be reduced by 10% each year from the date of 1st registration)	Up to 850cc	-	5,000
			851cc to 1000cc	5,000	15,000
			1001 to 1300cc	7,500	25,000
			1301cc to 1600cc	12,500	65,00
			1601cc to 1800cc	18,750	100,000
			1801cc to 2000cc	25,000	135,000
			2000cc to 2500cc	37,500	200,000
			2500cc to 3000cc	50,000	270,000
			Above 3000cc	62,500	300,000
19	234	Advance tax on Private Motor Vehicle	**Engine Capacity**	**Filer**	**Non Filer**
			Up to 1000cc	800	1,200
			1001cc to 1199cc	1,500	4,000
			1200 to 1299cc	1,750	5,000
			1300cc to 1499cc	2,500	7,500
			1500cc to 1599cc	3,750	12,000
			1600cc to 1999cc	4,500	15,000
			2000cc & above	10,000	30,000
20	235	Tax on Electricity Consumption	No change		
21	235A	Advance Tax on domestic Electricity Consumption	[7.5% on exceeding amount of 75k/- instead of 100k]		
22	236	Advance tax on Telephone, prepaid cards and **Internet Bills**	14%		
23	236A	Advance tax on Auction	10%		

WITHHOLDING CHART TAX YEAR 2016

#	Sections	Nature of Payments	Tax Rates; Companies/ IND./AOP	
24	236B	Advance tax on Purchase of domestic Air Tickets (Except Baluchistan Coastal Belt, Azad Jammu Kashmir, FATA Gilgit, Baltistan and Chitral)	5%	
25	236C	Advance tax on Transfer of Immovable Property	NO change	
26	236D	Advance tax on Functions and Gathering	5%	
27	236E	Advance tax on foreign-produced film and TV	No change	
28	236F	Advance tax on Cable Operators	No change	
29	236G	Advance Tax on Distributors, Dealers Wholesalers	**Filer**	**Non Filer**
		Fertilizers	0.7%	1.4%
		Other than Fertilizers	0.1%	0.2%
30	236H	Advance tax on Sales to retailers (Wholesalers introduced to this section)	0.5%	
31	236I	Advance tax on Educational Institution [Except Non-residents]	5%	
32	236J	Advance tax on commission agents and arhatis	No change	
33	236K	Advance on Purchase of Property	No Change	
34	236L	Advance Tax on International Air Ticket	Companies/ IND./AOP	
		First/Executive Class	16,000/- Per Person	
		Others Excluding Economy	12,000/- Per Person	
		Economy	0	
35	236O	Advance tax under this chapter shall not be collected	- FG , PG - Foreign Diplomats, Diplomatic Mission - Exemption Certificate	
36	236P	Advance tax on transaction in Bank [New section added]	**Filer**	**Non Filer**
			No WHT	0.6% (if > 50k)
37	236Q	Payment to Resident Person for right to use of Machinery and Equipment	10% (FTR)	
38	236R	Advance Tax on education related expenses remitted abroad	5%	
39	236S	Dividend in specie	**Filer**	**Non Filer**
			12.5%	**17.5%**
40	236T	Advance Tax by Pakistan Mercantile Exchange Limited	**Sale & purchase of future commodity Contracts**	**Commission on Sale and Purchase of future Commodity Contracts**
			0.1%	0.1%

J. OTHER IMPORTANT CHANGES;

MANUFACTURER OF OIL & GHEE
Section 148A & Clause 13C

The Finance Bill has proposed by inserting new Section 148A that manufacture of Cocking Oil or Vegetable gee or both shall be liable to pay 2% tax on purchase of locally produced edible oil and will be subject to Final taxation in respect of income therefrom.

Previously, the field officers of the law machinery have been interpreting that 2% tax on purchase locally produced edible oil to have already been subjected to final taxation under Clause 13C of Part II of the Second Schedule of the Income Tax Ordinance, 2001.

The Superior Courts of the state, however, held that 2% tax on purchase price is subjected to Normal taxation being the reason that if the taxpayer had discharged its tax liability as per rates specified in First Schedule of the Ordinance, therefore, further tax under Clause 13C is unlawful. Because First Schedule is governed under Section 53 of the Ordinance which covers Exemptions and Tax concessions in the Second Schedule. Whilst, Second Schedule provides relief in the Tax listed in the First Schedule and even 2% tax is not covered in Section 169 of the Ordinance. Therefore, after arriving at minimum tax under Section 148(8) there is no need for levy of further tax under Clause 13C of the Ordinance.

The Finance Bill has also correspondingly proposed to delete Clause 13C (2% tax on purchase price) of the Ordinance so as to abolish the anomaly arising from the above treatment.

RATIONALIZATION OF DEFAULT SURCHARGE RATES;

FAILURE TO PAY TAX COLLECTED OR DEDUCTED
Section 161(1B)

In case of failure to withhold tax or failure to deposit the tax so withhold as required under the Ordinance default surcharge is levied @ 18% which is now proposed to be reduced to 12%.

DEFAULT SURCHARGE RATIONALIZED
Section 205

Default surcharge on various tax defaults is proposed to be reduced to 12% from current 18%. The above are summarized as under:

SECTIONS	SUBJECT	EXISTING RATES	PROPOSED RATES
161(1B)	Failure to Pay Tax Collected or Deducted	18%	12%
171	Additional Payment for Delayed Refund	15%	Kibor+0.5%
205	Default Surcharge	18%	12%

REDUCTION IN RATE; ADDITIONAL PAYMENT FOR DELAYED REFUNDS
Section 171

A taxpayer is entitled for the additional payment due to delayed refunds @ 15% which is now proposed to be fixed @t KIBOR + 0.5%. The change perhaps has been proposed in line with the decline in interest rate by the State Bank of Pakistan.

CNIC TO BE USED AS NATIONAL TAX NUMBER
Section 181A

The Federal Government has finally proposed to replace National Tax Number (NTN) with CNIC number of individuals for Tax Year 2015 onwards. However it is important to note that CNIC is issued to all citizens regardless of their tax status whereas every individual who has obtained NTN is required to file income tax return for each year. This anomaly needs to be clarified.

REWARD TO WHISTLE BLOWER
Section 227B

To fill in the revenue leakage and to improve the tax enforcement, a new concept of whistleblower in proposed by inclusion in Section 227B of the Ordinance.

Through this scheme, the Board will give rewards to any such person who would disclose to the competent authority any information pertaining to concealment of income. The claim of reward will be entertained if the;

- information provided is of value;
- the Board did not have this information already;
- the information was not publicly available; and
- does actually lead to collection of tax

We understand that such reward scheme, without any transparency in the process and without any protection to the whistleblower is a perfect recipe for failure.

TAX ON SHIPPING OF A RESIDENT PERSON
Section 7A

Shipping business as carried out by the resident is currently being taxed under presumptive / final taxation as given under Clause 21, Part II, 2nd Schedule to the Ordinance. It is now proposed to realign by placing this provision along with the taxation provision for shipping business in case non-residents. However no amendment / change in taxation is proposed in this respect.

3. SALES TAX ACT 1990

ACTIVE TAXPAYERS & LIST
Section 2(1) read with Section 21A

The Finance Bill proposes to define 'active taxpayer' to provide legal strength to already implemented modus operandi in relation to inactive taxpayers' list already available at FBR's ePortal.

After the proposed amendment, the procedures for defining 'active taxpayer' will now have legal protection. Presently, such procedures are defined under Sales Tax General Order [SGTO] 34 dated 16 September 2010. The taxpayer would be treated as active if none of the following are applicable:

Proposed (Further amendments emphasized)	**Currently defined in STGO**
Who is blacklisted or whose registration is suspended or **is blocked** in terms of Section 21 of Sales Tax Act 1990 (the Act)	Who is blacklisted or whose registration is suspended under rule 12 of Sales Tax Rules, 2006
Who fails to file the return under section 26 by the due date for two consecutive tax periods;	Who fails to file the return under section 26 by the due date for two consecutive tax periods;
[Not included in the Act]	Who fails to file any missing return within 15 days of notice issued to him;
Who fails to file an Income Tax return under section 114 or **statement under section 115**, of the Income Tax Ordinance, 2001(XLIX of 2001), by the due date; and	Who fails to file any due Income Tax return under section 114 of the Income Tax Ordinance, 2001
Who fails to file two consecutive monthly or **an annual** withholding tax statement under section 165 of the Income Tax Ordinance, 2001;	Who fails to the monthly withholding tax statement under section 165 of the Income Tax Ordinance, 2001 for two consecutive quarters
[Not included in the Act]	Who fails to respond to the discrepancy notice or any other notice issued by the Board or an RTO or LTU or an office so authorized by the Board or the Commissioner Inland Revenue, within fifteen days of the issuance of such notice.

Since STGO has now been made part of main statute, preciously there remains no need for the former. In case the STGO is withdrawn, tax department may not be able to penalize non-compliance of any notice or CREST discrepancies.

We understand declaring any taxpayer as non-active under the Act on the basis of his income tax filing profile or any other law may be called in question before courts of law. It is notable that input tax adjustments, against invoice issued by non-active registered persons, are still not debarred under Section 8 of the Act. Thus, the current practice of FBR to disallow input tax of inactive taxpayers is still not legally protected.

COTTAGE INDUSTRY
Section 2(5AB)

Monetary exemption limit of cottage industry with respect to annual utility bills (electricity, gas, and telephone) has been increased from Rs.700,000 to Rs.800,000. This change appears to cater upward revision of tariff of utility services.

It is pertinent to note that the sales tax exemption available to cottage industry under Serial No. 3, Table 2, 6th Schedule to the Act becomes irrelevant in the light of STGO 68 dated 11 August 2014 if such cottage industry receives payment after deduction of income tax by the withholding agent registered under Income Tax Ordinance, 2001. In such case, such cottage industry is liable to be registered as wholesaler under the Act.

RETAILER
Section 2(28)

Amendments are proposed in the definition of 'retailer' to delete reference of annual turnover. Such amendments are made to align the definition of retailer with the withdrawal of exemption from the Sixth Schedule and Special Procedure for payment of sales tax by retailer, wherein two tier system was introduced in the year 2014-2015 for sales tax registration.

TOLL MANUFACTURING
Section 2(33)

The Federal Government has once again attempted to tax toll manufacturing activities by including transfer or delivery of such manufactured goods, belonging to another person or to a person nominated by the owner of goods, in the definition of 'supply'.

Taxability of toll manufacturing has always been a controversial subject. Toll manufacturing was previously covered under Section 2(33) of the Act as 'other disposition' of goods. In the year 2004, STGO 3/2004 was issued whereby it was stated that the activity performed by a 'toll manufacture' is subject to sales tax by virtue of process of manufacture and other disposition of such goods.

In the year 2008, the words 'other disposition' were omitted from the definition of supply which implied that toll manufacturing was no more taxable. The Sindh High Court also endorsed this contention. However, FBR negates this proposition and consistently striving to bring toll manufacturing under the definition of supply by placing reliance on STGO No.3 of 2004.

On the contrary, after the 18th Amendment, Provinces also treat toll manufacturing as taxable service.

This proposed amendment would create issues of overlapping taxation and double taxation and a new era of dispute over collection of sales tax on 'toll manufacturing' would emerge between the Federal Government and the Provincial Governments. This will enhance litigation.

FURTHER TAX
Section 3(1A)

The rate of further tax is proposed to be enhanced from 1% to 2% which will actually burden the registered segments of the economy and enhance their cost of doing business.

ENFORCEMENT AND RECOVERY
Section 6

The Finance Bill has proposed enhanced powers of the custom authorities. The powers of Customs authority, previously restricted for collection, payment and enforcement of sales tax at import stage, have now been extended to recovery of sales tax in the manner of customs duty. This implies that in case of short payment of sales tax at Customs Stage, the Custom authorities may initiate legal proceeding for recovery of unpaid / short paid tax instead of an officer of Inland Revenue.

We understand this will end the ambiguity existed regarding the authority entitled to pursue recovery proceedings in respect of short-paid / unpaid sales tax at import stage.

BILL OF ENTRY
Section 7

The Finance Bill has proposed to insert the reference of Section 81 of Customs Act 1969 in Section 7(2)(ii) of the Act to enable a registered person to claim input tax paid on imported goods, which were provisionally assessed.

The change will have positive impact on cash flows of importers.

INADMISSIBLE INPUT TAX
Section 8(1)(h)

An amendment has been proposed in the negative list of goods mentioned in Section 8(1)(h) whereby, input tax on pre-fabricated buildings acquired for sale, re-sale, or direct use in the production or manufacture of taxable goods have been allowed.

A deep analysis into 8(1)(h) transpires that previously input tax on pre-fabricated buildings was an admissible deduction under Section 8 of the Act for the reason that it was not classified in the negative list altogether. However, now a conditional allowance has been proposed in the statute whereby input tax on pre-fabricated buildings will only be allowed if acquired for sale, re-sale, or direct use in the production or manufacture of taxable goods.

Section 8(1)(j)

The Finance Bill seeks to disallow input tax on services which are already debarred for adjustment under the respective provincial sales tax laws. The Provincial Sales Tax Laws also disallow all such input tax credits on goods which are specifically listed in the negative list under the Act.

Presently, there exists numerous services in Provincial Sales Tax Laws of Sindh, Punjab and KPK which are taxed on reduced rate i.e., below the standard rate of sales tax prevailing in such Provinces. The credit of such reduced rate services is not permissible to other services providers falling under the domain of such provincial sales tax law. However, credit thereof was available under the Act. By virtue of subject amendment, the federal law has now been aligned with provincial tax laws.

The proposed amendment suggests that now the IRS officers would have legal powers to interpret negative list of Provincial Laws. Such measures may provoke the Provincial Tax authorities enact identical provisions empowering them to penetrate into Federal Sales Tax Laws. Therefore, extending such powers to IRS Officers would create chaos and serious practical problems for the taxpayers.

As a result of the above amendments, input tax paid on the following services may not be claimed by the taxpayers against their federal output tax liabilities:

Taxable Service	Sindh	Punjab	KPK	Balochistan
Freight forwarders	Rs.500 per bill of lading or house bill of lading	Rs.500 per bill of lading	-	-
Tour Operators	10%	-	-	-
Purchase sale or hire of immovable property	10%	-	-	-
Property Dealers	10%	-	-	-
Car or Automobile dealers	10%	-	-	-
Property Developer or Promoters	Rs. 100 per square yard of land and Rs. 50 per square foot of constructed covered area	Rs. 100 per square yard of land development and Rs. 50 per square foot of building construction	Rs. 100 per square yard of land development and Rs. 50 per square foot of building construction	-
Beauty Parlour, beauty clinics, slimming clinics, body massage centers, pedicure center etc.	10%	-	-	-
Legal Practitioners and consultants	5%	-	-	-
Accountant and Auditors	5%	-	-	-
Tax Consultant	5%	-	-	-
Security Agency	10%	-	-	-
Rent a Car and automobile rental services	10%	-	-	-
Cable TV operators	10%	-	-	-

Taxable Service	Sindh	Punjab	KPK	Balochistan
Fumigation services	10%	-	-	-
Maintenance or Cleaning services	10%	-	-	-
Janitorial services	10%	-	-	-
Franchise services	10%	-	10%	-
Construction services	5%	-	-	-
Programme Producers and Production houses	10%	-	-	-
Corporate law consultants	5%	-	-	-
Fashion designers	10%	-	-	-
Transportation	5%	-	-	-
Advertisement on newspapers, periodicals and magazines	-	-	15%	-
Market research agency	-	-	10%	-
Business support services	-	-	10%	-
Toll manufacturing	-	-	10%	-
Tracking services and security Alarm services	-	-	10%	-
Motor vehicle workshops, mechanic shops, air conditioning fitting and cleaning centers	-	-	10%	-
Hotel, Restaurants, Club, and caterers	-	-	-	16%
All advertisements	-	-	-	16%

Section 8(1)(k)

Import or purchase of agriculture machinery or equipment subject to sales tax at the rate of 7% under Eight Schedule is not admissible for input tax adjustment.

Section 8(1)(l)

The Bill seeks to disallow input tax on goods and services if, at the time of filing return by the buyer, the seller had not declared the same in his tax returns. Such amendment / restriction shall came into force from the date specified by FBR.

We understand this is another attempt for cross matching returns of buyer and suppliers. In the past, an identical measure was adopted by the law makers in the shape of Section 8(1)(ca). Later on, the Lahore High Court quashed Section 8(1)(ca) on the grounds that buyer cannot be made subject to penal action on the wrong doings of his supplier. Apparently to counter such verdict of Lahore High Court, this new provision of law has been inserted in the law with a slightly new wordings but on identical footings as that of Section 8(1)(ca).

We understand certain practical problems would emanate if the proposed amendment is put in operation. Firstly, in the absence of any law, it will not be an easy task for the parties to have access to each other's confidential tax returns; that too on monthly basis. Secondly, since the filing date for general class of taxpayer is the same, the buyer cannot ensure filing of his supplies return before such date. Thirdly, the FBR his allowed delayed filing to certain sectors like IPPs, Petroleum and Exploration Companies, etc. In such cases, buyer of such sectors will not have supplier returns filed by the time he goes to file his own tax return. Lastly, the amendment would also pose questions and practical difficulties when the supplier himself opts for delayed filing of his tax returns.

Furthermore, the law does not specify the mechanism how the disputed input tax will again become admissible after the supplier files his returns.

JOINT AND SEVERAL LIABILITY
Section 8A

The Federal Government has now proposed to shift the burden of proof upon the department [i.e. Officer of Inland Revenue] for any amount of sales tax that remains unpaid in the supply chain. We understand that this is a beneficial amendment which would restrict the irrational blanket powers of the Officers of Inland Revenue under Section 8A of the Act.

Since its inception, Section 8A i.e. Joint and Several Liability is amongst the most disputed provision of sales tax and remains the favorite tool for tax authorities to disallow sales tax credit, in case(s) where payment of sales tax in the supply chain remains untraceable. Despite numerous judgments by the Appellate forums in favor of the taxpayers, the Officers of Inland Revenue are still making cases against the taxpayer for payment of sales and burdening proof upon the taxpayer in contradiction to the actual spirit of Section 8A. The proposed amendment would bring harmony and rationality in application of Section 8A.

RESTRICTING FEDERAL GOVERNMENT POWERS AND WITHDRAWAL OF FBR'S POWERS
Section 3(2)(b) & Section 13

The Finance Bill intends to place the changes before Parliament which were earlier promulgated through Finance (Amendment) Ordinance, 2015 by President of Pakistan. The powers of Federal Government to issue notification for exemption from sales tax have now been restricted and made subject to approval of Economic Coordination Committee of Cabinet. Further, the powers of the

Federal Board of Revenue to grant exemptions from sales tax have also withdrawn. The following amendments have been made:

Section 3(1)(b)

Previous Position	Current Position
The Federal Government may, subject to such conditions and restrictions as it may impose, by notification in the official Gazette, declare that in respect of any goods or class of goods imported into or produced or any taxable supplies made by a registered person or a class of registered persons, the tax shall be charged, collected and paid in such manner and at such higher or lower rate or rates as may be specified in said notification.	The Federal Government may, subject to such conditions and restrictions as it may impose, by notification in the official Gazette, declare that in respect of any taxable goods, the tax shall be charged, collected and paid in such manner and at such higher or lower rate or rates as may be specified in said notification.

The powers of Federal Government to impose higher or lower sales tax rates has been restricted to the extent of taxable goods. Previously, FG enjoyed wide powers to impose higher or lower sales tax rates on any goods or class of goods.

Section 13(2)(a)

Previous Position	Current Position
The Federal Government may, by notification in the official Gazette, exempt any taxable supplies made or import or supply of any goods or class of goods, from the whole or any part of the tax chargeable under this Act, subject to the conditions and limitations specified therein; and	The Federal Government may, 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 taxes, development of backward areas and implementation of bilateral and multilateral agreements, by notification in the official Gazette, exempt any taxable supplies made or import or supply of any goods or class of goods, from the whole or any part of the tax chargeable under this Act, subject to the conditions and limitations specified therein; and

Previously Federal Government was empowered to grant sales tax exemption either on import or supply stage(s).

Such powers have now been withdrawn and made subject to approval of Economic Coordination Committee of Cabinet only in the following circumstances:

- National security;
- Natural disaster;
- National food security in emergency situations;
- Protection of national economic interests in situations arising out of abnormal fluctuation in international commodity prices;
- Removal of anomalies in taxes; and
- Development of backward areas and implementation of bilateral and multilateral agreements.

Section 13(2)(b)

Through omission of Section 13(2)(b), FBR has also been stripped off from its powers to exempt import or supply of goods from sales tax.

Section 13(6)

From now onward, Federal Government is obliged to place all exemption notifications before the National Assembly for its assent. Previously, SROs were not placed before the National Assembly and Federal Government / FBR were enjoying absolute discretion vis.a.vis tax exemption matters.

Section 13(7)

Sub Section 13(7) suggests that tax exemption awarded by the Federal Government will carry an expiry date of maximum 12 months. Hence, every exemption notification issued by the Federal Government will stands rescinded at the end of each financial year, if not rescinded earlier.

This is too significant development in the statute which will end the concept of life time tax exemptions. The language couched in Section 13(7) implies to have a prospective effect, i.e., applicability on SROs issued from the date of enacted of Finance Act, 2015. However, a plain and deep reading of the foregoing sub section may cast a question on the legitimacy and legal health of exemptions SROs, though issued in the past, which are still in field and operative.

It is, therefore, imminent that Ministry of Law & Justice, Government of Pakistan may clarify this aspect to remove doubts in this regard. More clarity can be seen in the identical amendments made in Federal Excise Act, 2005 which states that exemption notifications issued only after 01 July 2015 would be rescinded after the end of each financial year.

REGISTRATION
Section 14 read with Rule 4

Through this proposed amendment, the registration rules prescribed under Sales Tax Rules, 2006 have been transposed to Section 14 of the Act.

A new sub section is also proposed to facilitate registration of persons who are not engaged in making taxable supplies and only needs registration for import or exports of goods. This is beneficial amendment which would enable offices of Federal Government, Provincial Governments, Non-profit organizations and similar organizations to obtain sales tax registration.

A new and positive concept of temporary sales tax registration has also been reintroduced to facilitate the new aspirants. The salient features of the Finance Bill suggest that provision of temporary registration would be included in the Sales Tax Rules, 2006 so that manufacturer cum importer would be able to import machinery etc. without completion of procedural formalities.

We consider this as a positive step as unnecessary delay in sales tax registration has been causing severe problems to the business community particularly in import of machinery and related equipment.

ACCESS TO RECORDS AND DOCUMENTS
Section 25

The bill proposes deletion of reference of section 36 from section 25(3). This is in line with the amendment made through Finance Act, 2012 whereby section 36 was deleted but its reference was kept intact in Section 25(3).

AUDIT BY SPECIAL AUDIT PANELS
Section 32(A)

The bill proposes significant amendments in Section 32(A). Previously Chartered Accountants or Cost Accountants or a firm thereof, were authorized for conducting special audit of records of registered persons. Both the FBR and Commissioner IRS possessed powers to appoint aforementioned persons for the purpose of such special audit.

Finance Bill 2015 proposes introduction of the concept of Special Audit Panels, to be appointed by FBR, consisting of at least two members from following, who shall conduct audit of records of a registered person or persons, including audit of refund claims and forensic audit.

a) an officer or officers of Inland Revenue;
b) a firm of chartered accountants as defined under the Chartered Accountants Ordinance, 1961 (X of 1961);
c) a firm of cost and management accountants as defined under the Cost and Management Accountants Act, 1966 (XIV of 1966); or
d) any other person as directed by the Board,

We understand the above is an attempt to unnecessary enhance audit powers of the tax authorities who, apart from conducting audit under Section 25, can now also conduct audit under Section 32A. Although, the power to select any case for audit is retained by the Board, the scope of such audit can also be determined by Commissioner IRS.

Further, through insertion of new sub clause, such audit may be continued or finalized in absence of any one member other than Chairman. The concept of joint audit with Provincial tax authorities has also been introduced.

The Chairman of the audit panel would be officer of Inland Revenue which would mean that role of Chartered Accountants, Cost & Management Accountants and other professionals in the audit panel may not be decisive one. Further, it appears audit under Section 32A may be conducted more than once a year.

MONITORING OR TRACKING BY ELECTRONIC OR OTHER MEANS
Section 40C

Two significant amendments are proposed in Section 40C of the Act. Firstly, the bill has introduced another means for tracking and monitoring of sales, production, etc. in the form of bar codes. Notified goods or class thereof shall not be sold without being affixed tax stamp, banderole stickers, labels, bar code, etc. thereon in the prescribed manner.

Secondly, Sub-section 3 has been added whereby registered persons are directed to acquire such tax stamp, banderole stickers, labels, bar code, etc. from a licensee, appointed by FBR against approved price.

The aforesaid arrangement appears similar to surveillance monitoring in the erstwhile central excise regime where the clearance of goods could not be made without approval of excise officer. This increased vigilance of tax payers’ operations may result in unnecessary delays in execution of transactions and chances of taxpayers’ harassment. Further, the requirement of obtaining such tax stamp, banderole, bar code, etc. may increase cost of doing business and administrative hurdles for the tax payer.

AGREEMENT FOR THE EXCHANGE OF INFORMATION
Section 56A

The Finance Bill proposes to insert Section 56A for entering into bilateral or multilateral agreements with provincial governments or foreign governments for exchange of information. Section 56A(2) refers Section 107 of the Income Tax Ordinance, 2001 whereby it implies that such agreements will be for avoidance of double taxation and prevention of fiscal evasion.

In context local environment, we expect the amendment will help taxpayers especially those who are exposed to double taxation in respect of following services under respective provincial laws as well as federal government laws:

- Advertisement
- Shipping Agent
- Banking Services
- Insurance Services
- Franchise
- Stock broker
- Port and Terminal operator

DISCLOSURE OF INFORMATION BY A PUBLIC SERVANT
Section 56B

The Finance Bill proposes to insert Section 56B that no information acquired under the Act can be disclosed by public servant. Such proposal is identical to Section 216 of the Income Tax Ordinance, 2001.

PRIZE SCHEMES TO PROMOTE TAX CULTURE
Section 56C

The Bill proposes introduction of a new provision to incentivize general public to make purchases from registered persons against proper sales tax invoices. General public shall be rewarded various prizes including cash for making purchase from registered persons.

This is positive step to promote documentation of economy. However, it is yet to be seen how far such scheme will be implemented.

WHISTLE BLOWER
Sections 2(46) & 72D

In order to address revenue leakage and to improve the tax enforcement, a new concept of whistleblower is proposed by inclusion in Section 2(46A) of the Act which is interlinked with a reward scheme to be introduced through Section 72D thereof.

Through this scheme, the Board will give rewards to any such person who would disclose to the competent authority any information pertaining to concealment or evasion of sales via fraud, corruption or misconduct which would result in detection of tax fraud, tax collection or misconduct carried out by any person or authority. The claim of reward would not be entertained in the following conditions:

- information provided is of no value;
- the Board already had the information;
- the information is publicly available;
- does not lead to collection of tax

We understand that such reward scheme would not bring any fruitful result to the exchequer without any tangible efforts towards its transparency and without any protection to the whistleblower. The conditions set above appear to be impractical. Accordingly, there is a need to adopt more pragmatic and logical steps for detection of tax frauds, corruption and misconducts.

REDUCTION IN DAYS FOR LATE FILING SUBJECT TO REDUCED AMOUNT OF PENALTY
Section 33(1)

The Finance Bill proposes for reduction of days upto 10 which are subject to reduced amount of penalty of Rs.100 in case of late filing of sales tax return after stipulated time period under Sales Tax Act, 1990. Before this amendment, such reduced penalty was available for the fifteen days.

REDUCTION IN DAYS FOR LATE PAYMENT OF DUE TAX SUBJECT TO REDUCED AMOUNT OF PENALTY
Section 33(5)

The Finance Bill also proposes for reduction of days upto 10 which are subject to reduced amount of penalty of Rs.500 in case of late payment of tax due after stipulated time period under Sales Tax Act, 1990. Before this amendment, such reduced penalty was available for the fifteen days.

AMENDMENTS IN FIFTH SCHEDULE

S. No.	Existing Law	Proposed Law	Comments
6	Supplies of locally manufactured plant and machinery to the Export Processing Zones and to Exploration and Production companies, etc.	Supplies of locally manufactured plant and machinery to Exploration and Production companies, etc.	Zero rating of sales tax for EPZ has been transformed to Serial No. 6A of 5th Schedule.
6A		Supplies of locally manufactured plant and machinery to manufacturers in the Export Processing Zone, subject to the conditions, restrictions and procedures given thereto.	Zero rate of sales tax is exclusively meant for established manufacturer at EPZ. Further, both suppliers and purchasers of such goods are strictly required to adhere with conditions as laid down in the Schedule.
9	Goods exempted under section 13, if exported by a manufacturer who makes local supplies of both taxable and exempt goods.	Goods exempted under section 13.	This is a beneficial amendment and would award zero rating on exports without any conditions.

AMENDMENTS IN SIXTH SCHEDULE

New Exemptions

Import or Supply (Table 1)

S. No.	Description	PCT Heading
117	Appliances for colostom	3006.9100
118	Colostomy & urostomy bags	3926.9050
119	Tubular day lighting devices (TDDs)	8539.3930
120	Diagnostic kits or equipments	3822.0000
121	Blood Bag CPDA-1 with blood transfusion set pack in aluminum foil with set	Respective headings
122	Urine drainage bags	Respective headings
123	Aircraft, whether imported or acquired on wet or dry lease	8802.2000, 8802.3000, 8802.4000
124	Maintenance kits for use in trainer aircrafts	Respective headings
125	Spare parts for use in aircrafts, trainer aircrafts or simulators	Respective headings

S. No.	Description	PCT Heading
126	Machinery, equipment and tools for setting up maintenance, repair and overhaul (MRO) workshop by MRO company recognized by Aviation Division	Respective headings
127	Operational tools, machinery, equipment and furniture and fixtures on one-time basis for setting up Greenfield airports by a company authorized by Aviation Division	Respective headings
128	Aviation simulators imported by airline company recognized by Aviation Division	Respective headings

Local supply of goods (Table-2)

S. No.	Description	PCT Heading
17	Raw and pickled hides and skins, wet blue hides and skins	41.01, 41.02, 41.03, 4104.1000, 4105.1000, 4106.2100, 4106.3000, 4106.9000
18	Supplies made by manufacturers of marble and granite having annual turnover less than five million rupees even if their annual utility bill is more than eight hundred thousand rupees.	Respective headings
19	Bricks (up to 30th June, 2018) *Our Comments: The corresponding entry with respect to cement blocks is still subject to sales tax under the Act. Levy of sales tax on cement blocks would lead to disparity among various segments of society*	6901.1000
20	Crushed stone (up to 30th June, 2018)	2517.1000”

Amendments in Existing Tax Rates, etc.

Table-I (Import & Supply of goods)

S. No.	Existing Law	Proposed Change(s)	Remarks
19	Cereals & production on milling industry	PCT Heading 1006.1010 omitted	PCT Heading 1006.1060 deals in rice for sowing and was irrelevant in Serial 19. Hence, it has been removed from its existing place and added in Serial 20.
20	Seeds, fruit & spores of a kind used for sowing	PCT Heading 1006.1010 has been added	As above
105	Raw materials for the	Reference of 5th Schedule of	To harmonize between

S. No.	Existing Law	Proposed Change(s)	Remarks
	basic manufacture of pharmaceutical active ingredients and for manufacture of pharmaceutical products as provided in 1st & 5th Schedules of Customs Act 1969.	Customs Act 1969 inserted	Sales Tax & Customs Laws
114	Green House Framing and Other Green House Equipment	Substitution of PCT Headings 3920.1000, 3926.9099, 5608.1900, 5608.9000 which is associated with plastic covering and mulch film, anti-insect net and shade net	Through proposed substitution of PCT headings, exemption of sales tax has been replaced with newly introduced PCTs

TRANSPOSITION OF GOODS FROM FIFTH / SIXTH SCHEDULES TO EIGHT SCHEDULE

Description	Existing Schedules			Proposed Schedules		
	5th	6th	8th	5th	6th	8th
Soyabean meal (2304.0000)	-	-	5%	-	-	10%
Directly Reduced Iron - 72.03	-	-	5%	-	-	Deleted, to be subject to 17%
Oilseeds meant for sowing - Respective Heading	-	-	5%	-	-	10%
Plant & Machinery not manufactured locally and having no compatible local substitutes - Respective Heading	-	-	5%	-	-	10%
Flavored Milk - 0402.9900	0% sales tax subject to the conditions specified in Sales Tax Special Procedure Rules, 2007	Exempt	-	Deleted	Exempt, if sold in other than retail packing under brand name	10%, if sold in retail packing under a brand name
Yogurt - 0403.1000						
Cheese - 0406.1010						
Butter - 0405.1000						
Milk and cream, concentrated and added sugar or other sweetening matter - 0402.1000						
Desi Ghee - 0405.9000						
Whey - 04.04						

Description	Existing Schedules			Proposed Schedules		
	5th	6th	8th	5th	6th	8th
Poultry feed, cattle and their ingredients except soya been meal of PCT heading 2304.0000 and oil cake of cottonseed falling under PCT 2306.1000-2301.2090, 2305.000,2306.2000,2306.3000,2306.4100,2306.5000,2309.9010,2309.9020,2309.9090,2936.2100, 2936.2200,2936.2300 2936.2400,2936.2500,2936.2600 2936.2700, 2936.2800, 2306.4900, 2308.9000,2303.1000 2303.1000, 3507.9000,2302.1000 2302.2000,2302.3000,2302.4000 2302.5000,2306.7000,2306.4900 2306.9000,2842.1000,2301.2010 0505.9000,2827.6000,2833.2990 2817.4000,2833.2500,2833.2910 2915.5000,2930.4000,2930.4000 2922.4100,2923.2000,2923.9000 2922.4290,2934.9910,2922.5000 2835.2600,2835.2600,2835.2500 2835.2600	-	Exempt from Sales Tax	-	-	Deleted	5%
Incinerators of disposal of waste management, motorized sweepers and snow ploughs 8417.8000, 8430.2000 - and 8479.8990		Exempt from Sales Tax				5%
Re-Importation of foreign origin goods which were temporarily exported out of Pakistan subject to similar conditions as are envisaged for the purposes of customs duty under the Customs Act, 1969. - 99.18		Exempt from Sales Tax				5%
Reclaimed lead, if supplied to recognized manufacturers of lead and lead batteries		-do-				5%
Waste paper - 47.07		-do-				5%
Processed cheese not grated or Powdered - 0406.0300		-do-			Exempt, if not sold in retail packing, brand name	

Transposition of Goods from SROs to Eight Schedule

Descriptions	PCT Headings	Existing Law				Proposed Law	Comments
		S.R.O. 572(I) /2006	S.R.O. 657(I) /2013	S.R.O. 313(I) /2006	S.R.O. 69(I) /2006	Eight Schedule	
Rapeseed, sunflower seed and canola seed, import by solvent extraction industries	1205.0000 and 1206.0000	-	-	-	16%	16%	Notification likely to be withdrawn by Federal Government
Soya bean seed, import by solvent extraction industries	1201.1000	-	-	6%	-	6%	Notification likely to be withdrawn by Federal Government
Secondhand and worn clothing or footwear	6309.0000		5%			5%	Notification likely to be withdrawn by Federal Government
Agricultural tractors	8701.9020	10%	-	-	-	10%	Notification likely to be withdrawn by Federal Government

AMENDMENT MADE IN EIGHT SCHEDULE

Table I

Following new items have been proposed @ 7% ad val. in Eight Schedule to Sales Tax Act, 1990 without input tax adjustment as provided at proposed Section 8(1)(k):

S. No.	Description
26	Tillage and seedbed preparation equipment
27	Seeding or planting equipment
28	Irrigation, drainage and agro-chemical application equipment
29	Harvesting, threshing and storage equipment
30	Post-harvest handling and processing & miscellaneous machinery (i) Vegetables and fruits cleaning and sorting or grading equipment (PCT 8437.1000) (ii) Fodder and feed cube maker equipment (PCT 8433.4000)

Table 2

Sales tax rate on the following items has been proposed to be enhanced from 5% to 10%:

S. No.	Description
1	Machinery and equipment for development of grain handling and storage facilities.
5	Complete plants for relocated industries.
6	Machinery, equipment and other capital goods meant for initial installation, balancing, modernization, replacement or expansion of oil refining (mineral oil, hydro- cracking and other value added petroleum products), petrochemical and petrochemical downstream products including fibers and heavy chemical industry, cryogenic facility for ethylene storage and handling.

Following items listed in Table-2 has been proposed to be omitted. These items are proposed to sales tax from @ 5% to @ 17%:

S.No.	Description	PCT Heading
3	Following items imported by Call Centers, Business Processing Outsourcing facilities duly approved by Pakistan Telecommunication Authority. 1) Telephone sets/head sets. 2) Cat 5/Cat 6/Power cables 3) PABX Switch 4) Plasma TV 5) Dedicated telephone exchange system for call centres. 6) Other digital cell recorders	8517.1100 8544.4990 8517.6290 8528.7212 8517.6290 8519.8990
7	Proprietary Formwork System for building/structures of a height of 100ft and above and its various items/ components consisting of the various items	7308.4000 3917.2390 3926.9099 7308.9090 7318.1590 7318.1900 7318.2290 8425.4900

AMENDMENT IN NINTH SCHEDULE
Serial No 2 of 9th Schedule

The Finance Bill proposes enhancement of sales tax on import and registration of the following phones:

Description of Goods	Proposed Changes	Current Position
Lower Priced Cellular Mobile Phones or Satellite Phones	Rs.300	Rs.150
Medium Priced Cellular Mobile Phones or Satellite Phones	Rs.500	Rs.250
Smart Cellular Mobile Phones or Satellite Phones	Rs.1,000	Rs.500

ISLAMABAD CAPITAL TERRITORY (TAX ON SERVICES) ORDINANCE, 2001

In line with the Services Laws enacted in Sindh, Punjab and KPK, the Finance Bill proposes to amendment the Islamabad Capital Territory (Tax on Services) Ordinance, 2001 [the Ordinance] to levy sales tax on rendering of following services:

S. No.	Taxable Services	PCT Heading	Rate
1	Services provided or rendered by hotels, motels, guest houses, marriage halls and lawns (by whatever name called) including *“pandal”* and *“shamiana”* services, clubs including race clubs, and caterers.	9801.1000, 9801.3000, 9801.4000 9801.5000, 9801.6000	16%
2	Advertisement on television and radio, excluding advertisements– (a) sponsored by an agency of the Federal or Provincial Government for health education; (b) sponsored by the Population Welfare Division relating to educational promotion campaign; (c) financed out of funds provided by a Government under grant-in-aid agreement; and (d) conveying public service messages, if telecast on television by the World Wide Fund for Nature (WWF) or United Nations Children’s Fund (UNICEF)	9802.1000, 9802.2000	16%
3	Services provided by persons authorized to transact business on behalf of others (a) stevedore; (b) customs agents; and (c) Ship chandlers.	9805.2000, 9805.4000, 9805.8000	16%
4	Courier services, and cargo services by road provided, by courier companies	9808.0000, 9804.9000	16%
5	Construction services, excluding: (i) construction projects (industrial and commercial) of the value (excluding actual and documented cost of land) not exceeding Rs. 50 million per annum. (ii) the cases where sales tax is otherwise paid as property developers or promoters. (iii) Government civil works including Cantonment Boards. (iv) Construction of industrial zones, consular	9824.0000, and 9814.2000	16%

S. No.	Taxable Services	PCT Heading	Rate
	buildings and other organizations exempt from income tax. (v) Construction work under international tenders against foreign grants-in-aid. (vi) Residential construction projects where the covered area does not exceed 10,000 square feet for houses and 20,000 square feet for apartments		
6	Services provided by property developers and promoters (including allied services) excluding the actual purchase value or documented cost of land.	9807.0000, and respective subheadings of heading 98.14	Rs.100 per square yard for land development, and Rs.50 per square feet for building construction
7	Services provided by persons engaged in contractual execution of work, excluding: (i) annual total value of the contractual works or supplies does not exceed Rs.50 million; (ii) the contract involving printing or supplies of books.	9809.0000	16%
8	Services provided for personal care by beauty parlours, clinics and slimming clinics, body massage centres, pedicure centres; including cosmetic and plastic surgery by such parlours/clinics, but excluding: (i) annual turnover does not exceed Rs.3.6 million; OR (ii) the facility of air-conditioning is not installed or available in the premises.	9810.0000 9821.4000 9821.5000	16%
9	Management consultancy services	9815.4000, 9819.9300	16%
10	Services provided by freight forwarding agents, and packers and movers	9805.3000, 9819.1400	16% or Rs. 400 per bill of lading, whichever is higher
11	Services provided by software or IT-based system development consultants.	9815.6000	16%

S. No.	Taxable Services	PCT Heading	Rate
12	Services provided by technical, scientific and engineering consultants	9815.5000	16%
13	Services provided by other consultants including but not limited to human resource and personnel development services market research services and credit rating services	9815.9000, 9818.3000 9818.2000	16%
14	Services provided by tour operators and travel agents including all their allied services or facilities (other than Hajj and Umrah)	9805.5100, 9805.5000 9803.9000	16%
15	Manpower recruitment agents including labour and manpower supplies.	9805.6000	16%
16	Services provided by security agencies.	9818.1000	16%
17	Services provided by advertising agents	9805.7000	16%
18	Share transfer or depository agents including services provided through manual or electronic book-entry system used to record and maintain securities and to register the transfer of shares, securities and derivatives.	9805.9000	16%
19	Business support services.	9805.9200	16%
20	Services provided by fashion designers, whether relating to textile, leather, jewellery or other product regimes, including allied services, marketing, packing, delivery and display, etc.	9819.6000	16%
21	Services provided by architects, town planners and interior decorators.	9814.1000	16%
22	Services provided in respect of rent-a-car.	9819.3000	16%
23	Services provided by specialized workshops or undertakings (auto workshops; workshops for industrial machinery, construction and earth-moving machinery or other special purpose machinery etc; workshops for electric or electronic equipment or appliances etc. including computer hardware; car washing or similar service stations and other workshops).	98.20	16%
24	Services provided for specified purposes including fumigation services, maintenance and repair (including building and equipment maintenance and repair including after sale services) or cleaning services, janitorial services, dredging or delisting services and other similar services etc.	98.22	16%
25	Services provided by underwriters, indenters, commission agents including brokers (other than stock) and auctioneers	9819.1100, 9819.1200 9819.1300, 9819.9100	16%
26	Services provided by laboratories other than services relating to pathological or diagnostic tests	98.17	16%

S. No.	Taxable Services	PCT Heading	Rate
	for patients.		
27	Services provided by health clubs, gyms, physical fitness centres, indoor sports and games centres and body or sauna massage centres	9821.1000 9821.2000 9821.4000	16%
28	Services provided by laundries and dry cleaners.	9811.0000	16%
29	Services provided by cable TV operators. Technical analysis and testing services	9819.9000 9819.9400	16%
30	Services provided by TV or radio program producers or production houses.	-	16%
31	Transportation through pipeline and conduit services.	-	16%
32	Fund and asset (including investment) management services.	-	16%
33	Services provided by inland port operators (including airports and dry ports) and allied services provided at ports and services provided by terminal operators including services in respect of public bonded warehouses, excluding the amounts received by way of fees under any law or by-law	-	16%
34	Technical inspection and certification services and quality control (standards' certification) services	-	16%
35	Erection, commissioning and installation services.	-	16%
36	Event management services	-	16%
37	Valuation services (including competency and eligibility testing services),	-	16%
38	Exhibition or convention services	-	16%
39	Services provided in respect of mining of minerals, oil & gas including related surveys and allied activities	-	16%
40	Services provided by property dealers and realtors.	-	16%
41	Call centres.	-	18.5%
42	Services provided by car/automobile dealers.	-	16%

EXCEPTED CHANGES THROUGH NOTIFICATIONS

Salient Features issued by FBR alongwith Finance Bill 2015-16 transpires that the following changes will be notified through SROs:

- Procedure for payment of sales tax by steel-melters, re-rollers and Ship Breaker as specified under Chapter XI of the Sales Tax Special Procedures Rules, 2007
- Rules under Chapter I of the Sales Tax Rules, 2006 for temporary registration without having to wait for completion of procedure formalities to facilitate the importer-cum-manufacturers
- Enhancement of tax rates on zero rated sectors vide SRO 1125(I)/2011 dated 31 December 2011 and allowability of refunds on monthly basis
- Rescinding various exemption SROs under Sales Tax Act, 1990 and Federal Excise Act, 2005.

4. FEDERAL EXCISE ACT 2005

The following amendments are identical to what has been proposed in Sales Tax Act, 1990:

Section Reference Federal Excise Act, 2005	Section Reference Sales Tax Act, 1990	Description
2(24A)	2(46A)	Whistleblower
16	13	Withdrawal of FBR's powers for granting exemption through the Finance (Amendment) Ordinance, 2015. Unlike to 13(5) of the Sales Tax Act, 1990 that tax exemption notification issued after 1 July 2015 by the Federal Government will carry an expiry date of maximum 12 months. Hence, every exemption notification issued by the Federal Government will stands rescinded at the end of each financial year, if not rescinded earlier by FG.
42D	72D	Reward to whistleblowers
45A	40C	Monitoring or tracking by electronic or other means
46	32A	Audit Penal
47A	56A	Agreement for the exchange of information
47B	56B	Disclosure of information by a public servant
35	45A	Powers of Board or Commissioner to pass certain orders

FIRST SCHEDULE
Excisable Goods and Services

Aerated Waters
Serial No(s) 4, 5, and 6 of Table I

The rate of FED is proposed to be enhanced from 9% to 12% of retail price of aerated waters with effect from July 1, 2015.

Locally Produced Cigarettes
Serial No(s) 9 and 10 of Table I

FED on the locally produced cigarettes has been enhanced as under vide SRO 481(I)/2015 dated 5 June 2015:

Description	Nature of Amendment	Existing rate	Revised rate
Locally produced cigarettes if their on-pack printed retail Price exceeds Rs 3,350 per cigarettes. (PCT Heading 24.02)	Substitution	Rs. 2,632 per 1,000 cigarettes	Rs. 3,030 per 1,000 cigarettes

Description	Nature of Amendment	Existing rate	Revised rate
Locally produced cigarettes if their on-pack printed retail Price does not exceed Rs 3,350 per cigarettes. (PCT Heading 24.02)	Substitution	Rs. 1,085 per 1,000 cigarettes	Rs. 1,320 per 1,000 cigarettes
Filter rod for cigarettes (PCT Heading 5502.0090)	Insertion	-	Rs. 75 per filter rod.

Socio Economic Routes
Serial No 3 of Table II

The Finance Bill proposes to exempt facilities for travelling through socio economic routes from FED. Before such amendment, such travel is subject to duty at the rate of Five Hundred Rupees.

THIRD SCHEDULE

Conditional Exemptions on Excisable Goods
New Serial No 18 & 19 of Table I

The Finance Bill has proposes to include the exemption of following excisable goods in Federal Excise Act, 2005 which are presently covered under the following notifications.

Description	Heading/ Sub-heading Number	Notification
White cement	25.23	474(I)/2009 dated 13 June 2009
Motor cars and other motor vehicles principally designed for the transport of persons including station wagons and racing cars of cylinder capacity exceeding 850cc	87.03	474(I)/2009 dated 13 June 2009

Conditional Exemptions on Excisable Services
New Serial No(s) 9 to 12 of Table II

The Finance Bill proposes inclusion of the following exemptions in Federal Excise Act, 2005. Presently, such exemptions are covered under the following notifications:

Description	Heading / Sub-heading Number	Notification
Services provided or rendered in respect of travel by air of passengers on “socio-economic routes”, which means the shortest part of journeys starting from or ending at an airport located in Makran coastal region, FATA, Azad Jammu and Kashmir, Gilgit Baltistan or Chitral	98.03	

Description	Heading / Sub-heading Number	Notification
Services provided or rendered in respect of travel by air of passengers on international journeys from Pakistan to: (a) Hajj passengers; (b) Diplomats; and (c) Supernumerary crew	9803.1000	778(I)/2006 dated 1 August 2006
Advertisements in newspapers and periodicals	9802.4000	802(I)/2009 dated 14 September 2009 & 81(I)/2010 dated 13 February 2010
Services provided or rendered by banking companies and non-banking financial companies in respect of Hajj and Umrah, cheque book, insurance, Musharika and Modaraba financing and utility bill collection.	98.13	474(I)/2009 dated 13 June 2009

5. CUSTOMS ACT, 1969

WITHDRAWAL OF FBR'S POWERS FOR GRANTING EXEMPTION THROUGH THE FINANCE (AMENDMENT) ORDINANCE, 2015
Section 19(1)

For details see amendments in Sales Tax Act 1990.

RECOVERY ON UNTRUE STATEMENT, ERROR AND ERRONEOUSLY REFUNDED
Section 32(3)

Proviso of sub-section 3 of Section 32 of the Customs Act 1969 (CD Act) has been amended whereby any duty, taxes or charge not levied, short levied or erroneously refunded to the taxpayer and recoverable under aforesaid provision of the CD Act will not warrant any recovery measures, if the amount is less than Rs. 20,000.

TRANSSHIPMENT OF GOODS
Section 79(1), 121(1) & 123(2)

In order to harmonise the provisions of transshipment of goods, it has been clarified that transshipment of goods will be allowed without payment of duty, if such goods are transported to other station. Further, in case of transshipment of goods, assessment and payment of duties and other charges will be made at the port of destination.

PUNISHMENT FOR OFFENCES
Section 156

New penalty provisions has been proposed in Section 156 of CD Act whereby Rs. 50,000 will be imposed when a person contravenes the requirement of placement of invoice and packing list inside the import container or consignment. Further, offence relating to untrue declaration and illegal removal or concealment of goods during transit has also been penalised.

FIRST SCHEDULE TO THE CUSTOMS ACT, 1969
Reduction in Customs Duty

By virtue of amendment in First Schedule, reduction in customs duty has been provided for the following, in addition to reduction in maximum tariff rate from 25% to 20% across the board:

S. No	Tariff Heading	Rate of Customs Duty	
		Existing	Proposed
1	4011.1000	25%	15%
2	8517.6100	20%	10%
3	3402.1300	20%	15%
4	4011.2010	20%	15%
5	7605.2900	20%	15%
6	7606.9290	20%	15%
7	8517.6290	20%	15%
8	8529.1090	20%	15%

Reduction in customs duty in respect of following sectors has been provided by placing the same under the Fifth Schedule:

Sector	Proposed Concession
Agricultural	Reduction in customs duty on import of agricultural machinery from 5% till 20% to 2%.
Construction	Reduction in customs duty to 10%, on import of construction machinery in used condition by the construction companies registered with Pakistan Engineering Council and SECP.
Aviation	Customs duty on various items used in aviation sector reduced to 0%, subject to certain conditions.

INCREASE IN CUSTOMS DUTY

As part of review / rationalization of customs duty, following major changes have been made:

(a) Goods subject to duty at the rate of 1% under the First Schedule, will now be subject to duty at the rate of 2%.

(b) Duty on following goods has been increased by virtue of amendment in First Schedule:

S. No	Tariff Heading	Rate of Customs Duty	
		Existing	Proposed
1	2701.1200	1%	5%
2	2701.1900	1%	5%
3	2701.1941	1%	5%
4	3206.4990	10%	15%
5	3903.1990	5%	10%
6	3903.9000	5%	10%
7	8482.1000	5%	10%
8	8517.6990	10%	15%

(c) Following new entries have been introduced in the First Schedule and have been made subject to 35% CD:

S. No.	Tariff Heading
1	4016.9950
2	7318.2220
3	7320.1030
4	8302.3020
5	8483.1013

(d) Concessionary rate under the Fifth Schedule is increased for the following:

S.No	Tariff Heading	Concessionary Rate	
		Existing	Proposed
1	Machinery Equipment and Other Capital goods for initial installation, BMR or expansion of Oil Refining petro chemical and petro chemical downstream products including fiber and heavy chemical industry	5%	10%
2	Machinery and Equipment by an industrial concern	10%	15%
3	Fresh and Dry Fruits From Afghanistan (Chapter 8)	5%	10%
4	Preparations of a kind used in animal feeding	5%	10%
5	Nucleic acids and their salts (Furazolidone)	5%	10%
6	Defence stores, excluding those of the National Logistic cell	10%	15%

AMENDMENT IN FIFTH SCHEDULE TO THE CUSTOMS ACT, 1969
Withdrawal of Exemptions & Concessions

Last year, the Government announced a policy to withdraw concessionary SROs in three phases (years). For that purpose, Fifth Schedule to the Customs Act, 1969 was introduced through Finance Act, 2014, and SROs 575(I)/2006 and 567(I)/2006 were consolidated therein with certain changes. The framework for review of SROs, as announced, is based on following:

- Minimally utilized concessions are being withdrawn;
- Socially sensitive concessions are retained; and
- Remaining concessions are either withdrawn or continued at enhance rate

Through this Budget, being the second phase of implementation of aforesaid policy, some more SROs are expected to be withdrawn, which have not been notified so far. The concession in respect of following sectors has been withdrawn by virtue of amendment in the Fifth Schedule, resulting that regular rate is applicable thereon:

S. No.	Sector / Goods	Proposed Concessionary Rate
1	Business Processes Outsourcing / Call Center Entities	15%
2	Relocated Industries	10%
3	Proprietary Formwork System for building / structures of 100 fits and above	10%
4	Petroleum oils and oils obtained from bituminous minerals, crude, motor sprit, furnace oil	0%

5	Soyabean meal	5%
6	Hi-speed diesel	7.5%
7	Concentrated Coccidiostats	5%
8	Certain Medicaments	5%
9	Certain poly items	4% / 8.5%
10	Certain textile products (of or relating to yarn	9% / 7%

OTHER SIMILAR CHANGES

1) Under the Fifth Schedule, import of plant, machinery and equipment for setting-up industries in FATA was subject to customs duty at 10%. The said concession is now restricted to imports made during July 1, 2014 till June 30, 2019

2) Following general conditions prescribed in Part I of the Fifth Schedule are now not applicable:

(a) Valid contracts or letter of credit for import of machinery and equipment for setting up of a new industrial unit; and

(b) The total C&F value of such imports should have been US $ 50 million or above.

3) Following announcements have been made in the salient features:

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

(b) Quota for ghee and vegetable oil under DTRE for export to Afghanistan and Central Asia is being enhanced from 1000 Metric Ton per 90 days to 1000 Metric Ton per month.

Principal Office

C-253, P.E.C.H.S., Block 6
Off Shahrah-e-Faisal
Karachi. Pakistan

P + 92 21 3 4374811-15
F + 92 21 34544766

info@shekhamufti.com

Branch Office

Office No. 4, 3rd Floor Rehman Plaza
Queens Road, Off The Mall
Lahore. Pakistan

P + 92 42 3 6298231-3
F + 92 42 3 6298234

info.lhr@shekhamufti.com