

For Clients only

## BUDGET 2015

We are pleased to present our comments on the Finance Act , 2015 , as a part of our regular client service that is basically with the main objective to highlight the relevant changes made to the Income Tax Ordinance , Sales Tax Act , the Federal Excise and the Customs Act . These amendments are effective from the financial year 2015-2016 unless otherwise indicated .

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We would like to take this opportunity to thank to our corporate staff alongwith the junior staff , who were dedicatedly involved in coordination, compilation and Herculean effort besides, able assistance of our Iqbal Bhai in all respect .

We hope our clients will find this tax commentary helpful and we will be available to elaborate and explain with clarity the contents of this commentary .

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**K a r a c h i**

Karachi  
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# Specific Relevant Remarks

## ***By the Prominent Worthy Legislature and Professional personalities of our beloved Pakistan***

- ≡ Syed Khursheed Ahmed Shah, leader of the opposition in National Assembly and central leader of Pakistan government again failed to present a pro-people budget, saying that the budget has been prepared on dictation of (IMF) did not offer any relief to the poverty stricken people, but maximum favour has been given to privileged class of the country.
- ≡ (PTI) lawmaker Asad Omar, described it a document to protect the interest of the wealthy class while no relief has been proposed for the betterment and welfare of a common man. PTI's vice chairman Shah Mehmood Qureshi said the budget has nothing to offer to the common man.
- ≡ (MQM) parliamentary leader Abdul Rashid Godail described the budget as "jugglery of words" " There is a lot of relief for the feudal class but it has nothing to offer to the poor class, you can call it ' pro-Dar ' and not pro-people budget ", said another MQM lawmaker, Syed Asif Hasanain.
- ≡ Amir Haider Khan Hoti of (ANP) said that Khyber Pakhtunkhwa has been discriminated in the development project, no considerable amount was allocated for the water schemes, communication sector.
- ≡ (JI) parliamentary leader Sahibzada Tariqullah was of the opinion that is a budget for the capitalists which lacks anything solid for the welfare of the poor class.
- ≡ (AML) chief Sheikh Rashid Ahmed said that the 7.5 percent meagre increase in the salaries was a 'joke' with the government employees that the government has proposed nothing to do away with foreign loans.
- ≡ Muhammad Zubair, President, KTBA said that government after increasing the tax rate for non-filers in this budget had admitted its failure to implement the concept of filer and non-filer introduced in last budget.

- ≡ Arshad Jamal, senior vice chairman All Pakistan Customs Agents Association said that current budget was just a number game as government attempted to squeeze the neck of old taxpayers instead of taking efforts to bring new taxpayers into tax net.
- ≡ Ali Rahim former President KTBA termed the proposed one-time tax on the affluent and rich individuals, association of persons and companies earning income above Rs. 500 million in tax year 2015 at the rate of 4 percent of income for banking companies and 3 percent of income for all others for rehabilitation of temporarily displaced persons unjustified, saying that if the rehabilitation temporarily displaced persons was being done under the pressure of international agencies then why should business community pay for it.
- ≡ Saleem Kassim Patel Convener Budget Sub Committee ABAD said that over all budget was positive and added that suspension on minimum income tax on turn over for the period of three years was a good relief to housing sector.
- ≡ The federal budget offers no relief to the masses and the targets fixed by the government are unrealistic and unachievable. He said the budget had disappointed the salaried people as also the general public. (Jamaat-e-Islami;-Ameer Senator Sirajul Haq)
- ≡ Ishaq Dar did not mention that the tax-to-GDP ratio declined by 10.2%. inflation decreased due to a slump in global oil prices. (Senior PTI Leader Dr. Arif Alvi)
- ≡ No revolutionary steps announced in the budget for three big challenges: poverty alleviation, price control and unemployment. (Senior MQM Leader Dr. Farooq Sattar)
- ≡ The overall budget indicators have been financially stable in development and security yet challenges remain. (JUI-F spokesman Jan Achakzai)

**SOURCE : ‘The Business Recorder & The Express Tribune’ of 06▼06▼2015▼**

\* \* \* \* \*

# S a l e s      t a x

## ACTIVE TAXPAYER

Meaning, A registered person who does not fall under any of the categories narrated below\_\_\_\_\_

- Who is blacklisted or whose registration is suspended or blocked in terms of sales tax provisions of 'De-registration, blacklisting and suspension of registration.
- Who fails to file the sales tax return within due date for two consecutive tax periods.
- Who fails to file an Income Tax Return or Statement within due date under the provisions of Income Tax Law; and
- Who fails to file TWO consecutive monthly or an annual withholding tax statement under the provisions of Income Tax Law.

## ACTIVE TAXPAYER LIST

The Board shall have the power to maintain active taxpayers list in the manner as may be prescribed by rules and such rules may provide for the restrictions and limitations to be imposed on a person who ceases to be an active taxpayer.

## NON-ACTIVE TAXPAYER

A registered person who does not fulfill any of the conditions prescribed under the sales tax law shall automatically become a non-active taxpayer and his name shall be removed from the active taxpayers list maintained by the Board .

A non-active taxpayer **shall not be entitled** to \_\_\_\_\_

- (a) file Goods Declarations for import or export;
- (b) issue sales tax invoices;
- (c) claim input tax or refund; or
- (d) avail any concession under the sales tax law or rules made thereunder .

No person , including government departments , autonomous bodies and public sector organizations , **shall make any purchases from a non-active taxpayer** .

In case of entry of an invoice issued by a non-active taxpayer by any registered buyer in Annexure-A of his sales tax return , a message shall appear to the effect that the supplier is a non-active taxpayer and no input tax credit shall be admissible against such invoice .

### RestoRation as an active taxpayer

A non-active taxpayer may be restored as active taxpayer , if -

- (a) the registered person files the return or statement along with payment of any tax due under the sales tax law or income tax law ;
- (b) the RTO or LTU having jurisdiction , on satisfying itself after conducting such audit or other investigation as may be necessary , recommends to the Board for restoration ; and
- (c) the Board issues an order to such effect .

### TWO PERCENT EXTRA TAX CANNOT BE ADJUSTED

The 2% Extra Tax by Manufactures and Importers , **Shall be** declared in the Monthly Sales Tax Return against relevant Supplies and **Shall be** deposited **Without any adjustment** against the same .

### FURTHER TAX

The rate of further tax has been enhanced to **2%** on supplies made to unregistered persons.

## Registration

Every Individual / Company / AOP, Federal Government / Provincial Government / Local Authority in Pakistan / Foreign Government / Political Sub-division of a Foreign Government / Public International Organization engaged in making taxable supplies in Pakistan including zero-rated supplies required to be registered under the Sales Tax Law in respect of .

- A manufacturer (not running a Cottage Industries) ;
- A retailer liable to pay sale tax under the sales tax law other than retailers required to pay sales tax through their monthly electricity bill. (i.e, 5% where the monthly bill is upto Rs.20,000 and @7.5% where the monthly bill exceeds Rs.20,000) ;
- an importer ;
- an exporter intends to obtain sales tax refund against his zero-rated supplies ;
- A wholesaler, dealer or distributor ; and
- an individual / a company / an AOP / a Federal / Provincial / Local Governments / Foreign Governments / Public International Organization required, under any other Federal law or Provincial law, to be registered for the purpose of any duty or tax collected or paid as if it were a levy of sales tax to be collected under the Sales Tax Law.

An individual / a company / an AOP / Federal or Provincial or Local Governments / Public International Organization not engaged in making taxable supplies in Pakistan, if required to be registered for making imports or exports, or under any provisions of the Sales Tax Law, or any other Federal Law, may apply for registration.

## CHANGE IN PARTICULARS OF REGISTRATION \\ TRANSFER OF REGISTRATION \\ CANCELLATION OF REGISTRATION \\ DE-REGISTRATION

### **Change in the particulars of registration—**

- (1) In case there is a change in the name , address or other particulars as stated in the registration certificate , the registered person shall notify the change in the Form STR-I to the computerized system , within 14 days of such change .
- (2) The change of business category as 'manufacturer' shall be allowed subject to fulfillment of all applicable requirements as specified in the Rules .
- (3) In case of approval of the change applied for , a revised registration certificate shall be issued through computerized system , which shall be effective from the date the person applied for the change .
- (4) The Commissioner may, based on available information or particulars and after making such inquiry as he may deem necessary and after providing reasonable opportunity of being heard to a person, by an order in writing, make modifications in registration of the person .

### **Transfer of registration**

- (1) The Board may, in accordance with specific rules or sub-rules or otherwise , by an order , transfer the registration of a registered person from the jurisdiction of one LTU or RTO to another .
- (2) On transfer of registration,--
  - (a) all the records and responsibilities relating to such registered person shall be transferred to the LTU or RTO , in whose jurisdiction the registration has been so transferred;



(b) notwithstanding the actions already taken , being taken or otherwise pending immediately before the transfer in respect of such registered person under any of the provisions of the Act or the rules made thereunder in the LTU or RTO from where his registration has been transferred , the LTU or RTO , in whose jurisdiction the registration is so transferred shall exercise the jurisdiction over such person in the manner as if it always had such jurisdiction .

(3) In case of transfer of registration under sub-rule (1), the Board shall issue intimation letter to the registered person alongwith copy to concerned LTU or RTO.

(4) In case a registered person intends to shift his business activity from the jurisdiction of one LTU or RTO to another , or he has any other valid reason for such transfer , he shall apply to the Board for transfer of his registration alongwith Form STR-I . The Board shall follow the procedure as provided above .

### **Option to file application with the Commissioner Inland Revenue**

A person who is unable to file application for registration or change in particulars of registration directly in computerized system may submit the prescribed application and required documents to the concerned Commissioner Inland Revenue at RTO, which shall ensure entry of the application and documents in computerized system within three days.

### **Cancellation of multiple registrations**

(1) In case a person holds multiple sales tax registrations , he shall retain only one registration and surrender all other registrations under intimation to concerned Commissioner Inland Revenue at RTO.

Provided that the Board may , subject to such conditions as it may deem appropriate , allow or allocate a person separate registration for manufacturing units located in different LTU or RTO.

(2) The tax liabilities against the registration cancelled as above shall be transferred against the registration retained and in case of such registrations being in different LTU or RTO , the Commissioner having jurisdiction over cancelled registrations shall ensure that tax arrears' files are transferred to the LTU or RTO , having jurisdiction over the registration so retained.

### **D e - r e g i s t r a t i o n**

(1) Every registered person who ceases to carry on his business or whose supplies become exempt from tax, or who ceases to remain registered shall apply to the Commissioner Inland Revenue having jurisdiction for cancellation of his registration in Form STR-3 , and the Commissioner , on such application or on its own initiative , may issue order of de-registration or cancellation of the registration of such person from such date as may be specified , but not later than 90 days from the date of such application or the date all the dues outstanding against such person are deposited by him, whichever is later and such person shall caused to be de-registered through computerized system accordingly.

- (2) The Commissioner, upon completion of any audit proceedings or inquiry which may have been initiated consequent upon the application of the registered person for de-registration , shall complete the proceedings or inquiry within ninety days from the date of application and direct the applicant to discharge any outstanding liability which may have been raised therein by filing a final return as per law :

Provided that the person applying for de-registration shall not be de-registered unless he provides record for the purpose of audit or inquiry.

- (3) If a registered person fails to file tax return for six consecutive months , the Commissioner , without prejudice to any action that may be taken under any other provision of the law , after issuing a notice in writing and after giving an opportunity of being heard to such person , shall issue order of de-registration of such person and the computerized system shall be caused to de-register the person accordingly.
- (4) The obligations and liabilities of the person whose registration is cancelled as above relating to the period when he conducted business as a registered person shall not be affected by the fact that his registration has been cancelled or that he has ceased to be a registered person .

## WHISTLE BLOWER

A Person who reports concealment or evasion of sales tax and tax fraud leading to detection or collection of taxes , Fraud ; and Corruption or Misconduct to the Competent Authority having power to take action against the person or a sales tax authority committing fraud, Corruption, misconduct or involved in concealment or evasion of taxes.

## REWARD TO WHISTLE BLOWERS

The Board may sanction reward to whistle blowers in case of concealment or evasion of tax/ tax fraud corruption or misconduct providing credible information leading to such detection of tax fraud.

The Board may, by notification in the Official Gazette, prescribe the procedure in this regard and also specify the appointment of reward sanctioned here for whistle blowers .

The claim for reward by the whistle blower shall be rejected , if \_\_\_\_\_

- a) The information provided is of no value ;
- b) The Board already had the information ;
- c) The information was available in public record ; or
- d) No collection of taxes is made for the information provided from which the Board can pay the reward.

## PENALTY – SITUATION TIGHTEN

### (FURTHER SQUEEZED AND CONSTRICTED)

- |  |  |
|--|--|
| <ul style="list-style-type: none"><li>■ Where any person <u>fails to</u> furnish a return within due date.</li></ul>   | <p>If files the returns within <u>TEN days</u> after the due date – a penalty of Rs.100 per day<br/><u>Rs.5,000 adhoc penalty</u> after the expiry of first ten days from the due date.</p>                        |
| <ul style="list-style-type: none"><li>■ Any person who <u>fails to</u> deposit the amount of tax due or any part thereof in the time or manner prescribed under the Sales Tax Law.</li></ul> | <p>If paid within <u>TEN days</u> from the due date – a <u>penalty of Rs.500 per day</u>.</p> <p><u>Rs.10,000 or 5% of the amount of tax involved which ever is higher</u> after the expiry of first TEN days.</p> |

## MONITORING OR TRACKING BY ELECTRONIC OR OTHER MEANS

Under the Sales Tax Law the Board is empowered to issue notification for the purpose of specifying any registered person or class of registered persons or any goods or class of goods in respect of which monitoring or tracking of production, sales clearances, stocks or any other related activity may be implemented through electronic or other means.

A new word 'barcode' has been introduced in the provision of law so as to make it prescribes by the Board in the above discussed situation, no taxable goods shall be recovered or soled by the manufacturer or any other person without affixing tax stamp, banderole, stickers, labels, etc. in any such form, style and manner.

Further, the other insertion under this afore mentioned law provides that the above said affixation, formation and combination of tax stamp, banderole, stickers, labels, barcode, etc. shall be acquired by the registered persons from a licensee by the Board.

The licensee shall also install the related required equipment in the premises of the said registered person. The price of the equipment and tax stamps, banderoles, stickers, labels, barcode, etc, supplied by the licensee shall be fixed by the Board.

## ZERO RATING

Supply of specified locally manufactured plant and machinery to Export Processing Zones (EPZ) shifted to a newly inserted serial No.6a of 5<sup>th</sup> schedule and the zero rating of such plant and machinery would be subject to the following \_\_\_\_\_

### CONDITIONS , RESTRICTIONS AND PROCEDURES

- (a). The supplier of the machinery is registered under the Act;
- (b). Proper bill of export is filed showing registration number;
- (c). The purchaser of the machinery is an established manufacturer located in the Export Processing Zone and holds a certificate from the Export Processing Zone Authority to that effect;
- (d). The purchaser submit an indemnity bond in proper form to the satisfaction of the concerned Commissioner Inland Revenue that the machinery shall, without prior permission from the said Commissioner, not be sold, transferred or otherwise moved out of the Export Processing Zone before a period of five years from the date of entry into the EPZ;

- (e). If the machinery is brought to tariff area of Pakistan, sales tax shall be charged on the value assessed on the bill of entry; and
- (f). Breach of any of the conditions specified herein shall attract legal action under the relevant provisions of the Act, besides recovery of the amount of sales tax along with default surcharge and penalties involved.

Further, exempted goods that are exported by a manufacturer involved in local supplies of both taxable and exempted goods mean that any manufacturer who exports exempted goods can avail the benefit of zero rate of sales tax regardless of the fact that the manufacturer is involved in local supplies of both taxable and exempted goods.

## OMISSION

Omission from zero rating and transfer of the following items to exempted goods -

<u>Description</u>	<u>PCT Heading</u>
Flavored milk	0402.9900
Yogurt	0403.1000
Cheese	0406.1010
Butter	0405.1000
Cream	04.01 and 04.02
Desi ghee	0405.9000
Whey	04.04
Milk and cream, concentrated and added sugar or other sweetening matter.	0402.1000

## WITHHOLDING - SPECIAL PROCEDURE

- Petroleum Dealers are now not a **'withholding agent'** under the special procedure for withholding rules .
- The provisions of special procedure for withholding of sales tax rules now ALSO not applicable to **'dealers of motor spirit and high speed diesel'** .

**TABLE – II**  
**[OF SRO 1125 OF 2011 ‘SUBSTITUTED’---supplies charged to reduced rate]**

S. NO.	DESCRIPTION OF GOODS AND POINT OF TAXATION	PCT HEADING NO.	RATE OF SALES TAX
(1)	(2)	(3)	(4)
1.	<p><b>Goods usable as industrial inputs, specified in Table I,</b></p> <p>(i) Import for in-house consumption by registered manufacturers of the five sectors mentioned in condition (i) below</p> <p>(ii) Commercial imports</p> <p>(iii) Supplies to registered or unregistered persons of the said five sectors</p> <p>(iv) Supplies to persons outside the said five sectors</p> <p>(v) Import by, or supply to, registered manufacturers, whether or not of the said five sectors, for the manufacture of goods specified in Table-I or Table-II</p>	As specified in column (3) of Table-I	<p>3%</p> <p>3%, plus 1% value addition tax</p> <p>3%</p> <p>17%</p> <p>3%</p>
2.	<p><b>Fabric, including grey fabric</b></p> <p>(i) Import for in-house consumption by registered manufacturers of the five sectors mentioned in condition (i) below</p> <p>(ii) Commercial imports</p> <p>(iii) Supplies</p>	Respective headings	<p>3%</p> <p>3%, plus 1% value addition tax</p> <p>3%</p>
3.	<p><b>Processed goods, including fabrics</b></p> <p>Processing of goods owned by other persons, by registered manufacturers of the five sectors mentioned in condition (i) below.</p>	Respective headings	3% of the processing charges

4.	<b>Locally manufactured finished articles of</b> (a) textiles and textile made-ups. (b) leather and artificial leather  Supplies to any person, including retail sales	Respective headings	5%
6.	<b>Imported finished goods ready for use by the general public</b> (i) Import  (ii) Supply thereof	Respective headings	17%, plus 2% value addition tax  17%

Certain conditions as mentioned under SRO 1125 of 2011 have been deleted / omitted as these are redundant now after this aforementioned table .

Maize (corn) starch (PCT heading No. 1108.1200) has now been omitted from Table-I of SRO 1125 of 2011 .

## MORE EXEMPTION FROM WHOLE OF SALES TAX

N O W , W I T H D R A W N

■ Poultry feed and Cattle feed including their ingredients Except soyabean meal , incinerators of disposal of waste management, motorized sweepers and snow ploughs and re-importation of foreign origin goods-temporarily exported from Pakistan .

N O W , a l l o W e d

■ Milk 04.01 , Milk and cream, concentrated or containing added sugar or other sweetening matter, excluding that sold in retail packing under a brand name 04.01 and 04.02 .

■ Flavored milk, excluding that sold in retail packing under a brand name 0402.9900 .

■ Yogurt, excluding that sold in retail packing under a brand name 0403.1000 .

■ Whey, excluding that sold in retail packing under a brand name 04.04 .



- Butter, excluding that sold in retail packing under a brand name 0405.1000 .
- Desi ghee, excluding that sold in retail packing under a brand name 0405.9000 .
- Cheese, excluding that sold in retail packing under a brand name 0406.1010 .
- Processed cheese not grated or powdered, excluding that sold in retail packing under a brand name 0406.3000 .
- Tunnel farming equipment, consisting of plastic covering and mulch film, anti-insect net and shade net [8430.3100 , 8430.3900 , 3920.1000 , 3926.9099 , 5608.1900 , 5608.9000] .
- Appliances for colostomy 3006.9100 , Colostomy and urostomy bag 3926.9050 , Tubular day lighting devices (TDDs) 8539.3930 , Diagnostic kits or equipment, namely \_\_\_\_\_

[ HIV Kits, 4C Es Trionyx 3822.0000 , 5C Cell control Lnormal , Bovine precision multi sera Pregnancy test DNA SSP DRB Generic IC Reticulocyte count (control) retic C Control , Kit for vitamin B12 estimation , Ferritin kit HEV (Hepatitis E virus) ID-DA Cell Urine Analysis Strips Albumin beg Cratinin sysi Ring Detektiion cups ISE Standard Alkaline phosphatase (Alb) Bilirubin kit HDL Cholesterol Ck creatinin kinase (mb) Ck nac Glucose kit Ammonia Modular Lac Ldh kit (lactate dehydrogenase kit) Urea uv kit Ua plus Tina quant Crp control Aslo tin Proteins Lipids HDL/LDL cholesterol Protein kit U Control Sera Pac Control HCV UIBC (Unsaturated iron binding capacity) U/CSF Inorganic Phosphorus kit Kit amplicon kit (for PCR) Ige Lc hsv Oligo NA/K/CL Hcy Standard {or calibrated} Hla B27 Liss Coombs Typhoid kit HCV amp Urine test strips Strips for sugar testBlood glucose test strips Kits for automatic cell separator for collection of platelets Elisa or Eclia kit PCR kits Immunoblast (western blot test) . I.C.T. (Immunochromatographic kit) CBC Reagent (For hematology analyzer) Complete blood count reagent . ]

- Blood Bag CPDA-1 with blood transfusion set pack in aluminum foil with set. [Respective Headings] .
- Urine drainage bags [Respective headings] .
- Aircraft, whether imported or acquired on wet or dry lease 8802.2000, 8802.3000, 8802.4000 .
- Maintenance kits for use in trainer aircrafts of PCT headings 8802.2000 and 8802.3000 [Respective headings] .
- Spare parts for use in aircrafts, trainer aircrafts or simulators [Respective headings] .

■Machinery, equipment and tools for setting up maintenance, repair and overhaul (MRO) workshop by MRO company recognized by Aviation Division [Respective headings] .

■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] .

■Aviation simulators imported by airline company recognized by Aviation Division [Respective headings] .

■Import of plant and machinery and production line equipment used for the manufacturing of mobile phones by the local manufacturers of mobile phone duly certified by the Pakistan Telecommunication Authority .

N O W , WITHDRAWN \ a l l o w e d  
[l o c a l s u p p l i e s o n l y]

■Reclaimed lead , if supplied to rcognized manufacturers of lead batteries --- OMITTED .

■Machinery, equipment, raw materials, components and other capital goods for use in buildings, fittings, repairing or refitting of ships, boats or floating structures imported by KS&EW Limited --- OMITTED .

■Plant , machinery, equipment and specific items used in production of bio-diesel --- OMITTED .

■Poultry feed , cattle feed , sunflower seed meal , rape seed meal and canola seed meal [2306.3000, 2306.4900, and respective headings] .

■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 .

■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] .

■Bricks (up to 30th June, 2018) 6901.1000 .

■Crushed stone (up to 30th June, 2018) 2517.1000 .

**" EIGHTH S C H E D U L E – 'Rates enhanced \ New Entries' "**

1	Soyabean meal	10%	
2	Plant and machinery not manufactured locally and having no compatible local substitutes	10%	
3	Flavoured milk, Yogurt, Cheese, Butter, Cream, Desi ghee and Whey ,Milk and cream, concentrated and added sugar or other sweetening matter Sold in retail packing under a brand name	10%	
4	Ingredients of poultry feed, cattle feed, and their ingredients except soya bean meal and oilcake of cottonseed	5%	
5	Incinerators of disposal of waste management, motorized sweepers and snow ploughs	5%	
6	Re-importation of foreign origin goods-temporarily exported from Pakistan	5%	
7	Reclaimed lead, Waste paper, Plant, machinery, equipment and specific items used in production of biodiesel	5%	
8	Rapeseed, sunflower seed and canola seed on import by solvent extraction	16%	
9	Soyabean seed	6%	No refund of Input tax claim admissible

10	Secondhand worm clothing or footwear	5%
11	Agricultural tractors	10%
12	Tillage and seed bed preparation equipment, seeding or planting equipment, irrigation, drainage and agro-chemical application equipment, harvesting threshing and storage equipment and post harvest handling and processing & miscellaneous machinery	7%
13	Pesticides and their active ingredients registered by the Department of Plant Protection under the Agricultural Pesticides Ordinance , 1971 , stabilizers , emulsifiers and solvents .	7%

**" N I N T H      S C H E D U L E – 'Rates Enhanced' "**

(1) Description / Specification of Goods	(2) Sales tax payable at the time of import	(3) Sales tax (chargeable on Import as well as Local Supply of the specified Cellular Phones)
<b>A. Low Priced Cellular Mobile</b>	Rs. 300 per phone	Rs. 300 per registration
<b>Phones or Satellite Phones</b>		
i. All cameras: 2.0 mega-pixels or less		
ii. Screen size: 2.6 inches or less		
iii. Key pad		

**B. Medium Priced Cellular**

Rs. 500 per phone

Rs. 500 per registration

**Mobile Phones or Satellite Phones**

- i. One or two cameras: between 2.1 to 10 mega-pixels
- ii. Screen size: between 2.6 inches and 5.0 inches
- iii. Micro-processor: less than 2 GHZ

**C. Smart Cellular Mobile**

Rs. 1,000 per phone

Rs. 1,000 per registration

**FOLLOWING SROs RESCINDED \ REPUDIATED**

The following listed SROs related to exempted sales tax items and zero rate sales tax items have been rescinded and repudiated \_\_\_\_\_

1. S.R.O.208(I)/1998, dated the 31<sup>st</sup> March, 1998;
2. S.R.O.397(I)/2001, dated the 18<sup>th</sup> June, 2001;
3. S.R.O.77(I)/2004, dated the 28<sup>th</sup> January, 2004;
4. S.R.O.433(I)/2005, dated the 14<sup>th</sup> May, 2005;
5. S.R.O.1007(I)/2005, dated the 26<sup>th</sup> September, 2005;
6. S.R.O.69(I)/2006, dated the 28<sup>th</sup> January, 2006;
7. S.R.O.313(I)/2006, dated the 31<sup>st</sup> March, 2006;
8. S.R.O.880(I)/2007, dated the 1<sup>st</sup> September, 2007;
9. S.R.O.76(I)/2008, dated the 23<sup>rd</sup> January, 2008;
10. S.R.O.408(I)/2012, dated the 19<sup>th</sup> April, 2012;
11. S.R.O.760(I)/2012, dated the 22<sup>nd</sup> June, 2012;
12. S.R.O.460(I)/2013, dated the 30<sup>th</sup> May, 2013;
13. S.R.O.657(I)/2013, dated the 11<sup>th</sup> July, 2013;
14. S.R.O.572(I)/2014, dated the 26<sup>th</sup> June, 2014; and
15. S.R.O.84(I)/2015, dated the 28<sup>th</sup> January, 2015.

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# Income Tax

## CNIC TO BE USED AS 'NTN' FOR INDIVIDUALS

A new provision of law has been inserted , whereby Computerized National Identity Cards (CNICs) issued by the National Database and Registration Authority (NADRA) in respect of the individuals **shall be used as their NTN's from tax year 2015 and onwards** .

## AUTOMATIC SELECTION FOR AUDIT

Newly inserted (introduced) provisions of law that provides any person filing

- (a) Return after the stipulated time . This time shall include any extension in time by the Board or, up to thirty days, by the Commissioner ; and
- (b) The tax payable for the tax year is not paid by the stipulated date for furnishing the return of income for that year .

the provision **for automatic selection of cases for audit** shall apply .

The audit proceedings shall be conducted according to the procedure given in the respective provisions of law for audit . **The audit proceedings shall be initiated after the expiry of ninety days from the date as mentioned above** . During this period of ninety days, a person can avoid automatic selection for audit by filing return and fulfilling the following requirements :

- (a) If the taxpayer has declared taxable income in the immediately preceding tax year, then the tax paid on the basis of taxable income for the tax year is 25% higher than the tax paid during immediately preceding tax year ;
- (b) If the person has not filed return of income tax, then tax at the rate of 2% of the turnover or the tax payable under the Income Tax Law , whichever is higher, has been paid along with the return ; and
- (c) If the taxpayer has filed return and has declared income below taxable limit in the immediately preceding tax year, then
  - i. turnover declared for the tax year is not less than the turnover declared for the immediately preceding tax year , and
  - ii. tax at the rate of 2% of the turnover or the tax payable under the Income Tax Law , whichever is higher, has been paid along with the return .

However , fulfilling of these aforesaid requirements **shall only exempt** the person from automatic selection of audit . The case can **still be selected for audit** under selection for audit by the Board .

Similarly , the case shall still be liable to penalty or default surcharge for late filing of return or late payment of tax .

## Rate of default t surcharge

Rate of default surcharge has been reduced from **18% to 12%** for failure to pay any tax .

## E X E M P T I O N S

A person who is registered as retailer under Sales Tax Special Procedure Rules and remains on the sales tax active taxpayers' list throughout the tax year **shall also be exempt from automatic selection for audit** , from the date notified by the Board .

## AUDIT PANELS

A new concept of audit by special audit panels has been introduced . The Board is empowered to appoint special audit panels comprising

- ➔ an officer or officers of Inland Revenue ,
- ➔ a firm of chartered accountants ,
- ➔ a firm of cost accountants ; or
- ➔ any other person as appointed by the Board .

The special audit panel shall be headed by an officer of Inland Revenue . The power to enter and search premises and notice to obtain information or evidence under the Ordinance shall only be exercised by an officer or officers of Inland Revenue in the panel and who are authorized to exercise such powers by the Commissioner .

The proceedings of the panel shall continue even in the absence of a member but not in the absence of the chairman . Functions performed by the members of the panel for conducting audit shall be considered as being performed by the panel . Corresponding changes have also been made under the Income Tax Law .

## SUPER TAX FOR REHABILITATION OF TEMPORARILY DISPLACED PERSONS

A super tax has been imposed under this above Head, for tax year 2015 on income for banking company @ 4% and persons, other than a banking company, having income equal to or exceeding Rs. 500 million @ 3% .

FOR THE PURPOSE OF SUPER TAX  
INCOME SHALL BE THE SUM OF

- (i) Profit on Debt, Dividend, Capital gains, Brokerage and Commission;
- (ii) Taxable income under the Ordinance if not included as above;
- (iii) Imputable income in relation to an amount subject to final tax meaning income which would have resulted in the same tax, had this amount not been subject to final tax excluding amounts specified under clause (i) above
- (iv) Profits and Gains from
  - >>> Insurance Business,
  - >>> Exploration and production of petroleum;
  - >>> Exploration & Extraction of mineral deposits (other than petroleum),
  - >>> Banking Business; and
  - >>> Capital gains of listed Securities.

TIME & MANNER FOR PAYMENT OF SUPER TAX  
AND CONSEQUENCES FOR NON - PAYMENT

- Shall be paid, collected and deposited on the due date for payment of tax under the income tax law:
- Not paid by a person liable to pay it.
- The Commissioner shall by an order in writing, determine such Super tax, and shall serve upon the person, a notice of demand specifying the Super tax and within the time specified under the income tax law;
- The Commissioner shall recover the super tax payable as above and the provisions of collection and recovery of tax, penalty, offences and prosecutions, additional tax and administration (General) shall, so far as may be, apply to the collection of super tax as these apply to the collection of tax under the Income Tax Law; and



The Board may, by notification in the official Gazette, make rules for carrying out the purpose of this super tax .

## TAXES DEDUCTED/COLLECTED/PAID ON SERVICES BY CORPORATE SECTOR NOW , A MINIMUM TAX

The status of taxes withheld on services rendered by Corporate Sector will be treated as minimum tax for such companies (filer and non-filer both) .

### W.H.T. – CASH WITHDRAWAL FROM BANK

The rate of tax to be deducted on cash withdrawal in a day from bank account , exceeds Rs. 50,000 , shall be as follows :-

FILERS	@ 0.3 %	Of the cash amount so withdrawn
NON-FILERS	@ 0.6 %	Of the cash amount so withdrawn

### NEW W.H.T. – APPLICABLE TO BANKING COMPANIES

Every banking company to deduct tax @ 0.6% from non-filers \_\_\_\_\_

- at the time of sale of any instrument, whether against cash or otherwise, including demand draft, pay order, special deposit receipt, cash deposit receipt, short term deposit receipt, call deposit receipt, rupee traveller's cheque or any other instrument of such nature ; and
- at the time of transfer of any sum through cheque or clearing, interbank or intra bank transfers through cheques, online transfer, telegraphic transfer, mail transfer, direct debit, payments through internet, payments through mobile phones, account to account funds transfer, third party account to account funds transfers, real time account to account funds transfer, real time third party account to account fund transfer, automated teller machine (ATM) transfers, or any other mode of electronic or paper based funds transfer.

However, through **Income Tax Laws (Amendment) Ordinance, 2015**, the rate has been reduced from 0.6% to **0.3% w.e.f. July 11, 2015**.

This reduced rate **will remain effective until 30.09.2015**. Rate of deduction of tax here **shall remain** 0.6% from 01.07.2015 to 10.07.2015 and from 01-10-2015 onwards .

The bank account from where transfer is being made (through cheque, online or online banking or any other mode) shall be debited by the amount equivalent to 0.6% of payment, at the time the transfer is made.

This provision shall not be applicable to PRISM transactions or transfers for tax payments. ***However, if an amount is transferred from an account of a customer of Bank A to an account of a customer of Bank B through Pakistan Realtime Interbank Settlement Mechanism (PRISM), this provision of Law shall only be inapplicable for the customer of Bank A, if the said customer of Bank A is maintaining a settlement account in PRISM i.e. a PRISM Participant's account only.***

Transfer of Zakat from a bank account shall also not attract this above provisions, being in the nature of government levy.

Similarly, no tax shall be deductible where the value of sale of instruments or amount being transferred **is Rs. 50,000 or less in a single day** .

**This threshold of Rs. 50,000 is to be considered separately for cash Withdrawals from Banks and here in case of above banking transactions .**

Further , every banking company, financial institution, foreign exchange company or any other person responsible for **remitting foreign currency abroad** from the payer **education related expenses** shall collect advance income tax @ 5 % of the amount being remitted abroad .

For the purpose of this above provision “education related expenses” includes \_\_\_\_\_

- Tuition fee;
- Boarding and lodging expenses;
- Any payment for distant learning to any institution or university in a foreign country ; and
- Any other expense related or attributable to foreign education .

## PROFIT ON DEBT

### C O R P O R A T E     S E C T O R

For companies, tax deductible on profit on debt (interest) is **adjustable against total tax liability** after inclusion of income from profit on debt in total income and continue to be taxed as per applicable corporate tax rate .

### N O N - C O R P O R A T E     S E C T O R

For non-corporate taxpayers, tax deductible on profit on debt **is adjustable against tax liability which is to be computed as under** :

The rate of tax is 10% where the gross amount of profit on debt is up to Rs.25 million

For amounts exceeding Rs.25 million and up to 50 million, the tax liability is Rs. 2.5 million plus 12.5% of the amount exceeding Rs 25 million

Where the gross amount exceeds Rs.50 million, the tax liability is 5.625 million plus 15% of the amount exceeding Rs.50 million

The tax liability as calculated above is adjustable from the tax withhold by the withholding agents @ 10% or 17.5% as the case may be , while the balance or the difference between tax withheld and tax liability as above shall be paid at the time of filing of return after other applicable adjustments under the law .

## W.H.T. – PROFIT ON DEBT

Yield or Profit (profit on debt) on account of deposit or a certificate in respect of National Saving Schemes or Post Office Savings Account the rate of WHT is

F I L E R S	N O N - F I L E R S	
10 % Of the gross yield paid	10 % Upto yield of 5 Lac	17.5 % Yield above 5 Lacs

For ensuring correct application of WHT rates for filers and non-filers a following clarification has been made from FBR \_\_\_\_\_

**“Filers” means those whose names are appearing in the “Active Taxpayers List” on the website of FBR and no other document / manual return be treated in this regard .**

## CAPITAL GAINS ON DISPOSAL OF SECURITIES

The rates for capital gains tax for non-corporate sector is given as under :

- ➔ securities held for a period less than 12 months (upto 01 year) , capital gains tax is 12.5% (2015) and 15% (2016) ;
- ➔ securities held for a period of 12 or more but less than 24 months (1 to 2 years) , capital gains tax is 10% (2015) and 12.5% (2016) ;
- ➔ securities held for a period of more than 24 months but less than 48 months (2 to 4 years) , capital gains tax is 0% (2015) and 7.5% (2016) ; and
- ➔ securities held for a period of more than 48 months (4 years or more) , capital gains tax is 0% (2015) and 0% (2016) .

However , for companies the rate of capital gains tax is the normal rates as applicable in the case of company .

For Mutual funds or Collective Investment Schemes rate of capital gains tax deduction, on redemption, shall be as follows \_\_\_\_\_

### R A T E

Individual and association of persons	10% for stock funds
	10% for other funds
Company	10% for stock funds
	25% for other funds

However , if Dividend receipts of the fund are less than capital gains , the rate of tax deduction will be	12.5%
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If holding period of securities is more than 4 years	No Deduction
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## Tax rates and rules for the computation of the profits and gains of banking company

- The tax rates of banking companies and taxation of net income from dividend (other than from its assets management company), net income from capital gains on sale of shares of listed companies held for 12 months or more, dividend received from its assets management company and dividend received from

Money Market Funds and Income Funds as a separate block of income at the rate of 10%, 12.50%, 20% and 25% stands withdrawn .

- Income from Dividend and Capital Gains will be chargeable to tax at the standard rate of 35% from tax year 2015. Consequently, the provisions relating to attribution of expenses, have also been done away with .
- One-time super tax at the rate of 4% is also payable by banking companies for tax year 2015 .

## DIVIDEND INCOME

Now, the tax on dividends has been enhanced to 12.5% however , in the case of dividend received by a person from a mutual fund, tax shall be charged @ 10% of the gross amount of dividend .

The withholding tax rate on dividends has also been enhanced to 12.5% for filers and 17.5% for non-filers . In case of mutual funds and collective investment schemes no change in rates has been made .

Further , every person making payment of dividend-in-specie shall collect tax on the gross amount of dividend-in-specie paid @ 12.5% for filers and 17.5% for non-filers .

It is clarified that there has been no change in tax charged and withholding tax and both tax rates still remain at 7.5% in cases of dividends declared or distributed by purchaser of a power project privatized by WAPDA or on shares of a company, supplying coal exclusively to power generation projects .

## DOMESTIC ELECTRICITY CONSUMPTION

Through Finance Act, 2014, a new section 235A was introduced which provided collection of advance tax @ 7.5% on the amount of electricity bill of a domestic consumer if the monthly electricity bill exceeded Rs.100,000. This threshold of Rs. 100,000 has been reduced to Rs. 75,000 through Finance Act, 2015 .

### **Advance tax on purchase of international air ticket**

The collection of advance tax on air tickets of classes other than economy for journeys originating from Pakistan as a percentage of the gross amount of international air tickets, fixed amount per air ticket has been prescribed which is Rs. 16,000 in case of First Class and Rs. 12,000 in case of Business/Club class i.e. other than economy.

## Internet users

Most of the expenditure on internet usage is subject to withholding tax @14% in telephone bills and prepaid cards. However, internet usage other than telephone bills and prepaid cards have been subjected to withholding tax. Now the person preparing internet bills/ issuing or selling prepaid internet cards shall charge adjustable advance income tax @14% of the amount of internet bill or sale price of internet prepaid cards or sale of units through any electronic medium or whatever form .

## [ A.C.T.] – ALTERNATE CORPORATE TAX

Corporate Tax means , the standard rates of tax for companies and minimum tax payable under any of the provisions of Income Tax Law , whichever is higher .

Further clarifies that taxes paid or payable other than payable at the standard rates of tax for companies shall remain payable in accordance with the mode or manner prescribed under the respective provisions of the Law .

in addition to tax credit for investment that is allowed against (ACT) , tax credit for employment generation by manufacturers shall also be allowed .

## ADVANCE TAX PAID BY THE TAXPAYER

Now , a taxpayer whose advance tax liability is likely to be more than the amount the taxpayer is required to pay shall estimate the tax payable for the relevant tax year **at any time before the 2<sup>ND</sup> Installment of the relevant tax year of that taxpayer is due** .

The taxpayer shall also pay 50% of the tax payable on the basis of higher estimate by the due date of the 2<sup>ND</sup> Quarter of the relevant tax year after making adjustment of the amount, if any, already paid . The remaining 50% shall be paid in two equal installments by the due date of the 3<sup>RD</sup> and 4<sup>TH</sup> Quarters of the relevant tax year .

## WITHDRAWAL OF EXEMPTIONS

### WITHHOLDING TAX ON IMPORTS UNDER P.C.T.

Exemption from collection of tax at import stage available to every person, even commercial importer, for the import of goods specified in respect of goods classified in Pakistan Customs Tariff have been withdrawn .

Moreover, exemption in respect goods under PCT heading 9918 has also been withdrawn .

## Withholding tax on Cash Withdrawals in respect of Exchange Companies

Exemption from collection of tax on account of cash withdrawals from the bank account available to exchange companies duly licensed and authorized by the State Bank of Pakistan has been withdrawn and instead, **a reduced rate 0.15% is applicable** subject to the condition that such bank accounts are exclusively dedicated for its authorized business related transactions and certificate is issued by the concerned Commissioner Inland Revenue for a financial year mentioning details and particulars of its Bank Account being used entirely for business transactions .

## Inter – corporate Dividend and Inter – corporate Profit – on – debt

Exemption available on income derived from inter-corporate dividend and exemption from withholding under Dividend and Profit on Debt have been withdrawn for those companies who do not file group returns .

## Print and Electronic Media

Exemption from deduction of tax on services rendered available to electronic and print media in respect of the advertising services has also been withdrawn .

## EXEMPTIONS ADVANCED TO

Exemption from collection of tax at import stage is now available for import of specified items by specified entities are now covered under newly inserted provision , which are as under:

### a) Imports of Items

- ➔ Petroleum oils and oils obtained from Bituminous mineral crude (PCT code 2709.000) ;
- ➔ Furnace Oil (PCT code 2710.1941) ;
- ➔ High Speed Diesel Oil (PCT code 2710.1931) ;
- ➔ Motor Spirit (PCT code 2710.1210) ;
- ➔ J.P.1 (PCT code 2710.1912) ; and
- ➔ Base Oil for lubricating oil (PCT code 2710.1993).
- ➔ Light diesel oil (PCT Code 2710.1921) ; and
- ➔ Super kerosene oil .

## b) Persons eligible for exemption

- Pakistan State Oil Company Limited;
- Shell Pakistan Limited;
- Attock Petroleum Limited;
- Byco Petroleum Pakistan Limited;
- Admore Gas (Private) Limited;
- Chevron Pakistan Limited;
- Total-PARCO Pakistan (Private) Limited;
- Total-PARCO Pakistan (Private) Limited;
- Hascol Petroleum Limited;
- Bakri Trading Company Pakistan (Private) Limited;
- Overseas Oil Trading Company (Private) Limited
- Gas and Oil Pakistan (Private) Limited; and
- Oil refineries .

## RELIEF MEASURES

### a. Reduction in tax rates for companies , individuals and association of persons

#### (i) Reduction in tax rates for companies

A policy of reducing corporate income tax rate other than banking companies by 1% annually from 35% to 30% , detailed as under \_\_\_\_\_

33% (2015) ;  
32% (2016) ;  
31% (2017) ; and  
30 % from Tax year (2018) onwards .

#### (ii) Reduction of tax rates for salaried/non-salaried Individuals and AOPs

Non salaried individuals and AOPs particularly those earning income, the tax rates have been reduced from 10% to 7% and for salaried individual earning between 400,000 to 500,000 tax rates have been reduced from 5% to 2% .

This relief will be available to all salaried and non salaried individuals and AOPs who are earning more than 500,000 .



## b. OTHER REDUCTIONS & BENEFITS

### **Tax credit for employment generation by manufacturers**

According to the provisions of this NEW provision , where a company is formed for establishing and operating new manufacturing unit set up between tax year 2016 to tax year 2018 (1st July 2015 to 30th June, 2018), it shall be given a tax credit of one percent of tax payable for every fifty employees from the date on which the manufacturing unit is ready to go into production (trial or commercial) subject to the fulfillment of the following conditions :

- a) The employees shall be registered with the Employees Old Age Benefits Institution (EOBI) or Employees Social Security Institutions (ESSI) of the Provincial Governments during the tax year .
- b) The said tax credit is allowed up to maximum of 10% of the tax payable .
- c) The manufacturing unit shall be managed by a company formed for operating the said manufacturing unit and should be registered under the Companies Ordinance, 1984 and have registered office in Pakistan .
- d) The manufacturing unit is not established by the splitting up or reconstruction or reconstitution of an existing undertaking or transfer of plant and machinery of an existing undertaking before 1st July 2015 .

Where at any subsequent stage it is discovered that the tax credit allowed herein above was availed without fulfillment of any one of the above conditions, the Commissioner shall re-compute the tax payable by the taxpayer on the basis of tax credit wrongly allowed and shall be recovered under the relevant provisions of the Ordinance .

### **Extension of period for Tax credit for investments**

if a taxpayer, being a company, invests any amount in the purchase of plant and machinery, for the purposes of tax credit for investment , tax credit shall apply if the plant and machinery is purchased and installed at any time between the first day of July, 2010, and the 30th day of June, 2016 .

### **Extension of period for investments from provisions of unexplained income or assets**

The provisions related to un-explained income or assets shall not apply to investments mentioned under the specific fields if the said investment is made on or after the 1st day of January, 2014, and commercial production commences on or before the 30th day of June, 2017 .

### **Tax credit for enlistment**

A tax credit @20% of the tax payable available to a company if it opts for enlistment in any registered stock exchange in Pakistan .

### **Expanding the scope of small company**

Small companies are subjected to tax at reduced rate of 25% WITH an enhanced limit of paid up capital plus undistributed reserves upto 50 million rupees .

### **Option to opt out of the final tax regime (FTR) for exporters**

The tax withheld on the export proceeds realized by the exporters is final tax on their income . Now , exporters have been allowed to exercise the option of opting out of final tax regime at the time of filing of return and tax withheld shall be treated as minimum tax in such cases .

### **Suspension of Minimum Tax on builders**

Minimum Tax on builders was levied for the business of construction and sale of residential, commercial and other buildings. Now the operation of this section has been suspended for a period of three years till 30th June, 2018 .

### **Encouraging real estate investment trust (REIT) development schemes**

Exemption from tax on gain accruing to a person on sale of immovable property to a REIT scheme was available up to thirtieth June, 2015 . Now the said exemption on profit and gains has been extended up to thirtieth June, 2020 for a person selling the immoveable property to a Developmental REIT Scheme with the object of development and construction of residential buildings .

Additionally , the tax rate on dividend received by a person has been reduced by 50% for three years i.e. up to thirtieth June, 2021 if the dividend is received from such Developmental REIT Scheme with the object of development and construction of residential buildings which are being set up by thirtieth June, 2018 .

### **Tax exemption to solar and wind energy plant and equipment manufacturing**

Commercial imports in respect of items for dedicated use for renewable sources of energy such as solar and wind are exempt from withholding tax on import . However, no exemption was available for domestic manufacturers of solar and wind energy plants and equipments .

Now , tax exemption for a period of five years (from 1st July, 2015 to 30th June, 2020) has been allowed to a taxpayer deriving profit and gains from an industrial undertaking engaged in manufacturing of plant, machinery, equipment and items with dedicated use for generation of renewable energy from solar and wind which are set up by 31st December, 2016 .

Besides the above manufacturing units have also been granted exemption of minimum tax .

### **Tax holiday for agricultural cold chain and warehousing**

Tax Exemption for three years has been granted to the taxpayer deriving profit and gains from industrial undertakings which are set up between 1st July, 2015 to 30th June, 2016 and are engaged in operating warehousing or cold chain facilities for the purpose of storage of agriculture produce. The tax exemption period will start from the month in which industrial undertaking is set up or commercial operations are commenced whichever is later .

Besides, the above manufacturing units have also been granted exemption of minimum tax .

### **Tax holiday for establishing and operating a halal meat production unit**

In halal meat production for competing in globally growing halal meat market and increase in the use of modern and state-of-art machinery and equipment, tax exemption for a period of four years has been granted to a taxpayer deriving profit and gains from the industrial undertakings, set up between 1st July, 2015 to 30th June, 2017 which are engaged in operating halal meat production and have obtained halal certification .

The exemption from tax will start from the month in which industrial undertaking is set up or commercial operations are commenced whichever is later .

Besides the above manufacturing units have also been granted exemption of minimum tax and withholding tax on exports .

### **Income tax holiday for new manufacturing units set up in Khyber Pakhtunkhwa and Balochistan**

A five years income tax holiday has been allowed to a taxpayer deriving profit and gains derived from new manufacturing units set up in the province KPK and Baluchistan between 1st July, 2015 to 30th June, 2018 beginning with the month in which the industrial undertaking is set up or commercial production is started, whichever is later.

The said exemption is strictly allowed to those manufacturing units which are setup between the above mentioned dates and which are not established by splitting up or reconstruction or reconstitution of existing undertakings or by transfer of machinery or plant from an undertaking established before 1st July, 2015 in Pakistan .

Besides the above manufacturing units excluding manufacturers and suppliers of cement, sugar, beverages and cigarettes have also been granted exemption of minimum tax .

### **Exemption to electricity transmission projects**

Income Tax holiday to a private sector investment in Transmission Line Projects for ten years has been allowed to a taxpayer deriving profit and gains from Transmission Line Projects set up in the province between 1st July, 2015 to 30th June, 2018 .

However, for claiming the tax exemption, the taxpayer company should fulfill the followings conditions \_\_\_\_\_

- i. The projects shall be owned and managed by a company formed for operating the said project.
- ii. The Company shall be registered under the companies Ordinance, 1984.
- iii. It shall have its registered office in Pakistan.
- iv. The Company is not established by splitting up or reconstruction or reconstitution of an already existing business or by transfer to a new business of any machinery or plant used is a business which was being carried on in Pakistan at any time before the commencement of the new business.
- v. The Federal Government or a Provincial Government or a Local Government should not own fifty percent or more shares in the said company.
- vi. The Company should not be controlled by Federal Government or a Provincial Government or a Local Government.

### **Tax exemption to industrial undertaking engaged in manufacturing of cellular phones**

All profits and gains derived by a taxpayer has been exempted from tax for a period of five years, from the month of commencement of commercial production if it is an industrial undertaking, duly certified by the Pakistan Telecommunication Authority, engaged in the manufacturing of cellular mobile phones .

This facility is available if the industrial undertaking has been set up and commercial production has commenced between the first day of July, 2015 and the thirtieth day of June, 2017 and the industrial undertaking is not formed by the splitting up, or the reconstruction or reconstitution, of a business already in existence or by transfer to a new business of any machinery or plant used in a business which was being carried on in Pakistan .

### **Tax exemption to LNG terminal operators**

Tax exemption on profit and gains derived by LNG Terminal Operators and Terminal Owners for a period of five years is available beginning from the date when commercial operations are commenced .

### **Tax exemption to income from social security contribution of social security institutions of provinces**

Income from social security contributions derived by Baluchistan Employees' Social Security Institution, Employees' Social Security Institution Khyber Pakhtunkhwa, Punjab Employees' Social Security Institution and Sindh Employees' Social Security Institution will be exempt . However , it has been clarified that all incomes other than social security contributions shall not be exempt .

### **Relief to rice mills**

Rice Mills have been granted exemption from payment of minimum tax for tax year 2015.

### **Tax exemption on import of agricultural machinery**

Tax exemption has been granted on import of agriculture machinery and details of equipments with PCT code on which exemption has been allowed as mentioned under the specific provisions of law .

### **Exemption to certain agricultural machinery from withholding tax on imports**

Agricultural machinery like Tillage and seed bed preparation equipment, Seeding or planting equipment, Irrigation, drainage and agro-chemical application equipment, Harvesting, threshing and storage equipment, Post-harvest handling and processing & miscellaneous machinery have been exempted from WHT at import stage .

### **Exemption from withholding tax on aircrafts and its machinery on remote area air routes**

Exemption from payment of withholding tax on air tickets have been granted through aviation links, the air routes of Baluchistan Coastal belt, Azad Jammu and Kashmir, FATA, Gilgat-Baltistan and Chitral .

### **Exemption from withholding tax on import of aircrafts and its machinery**

Aircrafts and its machinery with PCT headings have been exempted from WHT on imports .

### **Exemption to International Finance Corporation (IFC) from WHT**

Exemption has been granted to IFC established under the International Finance Corporation Act. 1956 (XXVIII of 1956) from application of the special provision relating to capital gain tax and Eighth Schedule on the transactions carried on up to 30<sup>th</sup> day Of June . 2015 , on any Stock Exchange of Pakistan .

## Trading Houses

Companies operating Trading Houses are exempt from application of minimum Tax for the first ten years and deduction of tax as a recipient (and not as withholding agent) on fulfillment of condition mentioned under the Income Tax Law . However, such companies in addition to trading activities are also engaged in in-house preparation and processing of food and allied items for sale to customers which tantamount to activities beyond the scope of Trading Houses , such activities will not disqualify from the exemption provided That sale of such items does not exceed 2% of the total sales .

### Reduction in rates for highest slab in case of professional firms prohibited from Incorporation

Association of persons (AOP) of professionals prohibited from incorporating by any law Or rules of the body regulating the profession , the maximum rate has been reduced to 32% from 35% . This amendment is effective from tax year 2016 .

## RATES OF ADVANCE TAX ON 'IMPORTS'

Advance income tax on persons importing gold, cotton and designated buyers of LNG on behalf of the government of Pakistan to import LNG has been revised . Besides , separate rates of tax for non-filers have been made and accordingly the amended rates of tax to be collected by the Collector of Customs at import stage are as under :

S.No.	persons	Filer	Non-Filer
1.	<p>(i) Industrial undertaking importing remelttable steel (PCT Heading 72.04) and directly reduced iron for its own use;</p> <p>(ii) Persons importing potassic fertilizers in pursuance of Economic Coordination Committee of the cabinet's decision No.ECC-155/12/2004 dated the 9th December, 2004;</p> <p>(iii) Persons importing urea;</p> <p>(iv) Manufacturers covered under notification No. S.R.O. 1125(I)/2011 dated the 31st December, 2011 and importing items covered under S.R.O. 1125(I)/2011 dated the 31st December, 2011</p>	<p>1%</p> <p>of the import value as increased by customs-duty, sales tax and FED</p>	<p>1.5%</p> <p>of the import value as increased by customs duty, sales tax and FED</p>

	(v) Persons importing Gold; and (vi) Persons importing Cotton (vii) Designated buyers of LNG on behalf of the government of Pakistan to import LNG		
2.	Persons importing pulses	2% of the import value as increased by customs-duty, sales tax and FED	3% of the import value as increased By customs duty, sales tax and FED
3.	Commercial importers covered under notification No. S.R.O. 1125(I)/2011 dated the 31st December, 2011 and importing items covered under S.R.O. 1125(I)/2011 dated the 31st December, 2011.	3% of the import value as increased by customs-duty, sales tax and FED	4.5% of the import value as increased by customs duty, sales tax and FED
4.	Ship breakers on import of ships	4.5%	6.5%
5.	Industrial undertakings not covered under S. Nos. 1 to 4	5.5%	8%
6.	Companies not covered under S. Nos. 1 to 5	5.5%	8%
7.	Persons not covered under S. Nos. 1 to 6	6%	9%

## RATES OF ADVANCE TAX COLLECTED AT THE TIME OF PAYMENT OF MOTOR VEHICLE TAX FOR PRIVATE MOTOR VEHICLES

The rates of advance tax collected along with motor vehicle tax for filers have been reduced and for non-filers has been enhanced . The revised rates are as under \_\_\_\_\_

S. No	Engine capacity	For Filers (Rupees)	For Non-Filer (Rupees)
1.	Upto 1000 cc	800	1,200
2.	1001cc to 1199 cc	1,500	4,000
3.	1200cc to 1299 cc	1,750	5,000
4.	1300cc to 1499cc	2,500	7,500
5.	1500cc to 1599cc	3,750	12,000

6.	1600cc to 1999cc	4,500	15,000
7	2000cc and above	10,000	30,000

The rate of advance income tax in case of lump sum payment has not been revised and it remains the same as before .

## RATES OF ADVANCE TAX COLLECTED AT THE TIME OF TRANSFER OF PRIVATE MOTOR VEHICLES

The rate of advance income tax on transfer of registration of private motor vehicles to be collected by the Motor Vehicle Registration Authority have been reduced . The tax is collectable up to five years from first registration in Pakistan and tax rate is reduced by 10% for each year after the first year . The rate of advance income tax on transfer of motor vehicles, worked out for the five years, are as under \_\_\_\_\_

Engine capacity	Rate of tax for first year		Rate of tax for 2 <sup>nd</sup> year		Rate of tax for 3 <sup>rd</sup> year		Rate of tax for 4 <sup>th</sup> year		Rate of tax for 5 <sup>th</sup> year	
	Filer	Non-Filer	Filer	Non-Filer	Filer	Non-Filer	Filer	Non-Filer	Filer	Non-Filer
Up to 850 cc	-	5,000	-	4500	-	4000	-	3500	-	3000
850cc Rs. 10,000	5,000	15,000	4500	13500	4,000	12000	3500	10500	3000	9000
1001cc to 1300cc	7,500	25,000	6750	22500	6000	20000	5250	17500	4500	15000
1301cc to 1600cc	12,500	65,000	11250	58500	10000	52000	8750	45500	7500	39000
1601cc to 1800cc	18,750	100000	16875	90000	15000	80000	13125	70000	11250	60000
1801cc to 2000cc	25,000	135,000	22500	121500	20000	108000	17500	94500	15000	81000
2001cc to 2500cc	37,500	200000	33750	180000	30000	160000	26250	140000	22500	120000
2501cc to 3000cc	50,000	270,000	45000	243000	40000	216000	35000	189000	30000	162000
Above 3000cc	62,500	300,000	56250	270000	50000	240000	43750	210000	37500	180000

### Types of private motor vehicles in respect of which tax is collectable :

it has been specified that, wherever tax is collectable in respect of private motor vehicles, it shall include car, jeep, van, sports utility vehicle, pick-up trucks for private use, caravan automobile, limousine, wagon and any other automobile used for private purpose .



### Definition of 'date of first registration' :

The expression "the date of first registration", has been defined as under \_\_\_\_\_

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

### RATES FOR GOODS TRANSPORT VEHICLES

The rates of advance income tax to be collected with Motor Vehicle Tax for all goods transport vehicles have been increased, and separate rates for filers and non-filers have been specified as under \_\_\_\_\_

Category	Tax rate for Filer	Tax rate for Non filer
Goods transport Vehicles	Rs 2.50 / Kg of laden weight	Rs 4/ Kg of laden weight

### RATES FOR PASSENGER TRANSPORT VEHICLES

The rates of advance income tax to be collected with Motor Vehicle Tax for passenger transport vehicles have been enhanced and separate rates for filers and non-filers have been specified as under \_\_\_\_\_

Capacity		Rate of tax per seat per annum	
S.No.		Filer	Non Filer
1	Four or more persons but less than ten persons	50	100
2.	Ten or more persons but less than twenty persons	100	200
3.	Twenty or more persons	300	500

## W.H.T. – GOODS & SERVICES - NON – RESIDENT

The rates of advance income tax on payment to Permanent Establishment of a non resident in Pakistan for sales of goods, for rendering and providing of services and for execution of contracts for companies & others, sports persons and non-filers have also been provided . However, the rates in respect of transport services have not been changed which shall continue to be 2 % of the gross amount payable . The rates of deduction of tax by the prescribed persons are as under \_\_\_\_\_

		Filer	Non-Filer
For sale of goods	Companies	4%	6%
	Other cases	4.5%	6.5%
For rendering or providing of services other than transport services	Companies	8%	12%
	Other Cases	10%	15%
On execution of contracts	Sports persons	10%	10%
	Companies	7%	10%
	Other cases	7.5%	10%

Moreover, the Commissioner has been empowered to issue exemption certificate or reduced rate of deduction certificate to the PE of a non-resident in respect of deduction of tax by the prescribed person from the payment to him for sale of goods, rendering of or providing of services and execution of contracts .

Moreover , exemption to PE of Non-resident Petroleum Exploration and Production (E&P) Companies for supply of its petroleum products has been made .

## W.H.T. – GOODS & SERVICES – RESIDENT

The rates of advance income tax on payments made for sale of goods, for rendering and providing of services and for execution of contracts have been revised in respect of non filers . Exemption available to print and electronic media from deduction of tax has also been done away with . Besides, separate rates of tax for services for non-filers have been made part of the Finance Act, 2015 \_\_\_\_\_

		Filer	Non-Filer
For sale of goods	Companies	4%	6%
	Other cases	4.5%	6.5%
For rendering or providing of services other than transport services	Companies	8%	12%
	Other cases	10%	15%
Electronic & Print Media - <u>Advertising Services</u>	Companies	1%	12%
	Other cases	1%	15%
On execution of contracts	Sports persons	10%	10%
	Companies	7%	10%
	Other cases	7.5%	10%

The rates for payments made in the case of sales of rice, cotton seed or edible oil have remained unchanged which are to tax taxed @ 1.5% of the amount payable . Similarly the rates in respect of transport services have not been changed and is to be taxed @ 2% of the gross amount .

## TAX RATES FOR NON SALARIED INDIVIDUALS AND AOPs

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

## TAX RATES FOR COMPANIES

	<u>2015</u>	<u>2016</u>
Public / private	33 %	32 %
Co-operative & Finance Society	33 %	32 %
Banking	35 %	35 %
Small	25 %	25 %

## TAX RATES FOR SALARIED INDIVIDUALS

S.No	Taxable Income	Rate of tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs. 400,000	0%
2.	Where the taxable income exceeds Rs. 400,000 but does not exceed Rs. 500,000	2% of the amount exceeding Rs. 400,000
3.	Where the taxable income exceeds Rs. 500,000 but does not exceed Rs. 750,000	Rs. 2,000 + 5% of the amount exceeding Rs. 500,000
4.	Where the taxable income exceeds Rs. 750,000 but does not exceed Rs. 1,400,000	Rs. 14,500 + 10% of the amount exceeding Rs. 750,000
5.	Where the taxable income exceeds Rs. 1,400,000 but does not exceed Rs. 1,500,000	Rs. 79,500 + 12.5% of the amount exceeding Rs. 1,400,000
6.	Where the taxable income exceeds Rs. 1,500,000 but does not exceed Rs. 1,800,000	Rs. 92,000 + 15% of the amount exceeding Rs. 1,500,000
7.	Where the taxable income exceeds Rs. 1,800,000 but does not exceed Rs. 2,500,000	Rs. 137,000 + 17.5% of the amount exceeding Rs. 1,800,000
8.	Where the taxable income exceeds Rs. 2,500,000 but does not exceed Rs. 3,000,000	Rs. 259,500 + 20% of the amount exceeding Rs. 2,500,000
9.	Where the taxable income exceeds Rs. 3,000,000 but does not exceed Rs. 3,500,000	Rs. 359,500 + 22.5% of the amount exceeding Rs. 3,000,000
10.	Where the taxable income exceeds Rs. 3,500,000 but does not exceed Rs. 4,000,000	Rs. 472,000 + 25% of the amount exceeding Rs. 3,500,000
11.	Where the taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 7,000,000	Rs. 597,000 + 27.5% of the amount exceeding Rs. 4,000,000
12.	Where the taxable income exceeds Rs. 7,000,000	Rs. 1,422,000 + 30% of the amount exceeding Rs. 7,000,000

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# Workers Welfare Fund Ordinance [wwf]

## 'WWF' NOT PAYABLE ALSO BY

Now , the following more Institutions are enlisted alongwith Government Establishments or Corporation owned by Government under the category of being *exempted from the payment (levy) of 'WWF'* as a result of changes brought in the definition of *INDUSTRIAL ESTABLISHMENT* under the Workers Welfare Fund Ordinance , 1971 \_\_\_\_\_

Ω mutual funds ;

Ω collective investment schemes including National Investment (Unit) Trust ;

Ω R E I T Scheme

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# C u s t o m s

## GENERAL POWER TO EXEMPT FROM CUSTOM DUTIES

Now, after substitution, the Federal Government has been empowered in accordance with the approval of the ECC of cabinet in the following Particular incident or occurrence to take immediate action subject to such conditions, limitations or restrictions, as it deems fit, if any to impose, may be notification in the Gazette , Exempt any Goods imported into or exported from Pakistan or into or from any specified port or station or area therein from the whole in part of the customs duties chargeable therein and may refrain from making rigorous excessive fine, penalty or charge or any other amount recoverable.

- National Security ;
- National Disaster ;
- National Food Security (in an Emergency Situations) ;
- Protection of National Economic interests arising under
  - Abnormal fluctuation in international commodity prices,
  - Removal of an anomalies in duties,
  - Development of backward areas, and
  - Implementation of bilateral and multilateral agreements.

However, the Federal Government shall place all such afore-discussed Notifications issued before the National Assembly.

## FALSE STATEMENT ERROR, ETC. UNDER THE HEAD

Here, the limit of recoverable amount, has been enhanced from Rs.100 up to Rs.20,000/- , wherein the Customs Authorities shall not initiate any action by issuing show causes.

## DECLARATION AND ASSESSMENT FOR HOME CONSUMPTION OR WAREHOUSING

Now, the owner of any imported goods shall make declaration for Transshipment alongwith home consumption and warehousing.

Further, the assessment, duties and taxes thereof in respect of transshipment shall be at the part of destination.

## EXAMINATION AND ASSESSMENT

Now, in case of customs computerized system (CCS), goods may be examined and assessed as well.

## TRANSSHIPMENT OF GOODS WITHOUT PAYMENT OF DUTY

An explanation has been brought in here, by virtue of which 'At customs-station where 'CCS' is operational, the system may automatically authorize transshipment to other customs station to risk selectivity criteria.

## ENTRY, ETC; OF TRANSSHIPPED GOODS

Though an explanation, it has been explained that Transshipment of L C L goods, the customs station of first entry shall be the customs- station where the goods and de-consolidated.

## PUNISHMENT FOR OFFENCES

■ If a person contravenes the requirement of placement of invoice and packing list inside the import container or consignment.	Such person <u>shall be liable to a penalty not exceeding fifty thousand rupees</u>	General
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<p>■ If a person contravenes any ruler or condition relating to '<u>Transport of Certain classes of Goods subject to prescribed conditions, or transit of goods across Pakistan to a foreign territory</u> or makes an untrue declaration relating to transit of goods or illegally removes or conceals any transit goods.</p>	<p>Such person including the custodian and inland carrier shall be liable to a penalty up to twice the value of the goods and upon conviction by a Special Judge be further liable to imprisonment for a term not exceeding five years, and the goods in respect of which such offence has been committed shall also be liable to confiscation.</p>	<p>Transport of certain classes of Goods and transit of Goods across Pakistan</p>
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# FEDERAL EXCISE

## POWER OF THE BOARD – CURTAILED

Special order by the Board giving examination from the payment of whole or any part of the duty levyable on any goods or services on which such duty is levyable has now been withdrawn.

The federal government has the power to allow exemption for levy of F.E.D on any goods or class of goods or any services or class of services as the case may be, provided it is approved by the ECC of cabinet under the following circumstances of emergency.

- >>> National security;
- >>> Natural disaster ;
- >>> National foods security in emergency situation arising out of abnormal fluctuation in international commodity prices;
- >>> Removal of anomalies in duties;
- >>> Development of backward areas; and
- >>> Implementation of bilateral and multi-lateral agreements.

## AERATED WATERS

- F.E.D shall be applied @ 10.5% of retail prices on aerated waters w.e.f. 01-07-2015

## BILATERAL OR MULTICATERAL AGREEMENTS

- under the new provision of law the Federal Government may enter into these above captioned agreements with provincial Government or with Government of foreign countries for the exchange of information, including electronic exchange of information, with respect to excise duty imposed under the Federal Excise Act or any other laws of Pakistan or under the corresponding

laws of that country and may, by notification in the official Gazette, make such provision as may be necessary for implementing such agreements

The relevant provisions of agreement for the avoidance of double taxation and prevention of Fiscal evasion in under income tax law shall with the necessary modifications, apply to this above discussed law.

## RESTRICTIONS

- A new provision of law that places restrictions in respect of information acquired under any provision of the Federal Excise Act on pursuance of a bilateral or multilateral agreement or tax information exchange agreement shall be confidential and no public servant shall disclose any such information, exception as provided under the Income Tax Law.

The relevant provision of disclosure of information by a public servant under the Income Tax Law shall with the necessary modification, apply to this above discussed law.

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## S. R. B.

Certain latest applicable Sindh Sales Tax rates on Services are given below as announced under the Sindh Budget that will be implemented by the Sindh Revenue Board (SRB) strictly from July 01 , 2015 \_\_\_\_\_

S. No.	Description	Tax raTe upto 30.06.2015	Tax raTe from 01.07.2015	Instrument which may be referred to
1.	Telecommunication services.	19.5%	18%	Notification to be issued under section 8(2).
2.	Services liable to tax at 15%	15%	14%	Sindh Finance Bill, 2015.
3.	Services provided by programme producers and production houses.	10%	6%	Notification to be issued under section 8(2).

S. No.	Description	Tariff heading	Statutory rate	EffEctive rate
1.	Travel Agents	9805.5000	14%	10%
2.	Credit rating agency	9818.2000	14%	14%
3.	Underwriters	9819.1100	14%	14%
4.	Indenters	9819.1200	14%	14%
5.	Commission agents	9819.1300	14%	14%
6.	Auctioneers	9819.9100	14%	10%
7.	Dredging or desilting services	9822.4000	14%	10%
8.	Intellectual property services	9838.0000	14%	10%
9.	Erection, commission and installation services	9839.0000	14%	14%
10.	Technical Inspection and Certification Services	9840.0000	14%	14%

S. No.	Description	Tariff heading	Statutory rate	EffEctive rate
1.	Services provided or rendered by laboratories (other than the services relating to pathological, or radiological or diagnostic tests of patients)	9817.9000	14%	14%
2.	Packers and movers	9819.1400	14%	14%
3.	Services of shares, securities and Derivatives (registration/transfer and custodianship)	9805.9000	14%	14%
4.	Valuation services, including competency and eligibility testing services	9841.0000	14%	14%
5.	Renting of immovable property services	9806.3000	14%	6%
6.	Ready mix concrete services	9837.0000	14%	14% with input tax credit facility <b>OR</b> (optional) 6% without input tax credit facility

Tariff heading	Description	EffEctive rate	REMARKS
9806.3000	Renting of immovable property services.	6%	Input tax credit/adjustment shall not be admissible.
9806.4000	Car or automobile dealers.	10%	Input tax credit/adjustment shall not be admissible.

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