

**KIA**  
Associates

**Federal & Provincial  
Tax Commentary  
on  
Finance Act, 2016**



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For Clients only

## BUDGET 2016

We are pleased to present our comments on the Finance Act , 2016 , 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 , besides , Provincial Sales Tax Laws . These amendments are effective from the financial year 2016-2017 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**  
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# Specific Relevant Remarks

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

- ≡ Syed Khursheed Ahmed Shah, leader of the opposition in National Assembly said , "We plainly reject the budget for being anti-people which has nothing to offer for the common man but would also add to their worries."
- ≡ PTI's vice chairman Shah Mehmood Qureshi said , the Government failed to announce the promised support price mechanism for farmers." (PTI) lawmaker Asad Omar, said "no relief had been given to common man."
- ≡ (MQM) leader Dr. Farooq Sattar said , "finance minister had made false claims of giving relief to the public in the budget as the reality was quite opposite. Further , said , government should have slashed the general sales tax (GST) From 17 percent to 9 percent to give relief to the general public."
- ≡ (JI) Chief Senator Sirjul Haq termed the budget as " visionless " .
- ≡ APTMA welcomes zero-rated regime (textile industry) . Further , said "the government would also implement it in true letter and spirit."
- ≡ LCCI President Sheikh Muhammad Arshad said "though some good steps have been taken but business community has reservations on a few announcements."
- ≡ Budget lacks incentives to create new jobs : APBF chairman\former President PAAPAM . Further , said "It is a bubble budget – seems and feel good but does not contain substance."
- ≡ Budget fails to address real issues of economy : IPR .
- ≡ The SVP , Hyderabad Chamber of Commerce and Industry , Turab Ali Khoja said , "incentives to agriculture sector would definitely bring positive results in this sector. Further , said , incentives to fish and dairy farming would also improve this sector and enhance the socio economic activities of the people affiliated with this sector."

- ⊥ The Information Secretary Sindh Chamber of Agriculture, Abdul Karim Talpur said ,  
"reduction in prices of fertilizer would help reducing the cost being accrued on agriculture  
products while reduced GST rates on pesticides would further decrease the input cost of  
agriculture produce."
- ⊥ The Agri Forum Pakistan's Chairman , Ibrahim Mughal, and the Pakistan Muttahida Kissan  
Mahaz President , Ayub Khan Mayo , who called the incentives on fertilizers as "just  
peanuts" .
- ⊥ SCCI describes budget as "business friendly".
- ⊥ PSMA dismayed by 'agri-focused' federal budget .

**SOURCE : 'The Business Recorder Karachi of 04▼06▼2016▼**

|        |  |
|--------|--|
| APBF   | ➔ALL PAKISTAN BUSINESS FORUM   |
| APTMA  | ➔ALL PAKISTAN TEXTILE MILLS ASSOCIATION                                |
| IPR    | ➔INSTITUTE FOR POLICY REFORMS  |
| LCCA   | ➔LAHORE CHAMBER OF COMMERCE AND INDUSTRY                               |
| PAAPAM | ➔PAKISTAN ASSOCIATION OF AUTOMOTIVE PARTS AND ACCESSORIES MANUFATURERS |
| PSMA   | ➔PAKISTAN SUGAR MILLS ASSOCIATION                                      |
| SCCI   | ➔SIALKOT CHAMBER OF COMMERCE AND INDUSTRY                              |

\*\*\*\*\*

# S a l e s      t a x

## DIRE CONSEQUENCES DUE TO AMENDMENTS BELOW

Registered Person 'shall' ENTER the data of supplies (sales) and data of Debit or Credit Notes in the respective Annexures of sales tax return and SUBMIT these said data {the word submit is ambiguous / confusing here as the Filing Date is still 18<sup>TH</sup> }}

by 10<sup>TH</sup> of the Month next following the end of the tax period .

These said DATA shall immediately be seen (shown) under Purchase and Debit or Credit Note data of the Respective Registered Person (Buyer) , [through Automated System of the FBR (that all suppliers have filed their Monthly Returns)] so as to enable him/her to prepare his/her Sales Tax Return

Provisional adjustment of input tax by the (Buyer) is allowed , however , \_\_\_\_

In case of FAILURE on the part of the (Seller) to file his/her return by the 10<sup>TH</sup>

The input tax so provisionally adjusted shall be recovered/adjusted accordingly

Advised through the Automated System of the FBR to contact the Supplier (seller) and persuade him/her to declare the respective supplies (sales) , consequently , the buyer shall be informed that issue is settled .

The above discussed procedure shall also be followed and applicable accordingly in the case of Withholding of Sales Tax by the Withholding Agents under the sales tax regime .

## NO MORE 'ZERO' RATING

As the following items have already been included under SIXTH Schedule for Exemption from whole of sales tax now , therefore , being Zero-rated under FIFTH Schedule is redundant , thus , DELETED from the zero rating regime \_\_\_\_\_

|     |                                  |                         |
|-----|----------------------------------|-------------------------|
| 86. | Colors in sets(Poster colors)    | 3213.1000               |
| 87. | Writing, drawing and making inks | 3215.9010and 3215.9090  |
| 88. | Erasers                          | 4016.9210 and 4016.9290 |
| 89. | Exercise books                   | 4820.2000               |
| 90. | Pencil sharpeners                | 8214.1000               |
| 97. | Pens and ball pens               | 96.08                   |
| 98. | Pencils including color pencils  | 96.09                   |
| 73. | Milk                             | 04.01                   |
| 93. | Bicycles                         | 87.12                   |

- (i) Colors in sets  
(PCT heading 3213.1000) ;
- (ii) Writing, drawing and marking inks  
(PCT heading. 3215.9010 and 3215.9090) ;
- (iii) Erasers  
(PCT heading 4016.9210 and 4016.9290) ;
- (iv) Exercise books  
(PCT heading 4820.2000) ;
- (v) Pencil sharpeners  
(PCT heading 8214.1000) ;
- (vi) Geometry boxes  
(PCT heading 9017.2000) ;
- (vii) Pens, ball pens, markers and porous tipped pens  
(PCT heading 96.08) ;
- (viii) Pencils including color pencils  
(PCT heading 96.09) ;
- (ix) Milk  
(PCT heading 04.01) ; and
- (xviii) Bicycles  
(PCT heading 87.12) .

## MINERAL \ BOTTLED WATER

Respective headings

Now , mineral / bottled water has been transferred to Third Schedule , therefore , shall be charged to tax at the rate of seventeen percent of the retail price which along with the amount of sales tax shall be legibly , prominently and indelibly printed or embossed by the manufacturer on each article , packet , container , package , cover or label , as the case may be .

However , exemption from whole of sales tax on the following item remains unchanged

|   |           |
|---|-----------|
| Ice and waters <u>e x c l u d i n g</u> those for sale<br>under brand names or trademarks | 2201.1010 |
|---|-----------|

## NO MORE 'EXEMPTION' FROM WHOLE OF SALES TAX

The exemption from whole of sales tax on the following items has been withdrawn

|   |                            |
|---|----------------------------|
| White crystalline Cane sugar and Beet sugar | 1701.9910<br>and 1701.9920 |
|---|----------------------------|

**Now , sales tax @ 8 % shall be charged**

The FBR has fixed the values of white crystalline sugar falling under heading 1701.9910 and 1701.9920 as under :

|                         |                  |
|-------------------------|------------------|
| ■ DOMESTICALLY PRODUCED | RS. 56 per kg    |
| ■ IMPORTED              | US \$ 725 per MT |

and

|                                     |           |
|-------------------------------------|-----------|
| Tubular day lighting devices (TDDs) | 8539.3930 |
|-------------------------------------|-----------|



## SALES OF TAXABLE ACTIVITY OR TRANSFER OF OWNERSHIP

When made to another registered person as an ongoing concern , the taxable goods or part thereof shall be transferred to this new owner through a zero-rated invoice and the sales tax chargeable thereon shall be accounted for and paid by the registered person to whom such taxable activity or part thereof is transferred .

## SALES TAX RATE ENHANCED

The rate of sales tax has been enhanced to 10 % from 5 % on Ingredients of poultry feed , cattle feed , except soya bean meal of PCT heading 2304.0000 and oil-cake of cotton-seed falling under PCT heading 2306.1000

## SALES TAX RATE REDUCED

The rate of sales tax has been reduced to 5 % from 10 % on

Agricultural tractors

|

8701.9020

## COTTAGE INDUSTRY

The limit (threshold) of annual turnover from taxable supplies made in any tax period during the last twelve months has been enhanced to TEN Million Rupees from FIVE Million Rupees .

## 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. 115(I)/2008, dated the 6<sup>TH</sup> February, 2008; and
2. S.R.O. 212(I)/2014, dated the 26<sup>TH</sup> March , 2014 .

## ‘NINTH’ SCHEDULE

Sales Tax on the Import and Supply of the Goods specified therein shall be charged, collected and paid as under subject to specified conditions

**B. Medium Priced Cellular Mobile Phones or Satellite Phones**

Rs. 1,000 per phone

Rs. 1,000 per registration

**C. Smart Cellular Mobile Phones or Satellite Phones**

Rs. 1,500 per phone

Rs. 1,500 per registration

## ‘EIGHT’ SCHEDULE

Goods specified therein shall be charged to tax at such rates and subject to specified conditions and limitations

Here , further more new entries have been inserted enumerated as under \_\_\_\_\_

|     |  |  |    |   |
|-----|--|--|----|---|
| 32. | White crystalline sugar  | 1701.9910 and<br>1701.9920   | 8% |   |
| 33. | Urea, whether or not in aqueous solution   | 3102.1000  | 5% |   |
| 34. | 1. Set top boxes for gaining access to internet<br><br>2. TV broadcast transmitter<br><br>3. Reception apparatus for receiving satellite signals of a kind used with TV (satellite dish receivers)<br><br>4. Other set top boxes | 8517.6950<br><br>8525.5020<br><br>8528.7110 and<br>8528.7220<br><br>8528.7190 and<br>8528.7290 | 5% | <u>Subject to type approval by PEMRA. This concession shall be available upto 30<sup>th</sup> June , 2017</u> |

Further , one more item has been added under "Tillage and seed bed preparation equipment" {where rate of sales tax is 7 %} \_\_\_\_\_

|                         |           |
|-------------------------|-----------|
| (xx) Laser Land leveler | 8432.8090 |
|-------------------------|-----------|

Below is the another entry added under Plant , machinery , equipment and apparatus , including capital goods with specified conditions therein {where rate of sales tax is 5 %}

|    |  |                                |  |
|----|--|--------------------------------|--|
| 8. | 1. Milk chillers.  | 8418.6910 and<br>8418.6990     | <u>If imported by<br/>registered<br/>manufacturer<br/>who _____ is<br/>member of<br/>Pakistan<br/>Dairy<br/>Association.</u> |
|    | 2. Tubular heat exchanger<br>(for pasteurization).                                 | 8419.5000                      |  |
|    | 3. Milk processing plant,<br>milk spray drying plant,<br>Milk UHT plant.           | 8419.3900 and<br>8419.8100     |  |
|    | 4. Milk filters  |                                |  |
|    | 5. Any other machinery and<br>equipment for<br>manufacturing of dairy<br>products. | 8421.2900<br>Chapter 84 and 85 |  |

## RETAILERS REQUIRED TO PAY TAX ON STANDARD RATE

Under this special regime following amendments have been made , summarized as below \_\_\_\_\_

RETAILERS instead of the net tax payable at the applicable rate , have an option to pay sales tax under the turnover regime at the rate of two percent of their total turnover , including turnover relating to exempt supplies , without adjustment of any input tax whatsoever -----

RETAILERS shall furnish an option to The Chief Commissioner of the Regional Tax Office or the Large Taxpayers Unit having jurisdiction by fifteenth day of July , 2016 opting to Pay sales tax on the basis of turnover and such an option shall remain enforce for the whole financial year .

## 2 % FURTHER TAX

Now , the further tax shall not be charged , levied or paid on the taxable supplies of

“Second hand worn clothing and other worn articles  
falling under PCT heading 6309.0000”

## ‘SIXTH’ SCHEDULE

Supply of goods or Import of goods specified therein  
shall be EXEMPT from sales tax subject to specified  
conditions

Here , further more new entries have been added , detailed as under \_\_\_\_\_

|      |   |   |
|------|---|---|
| 130. | Premixes for growth stunting  | Respective Headings, and<br>subject to conditions<br>imposed for importation<br>under the Customs Act,<br>1969; |
| 131. | <b>Laptop computers, notebooks</b><br>whether or not incorporating<br>multimedia kit  | 8471.3010   |
| 132. | <b>Personal computers</b>   | 8471.3020   |
| 133. | <b>Pesticides and their active<br/>ingredients</b> registered by the<br>Department of Plant Protection<br>under the Agricultural Pesticides<br>Ordinance, 1971(II of 1971),<br>stabilizers, emulsifiers and<br>solvents, namely:— | 38.08   |
|      | Xylol (xylenes)   | 2707.3000   |

|  |           |
|--|-----------|
| - Beta Pinene / Agrotin 527 / Terpenic derivative  | 2902.1990 |
| Toluene  | 2902.3000 |
| Mixed xylene isomers   | 2902.4400 |
| Naphthalene  | 2902.9010 |
| Solvesso-100, 150, 200   | 2902.9090 |
| Ingredients for pesticides   | 2903.3040 |
| Cadusafos Technical Material   | 2903.6900 |
| Methanol (methyl alcohol)  | 2905.1100 |
| Propylene glycol (propane-1, 2-diol)   | 2905.3200 |
| - Adhesives Polyvinyl Acetate<br>- Polyvinyl Alcohol   | 2905.4900 |
| Ingredients for pesticides   | 2906.2910 |
| Other Ingredients for pesticides   | 2906.2990 |
| - Solvenon MP / 1-Methoxy 2-Propanol<br>- Methyglycol Acetate  | 2909.4910 |
| Methanal (formaldehyde)  | 2912.1100 |
| Cyclo-hexanone and methyl- cyclo-hexanones   | 2914.2200 |
| - Cyclohexanon<br>- Cyclohexanone Mixed petroleum Xylene (1,2 & 1,3 & 1,4 dimethyl benzene and ethyle benzene) | 2914.2990 |
| Acetic anhydride   | 2915.2400 |
| Ingredients for pesticides   | 2916.3920 |
| Diocylorthophthalates  | 2917.3200 |
| Ingredients for pesticides   | 2918.9010 |
| Ingredients for pesticides   | 2919.0010 |
| Other Ingredients for pesticides   | 2919.0090 |

|  |           |
|--|-----------|
| Endosulfan Technical Material  | 2920.9020 |
| Other Ingredients for pesticides   | 2920.9090 |
| Diethylamine and its salts   | 2921.1200 |
| Ingredients for pesticides   | 2921.4310 |
| Other Ingredients for pesticides   | 2921.4390 |
| Ingredients for pesticides   | 2921.5110 |
| Triethanolamine and its salts  | 2922.1300 |
| Dimethyl Formamide (DMF)   | 2924.1990 |
| Ingredients for pesticides   | 2924.2930 |
| Other Ingredients for pesticides   | 2924.2990 |
| Alpha cyano, 3-phenoxybenzyl (-) cis, trans 3-(2,2-dicloro vinyl) 2,2 dimethyl cyclopropane carboxylate  | 2926.9010 |
| (S) Alpha cyano, 3-phenoxybenzyl (S)-2-(4, chloro phenyl)-3 methyl butyrate  | 2926.9020 |
| Cyano, 3-phenony benzyl 2,2,3,3 tetra methyl cyclopropanecarboxalate   | 2926.9030 |
| - Cypermethrin, Alpha Cypermethrin, Beta-Cypermethrin, Zeta-Cypermethrin, Lambda Cylalothrin, Deltamethrin, Fenpropathrin, Esfenvalerate, Bifenthrin Technical Material- Acetamiprid, Imidacloprid Technical Material- Monomehypo, Chlorothalonil Technical Material-Bromoxynil Technical Material | 2926.9050 |
| Other nitrite compounds- Cyfluthrin, Beta Cyfluthrin Technical Material  | 2926.9090 |
| 2-N, N-Dimethyl amino-I sodium thiosulphate, 3-thiosulfourpropane  | 2930.2010 |
| Ingredients for pesticides   | 2930.2020 |

|   |           |
|---|-----------|
| 2- N,N-dimethy-amino 1,3 disodium thiosulphate propane  | 2930.9010 |
| O,S-dimethyl phosphoramidothioate   | 2930.9020 |
| S-S (2 dimethyl amino (trimethylene) bis (thiocarbamate)  | 2930.9030 |
| Diafethiuran technical (tertbutyl) 3-2-6 diisopropyl (4-phenoxyphenyl) thiourene                  | 2930.9040 |
| O-O diethyl O-(3,5,6 trichloropyridinyl) phosphorothioate   | 2930.9050 |
| O-(4-bromo, 2-chloro phenyl) o-ethyl s-propyl (phosphorothioate)                                  | 2930.9060 |
| O,O-diethyl O-(3,5,6-trichloro 2-pyridyl) phosphorothioate  | 2930.9070 |
| Ingredients for pesticides  | 2930.9080 |
| Other organosulphur compounds<br>- Ethion, Methamidophos Technical Material<br>- Dimethylsulfoxid | 2930.9090 |
| Ingredients for pesticides  | 2931.0010 |
| Other Ingredients for pesticides  | 2931.0090 |
| Ingredients for pesticides  | 2932.2920 |
| 2,3 Dihydro 2,2 dimethyl-7 benzofuranyl methyl-carbamate  | 2932.9910 |
| Other ingredients for pesticides<br>- Carbosulfan Technical Material                              | 2932.9990 |
| Fipronil  | 2933.1900 |
| Ingredients for pesticides  | 2933.3930 |
| Other Ingredients for pesticides  | 2933.3990 |
| - Chlorpyrifos, Triazophos, Diazinon Technical Material   | 2933.5950 |

|  |  |           |
|--|--|-----------|
|  | Other Ingredients for pesticides   | 2933.5990 |
|  | Pyrimethanine  | 2933.6910 |
|  | Ingredients for pesticides   | 2933.6940 |
|  | - Atrazine Technical Material  | 2933.6990 |
|  | Isatin (lactam of isitic acid)   | 2933.7910 |
|  | 1-Vinyl-2-pyrrol-idone   | 2933.7920 |
|  | - Triazophos Technical Material  | 2933.9910 |
|  | Ingredients for pesticides   | 2934.1010 |
|  | Ingredients for pesticides   | 2934.9920 |
|  | -Methyl benzimidazol – 2 – ylcarbamate.<br>-Dicopper chloride trihydroxide | 2938.9010 |
|  | Ingredients for pesticides   | 2939.9910 |
|  | - Abamectin, Eamectin Technical<br>Material                                | 2941.9050 |
|  | Other Ingredients for pesticides   | 2941.9090 |
|  | Sulphonic acid (Soft)  | 3402.1110 |
|  | Other surface active agents  | 3402.1190 |
|  | Cationic   | 3402.1290 |
|  | Non ionic surface active agents  | 3402.1300 |
|  | Other organic surface active agents  | 3402.1990 |
|  |  | 3402.9000 |
|  | Chemical preparations  | 3824.9099 |
|  | Solvent C-9  | 2707.5000 |



|      |   |                     |
|------|---|---------------------|
| 100A | <p>Materials and equipment for construction and operation of Gawadar Port and development of Free Zone for Gawadar Port as imported by or supplied to China Overseas Ports Holding Company Limited (COPHCL) and its operating companies namely (i) China Overseas Ports Holding Company Pakistan (Private) Limited (ii) Gawadar International Terminal Limited, (iii) Gawadar Marine Services Limited and (iv) Gawadar Free Zone Company Limited, their contractors and sub-contractors; and Ship Bunker Oils bought and sold to the ships calling on/visiting Gawadar Port, having Concession Agreement with the Gawadar Port Authority, for a period of forty year, subject to the following conditions and procedure, namely,–</p> <p><b>(A). Conditions and procedure for imports.–</b></p> <p>(i) This exemption shall be admissible only to China Overseas Ports Holding Company Limited (COPHCL) and its operating companies, their contractors and sub-contractors which hold the Concession Agreement;</p> <p>(ii) Ministry of Ports and Shipping shall certify in the prescribed manner and format as per Annex-I that the imported materials and equipments are bonafide requirement for construction and operation of Gawadar Port and development of Free Zone for Gawadar</p> | Respective Headings |
|------|---|---------------------|

|  |  |  |
|--|--|--|
|  | <p>Port. The authorized officer of that Ministry shall furnish all relevant information online to Pakistan Customs against a specific user ID and password obtained under section 155D of the Customs Act, 1969 (IV of 1969). In already computerized Collectorate or Customs station, where the computerized system is not operational, the Project Director or any other person authorized by the Collector in this behalf shall enter the requisite information in the Customs Computerized System on daily basis, whereas entry of the data obtained from the customs stations which have not yet been computerized shall be made on weekly basis, provided that this condition shall not apply to ship bunker oils; and</p> <p>(iii) The goods so imported shall not be sold or disposed of without prior approval of the FBR and payment of sales tax leviable at the time of import, provided that this condition shall not apply to ship bunker oils.</p> <p><b>(B). Conditions and procedure for local supply.–</b></p> <p>(i) This exemption shall be admissible only to China Overseas Ports Holding Company Limited (COPHCL) and its operating companies, their contractors and sub-contractors which hold Concession Agreement;</p> |  |
|--|--|--|

|  |   |  |
|--|---|--|
|  | <p>(ii) for claiming exemption on goods which are otherwise taxable in Pakistan, the operating companies will purchase the materials and equipment for the construction of Gawadar Port and development of Free Zone for Gawadar Port from the sales tax registered persons only;</p> <p>(iii) invoice of the exempt supply, containing the particulars required under section 23 of the aforesaid Act, shall for each supply be issued by the registered person to the operating company mentioning thereon that the said invoice is being issued under this notification;</p> <p>(iv) a monthly statement summarizing all the particulars of the supplies made in the month against invoices issued to the operating companies shall be prepared in triplicate by the registered persons making the exempt supplies and shall be signed by the authorized person of the registered person. All three copies of the said signed monthly statement shall be got verified by the registered person from the person authorized to receive</p> |  |
|--|---|--|

|      |   |                     |
|------|---|---------------------|
|      | <p>the supplies in the office of operating company, confirming that supplies mentioned in the monthly statement have been duly received;</p> <p>(v) after verification from the operating company, original copy of the monthly statement will be retained by the registered person, duplicate by the operating company and the triplicate provided by the registered person to the Collector of Sales Tax having jurisdiction, by twentieth day of the month following the month in which exempt supplies to the operating companies were made; and</p> <p>(vi) the registered person making the exempt supplies shall keep the aforesaid record for presentation to the sales tax department as and when required to do so.</p> |                     |
| 100B | Supplies made by the businesses to be established in the Gawadar Free Zone for a period of twenty-three years within the Gawadar Free Zone, subject to the condition that the sales and supplies outside the Gawadar Free Zone and into the territory of Pakistan shall be subjected to sales tax.  | Respective Headings |

## Annex-I

| Header Information  |             |       |                                |                   |     |          |      |                   |              |   |         |      |          |
|---|-------------|-------|--------------------------------|-------------------|-----|----------|------|-------------------|--------------|---|---------|------|----------|
| NTN/FTN of Importer   |             |       |                                |                   |     |          |      |                   |              | Approval No.                            |         |      |          |
| (1)   |             |       |                                |                   |     |          |      |                   |              | (2)                                     |         |      |          |
| Details of materials and equipments (to be filled in by the authorized officer of the Ministry of Ports and Shipping) |             |       |                                |                   |     |          |      |                   |              | Goods imported (Collectorate of import) |         |      |          |
| HS code   | Description | Specs | Customs duty rate (applicable) | Rate of sales tax | WHT | Quantity | UOM  | Quantity Imported | Collectorate | CRN/                                    | Date of | CRN/ | Mach No. |
| (3)   | (4)         | (5)   | (6)                            | (7)               | (8) | (9)      | (10) | (11)              | (12)         | (13)                                    | (14)    |      |          |

NOTE 1—Before certifying, the authorized officer of the Ministry of Ports and Shipping shall ensure that the goods are genuine and bona fide requirement for construction and operation of Gawadar Port and development of Free Zone for Gawadar Port .

Signature \_\_\_\_\_  
Designation \_\_\_\_\_

NOTE 2—In case of clearance through Pakistan Customs Computerized System, the above information shall be furnished online against a specific user I.D. and password obtained under section 155D of the Customs Act, 1969 (IV of 1969) .

Under the plant, machinery, equipment and apparatus, including capital goods, specified therein with specific HS Codes, shall be exempt from the whole of Sales tax, subject to conditions mentioned there and now , “dump trucks” have been added with pick-ups as below \_\_\_\_\_

|  |                     |   |
|--|---------------------|---|
| Coal mining machinery, equipment, spares, including vehicles for site use i.e. single or double cabin pick-ups, <u>dump trucks</u> imported for Thar Coal Field. | Respective Headings | <p>(a) This concession shall be available to those mining companies or their authorized operators or contractors who hold permits, licenses, leases and who enter into agreements with the Government of Pakistan or a Provincial Government.</p> <p>(b) The goods shall not be sold or otherwise disposed of without prior approval of the Board and the payment of customs duties and taxes leviable at the time of import. These shall, however, be allowed to be transferred to other entitled mining companies with prior approval of the Board.</p> |
|--|---------------------|---|

# MARBLE INDUSTRY

" SPECIAL PROCEDURE FOR PAYMENT OF SALES TAX BY THE MARBLE INDUSTRY "

Application – The special procedure shall apply to :

- Marble and granite manufacturing and polishing units, hereinafter referred to as marble and granite manufacturer operating on electric power regardless of the type of electricity connection ; and
- Units having valid registration with All Pakistan Marble Industries Association (A P M I A) .

Payment of Tax –

- Every manufacturer specified as above shall pay sales tax at the rate of one rupee and twenty five paisa unit of electricity consumed as a final discharge of his net sales tax liability to the extent of marble and granite manufacturing, grinding and polishing process .
- The electricity distribution companies shall charge and collect sales tax at the rate specified as above , from the manufacturers specified therein, in addition to sales tax payable at standard rate and any other tax leviable under sales tax law , including extra tax and further tax chargeable .
- The electricity distribution company shall deposit the sales tax as specified above without any adjustment against the same alongwith their relevant monthly sales tax return .
- The Regional Tax Office in whose jurisdiction such manufacturing units fall shall provide a list of these unit to the concerned electricity distribution company for charging sales tax on electricity consumption basis as specified above .
- In case the due amount of sales tax mentioned above is not mentioned in the electricity bill issued to any marble or granite manufacturer, he shall deposit the due amount of tax for the relevant tax period at the rate of one rupees and twenty five paisa per unit of electricity consumed through his monthly sales tax return .
- No input tax adjustment shall be allowed to the marble and granite manufacturer paying sales tax at the rate specified above . Such marble industry shall be required to issue sales tax invoice showing the total amount which shall be deemed to be inclusive of sales tax , however , such invoice shall not be admissible for input tax adjustment at any subsequent stage by any person .
- Every marble and granite manufacturer paying sales tax under these rules shall , if registered , be required to maintain record specified under sales tax law , and file monthly return.

## Responsibility of APMIA –

The APMIA shall be responsible to ensure that the marble industries pay sales tax in the manner specified in these aforesaid rules , and in case of non-compliance , the Association shall actively assist the concerned Commissioner for enforcement and recovery of sales tax due alongwith default surcharge calculated thereon , besides any other proceedings that may be initiated against the defaulting unit of marble industry under the sales tax law . APMIA shall be authorized to authenticate the paid electricity bills of marble industries paying sales tax under these above rules .

## Treatment for units engaged in exports –

Subject to permission of the concerned Commissioner having the jurisdiction , the option to exclude sales tax amount as specified above from the electricity bill shall be available to marble and granite manufacturer exporting more than fifty percent of his supplies .

## ZERO RATE SECTORS\REGIME

" TEXTILE – SYNTHETIC – CARPETS & JUTE – LEATHER AND SURGICAL & SPORTS "

Now , substituted as under \_\_\_\_\_

| S. No. | Description of goods and point taxation   | PCT Heading No.                       | Rate of Sales Tax  |
|--------|---|---------------------------------------|--|
| (1)    | (2)   | (3)                                   | (4)  |
| 1.     | <p><b><u>Goods usable as industrial inputs, specified in Table-I, including fabric</u></b></p> <p>(i) Import for in-house consumption by registered manufacturers of the <b><u>five sectors</u></b></p> <p>(ii) <u>commercial imports</u></p> <p>(iii) Supplies to registered or unregistered persons of the said <b><u>five sectors</u></b>, excluding supplies of finished fabric</p> <p>(iv) Supplies to persons outside the said <b><u>five sectors</u></b></p> <p>(v) Import by, or supply to, registered manufacturers, whether or not of the said <b><u>five sectors</u></b>, for the manufacture of goods specified in Table-I or Table-II</p> <p>(vi) Supplies of finished fabric to manufacturers of <b><u>five sectors</u></b> with specified condition</p> <p>(vii) Supplies of finished fabric to and by retailers ; supplies of finished fabric to end consumers; other supplies of finished fabric</p> | As Specified in Column (3) Of Table-I | <p>0%</p> <p>0%, plus 0% Value addition tax</p> <p>0%</p> <p>17%</p> <p>0%</p> <p>0%</p> <p>5%</p> |





# I n c o m e     T a x

## R E T U R N   O F   I N C O M E

The Commissioner is empowered to issue Notice in writing **in respect of one or more of the last ten completed tax years** , to any person to file a ' Return of Income ' , who has not filed return for any of the last five completed tax years .

### R E V I S I O N   O F   R E T U R N   O F   I N C O M E   V O L U N T A R I L Y

In respect of condition for revision , where approval of the Commissioner in writing for revision of return is obligatory , shall not apply and the approval required thereunder shall be deemed to have been granted by the Commissioner , if -

- ➡ the Commissioner has not made an order of approval in writing , for revision of return , before the expiration of sixty days from the date when the revision of return was sought ; or
- ➡ taxable income declared is more than or the loss declared is less than the income or loss , as the case may be , determined under Assessments .

### R E D U N D A N T   S U P E R E R O G A T O R Y   S U P E R F L U O U S

The provisions relating to minimum tax on Builders and Developers under the Income Tax Ordinance , now , become redundant and superfluous as new provisions of law for taxation of Builders and Developers have been introduced .

## RATES OF TAX ON BUILDERS

|                                      |  |                   |                  |  |                  |
|--------------------------------------|--|-------------------|------------------|--|------------------|
| (A)<br>Karachi, Lahore and Islamabad | (B)<br>Hyderabad, Sukkur, Multan,<br>Faisalabad, Rawalpindi, Gujranwala,<br>Sahiwal, Peshawar, Mardan,<br>Abbottabad, Quetta |                   |                  | (C)<br>Urban Areas not specified in<br>(A) and (B) |                  |
| For commercial buildings             |  |                   |                  |  |                  |
| Rs. 210/ Sq Ft                       | Rs. 210/ Sq Ft   |                   |                  | Rs. 210/ Sq Ft                                     |                  |
| For residential buildings            |  |                   |                  |  |                  |
| Area in<br>Sq. Ft                    | Rate/<br>Sq. Ft  | Area in<br>Sq. Ft | Rate / Sq.<br>Ft | Area in<br>Sq. Ft                                  | Rate /<br>Sq. Ft |
| Up to750                             | Rs. 20   | Up to750          | Rs. 15           | Up to 750  | Rs. 10           |
| 751 to 1500                          | Rs. 40   | 751 to 1500       | Rs. 35           | 751 to 1500  | Rs. 25           |
| 1501 & more                          | Rs. 70   | 1501 and<br>more  | Rs. 55           | 1501 and<br>more                                   | Rs. 35           |

## TAXATION\_{BUILDERS}

A tax shall be imposed on the profits and gains of a person deriving from the business of Construction and Sale of residential, commercial or other buildings at the rates specified AS ABOVE .

The tax imposed as aforesaid shall be computed by applying the relevant rate of tax to the area of the residential , commercial or other building being constructed for sale .

The Board may prescribe :

- » the mode and manner for payment and collection of tax under this section ;
- » the authorities granting approval for computation and payment plan of tax ; and
- » responsibilities and powers of the authorities approving , suspending and cancelling no objection certificate to sell and the matters connected and ancillary thereto .

This afore-discussed provision shall apply to business or projects undertaken for construction and sale of residential , commercial or other buildings initiated and approved after the 1<sup>st</sup> July , 2016 .

## RATES OF TAX ON DEVELOPERS

|                                      |  |  |                  |                   |                  |
|--------------------------------------|--|--|------------------|-------------------|------------------|
| (A)<br>Karachi, Lahore and Islamabad | (B)<br>Hyderabad, Sukkur, Multan,<br>Faisalabad, Rawalpindi, Gujranwala,<br>Sahiwal, Peshawar, Mardan,<br>Abbottabad, Quetta | (C)<br>Urban Areas not specified in<br>(A) and (B) |                  |                   |                  |
| For commercial buildings             |  |  |                  |                   |                  |
| Rs. 210/ Sq Ft                       | Rs. 210/ Sq Ft   | Rs. 210/ Sq Ft                                     |                  |                   |                  |
| For residential buildings            |  |  |                  |                   |                  |
| Area in<br>Sq. Ft                    | Rate/ Sq. Ft   | Area in<br>Sq. Ft                                  | Rate / Sq.<br>Ft | Area in<br>Sq. Ft | Rate /<br>Sq. Ft |
| Up to 120                            | Rs. 20   | Up to 120  | Rs. 15           | Up to 120         | Rs. 10           |
| 121 to 200                           | Rs. 40   | 121 to 200   | Rs. 35           | 121 to 200        | Rs. 25           |
| 201 and more                         | Rs. 70   | 201 and<br>more                                    | Rs. 55           | 201 and<br>more   | Rs. 35"          |

## TAXATION\_{DEVELOPERS}

A tax shall be imposed on the profits and gains of a person deriving from the business of development and sale of residential , commercial or other plots at the rates specified AS ABOVE .

The tax imposed as above shall be computed by applying the relevant rate of tax to the area of the residential , commercial or other plots for sale .

The Board may prescribe :

- »» the mode and manner for payment and collection of tax under this section ;
- »» the authorities granting approval for computation and payment plan of tax ; and
- »» responsibilities and powers of the authorities approving, suspending and cancelling no objection certificate to sell and the matters connected and ancillary thereto .

This afore-discussed provision shall apply to projects undertaken for development and sale of residential , commercial or other plots initiated and approved after the 1<sup>st</sup> July , 2016 .

### CAPITAL GAINS ON DISPOSAL OF IMMOVABLE PROPERTY

| S.No<br>(1) | Period<br>(2)   | Rate of tax<br>(3) |
|-------------|---|--------------------|
| 1.          | Where holding period of Immovable property is <u>up to five years</u> .     | <b>10%</b>         |
| 2.          | Where holding period of immovable property is <u>more than five years</u> . | <b>0%</b>          |

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

## CAPITAL GAINS ON DISPOSAL OF SECURITIES

| S.No. | Period   | Tax Year<br>2 0 1 5 | Tax Year<br>2 0 1 6 | Tax Year 2017 |            |
|-------|--|---------------------|---------------------|---------------|------------|
|       |  |                     |                     | Filer         | Non-Filer  |
| (1)   | (2)  | (3)                 | (4)                 | (5)           | (6)        |
| 1.    | Where holding period of a security is less than 12 months  | <b>12.5%</b>        | <b>15%</b>          | <b>15%</b>    | <b>18%</b> |
| 2.    | Where holding period of a security is 12 months or more but less than 24 months  | <b>10%</b>          | <b>12.5%</b>        | <b>12.5%</b>  | <b>16%</b> |
| 3.    | Where holding period of a security is 24 months or more but the security was acquired on or after 1 <sup>st</sup> July, 2012 | <b>0%</b>           | <b>7.5%</b>         | <b>7.5%</b>   | <b>11%</b> |
| 4.    | Where the security was acquired before 1 <sup>st</sup> July, 2012  | <b>0%</b>           | <b>0%</b>           | <b>0%</b>     | <b>0%”</b> |
| 5.    | Future commodity contracts entered into by the members of Pakistan Mercantile Exchange                                       | <b>0%</b>           | <b>0%</b>           | <b>5%</b>     | <b>5%;</b> |

*Explanation :* For the dismissal of any dubiousness and uncertainty , it is clarified that derivative products include future commodity contracts entered into by the members of Pakistan Mercantile Exchange whether or not settled by physical delivery .

## TRANSITIONAL ADVANCE TAX PROVISIONS

### Advance tax on foreign-produced TV plays and serials & Collection of tax by Pakistan Mercantile Exchange Limited (PMEX)

The advance tax provisions on foreign produced TV plays and serials and collection of tax by PMEX have been done away with .

### Cash withdrawal from a bank

An explanation has been inserted under this above provision of collection of advance tax on cash withdrawals from banks , detailed as under \_\_\_\_\_

***“Explanation.***- For removal of doubt, it is clarified that the said fifty thousand rupees shall be aggregate withdrawals from all the bank accounts in a single day.”

### ADVANCE TAX ON PRIVATE MOTOR VEHICLES

A proviso and a sub-section have been inserted under this above provision of collection of advance tax on private motor vehicles , detailed as under \_\_\_\_\_

“Provided that no collection of advance tax under this above provision shall be made after five years from the date of first registration as

- (a) the date of issuance of broad arrow number in case a vehicle is acquired from the Armed Forces of Pakistan ;
- (b) the date of registration by the Ministry of Foreign Affairs in case the vehicle is acquired from a foreign diplomat or a diplomatic mission in Pakistan ;
- (c) the last day of the year of manufacture in case of acquisition of an unregistered vehicle from the Federal or a Provincial Government ;  
and

in all other cases the date of first registration by the Excise and Taxation Department ” ; and

" Every leasing company or a scheduled bank or an investment bank or a development finance institution or a modaraba shall , at the time of leasing of a motor vehicle to a non-filer , collect advance tax at the rate of three percent of the value of the motor vehicle ."

#### ADVANCE TAX AT ThE TimE of sAlE by AuCTioN

A sub-section has been inserted under this above provision of collection of advance tax at the time of sale by auction , detailed as under \_\_\_\_\_

" Notwithstanding the provisions of the credit for the tax collected under this provision in that tax year shall , subject to the provisions of advance tax paid by the taxpayer , be given in computing the tax payable by the person purchasing such property in the relevant tax year or in the case of a taxpayer to whom provisions relating to 'Discontinuance of business or dissolution of an AOP' or 'Assessment of persons about to leave Pakistan' apply , the tax year, in which the "said date" as referred to, falls or whichever is later , tax collected on a lease of the right to collect tolls shall be final tax ."

#### ADVANCE TAX oN sAlE or TrANsfEr of immoVAbLE propErTy

A sub-section has been inserted under this above provision of collection of advance tax at the time of sale or transfer of immovable property by the registration authority , detailed as under \_\_\_\_\_

" Advance tax under this provision of law shall not be collected if the immovable property is held for a period exceeding five years ."

#### ADVANCE TAX oN bANkiNg TrANsACTioNs oThErwiSE ThAN ThroUgh CASH

" **Explanation.**- For removal of doubt, it is clarified that the said fifty thousand rupees shall be aggregate transfers from all the bank accounts in a single day."



## AdvAncE tax on insurance premium

Every insurance company shall collect advance tax at the time of collection of insurance premium from non-filers in respect of general insurance premium and life insurance premium , at the rates specified .

Insurance premium collected through agents of the insurance company shall be treated to have been collected by the insurance company .

Advance tax collected here shall be adjustable .

### RATE OF ADVANCE TAX ON INSURANCE PREMIUM

|   | Type of Premium  | Rate |
|---|--|------|
| → | General insurance premium                                    | 4%   |
| → | Life insurance premium if exceeding Rs 0.2 million per annum | 1%   |
| → | Others   | 0%   |

## AdvAncE tax on extraction of minerals

There shall be collected advance tax at the rate specified on the value of minerals extracted , produced , dispatched and carried away from the licensed or leased areas of the mines .

Advance tax as above shall be collected by the Provincial Authority collecting royalty per metric ton from the lease-holder of mines or any person extracting minerals .

Advance tax collected here shall be adjustable .

The value of the minerals for the purpose of this section shall be as specified by the Board .

## RATE OF ADVANCE TAX ON EXTRACTION OF MINERALS

The rate of tax to be collected from the extraction of minerals **shall be 5% of the value of the minerals** for non-filers and 0% for filers .

## INCOME FROM PROPERTY

Rent received or receivable by a person for a tax year

Any income under income from property derived by an individual or AOPs shall be liable to tax at the separate rates chart introduced .

The provision of income from property shall not apply in respect of an individual or AOPs deriving income chargeable to tax , if , not exceeding Rs. 200,000 during a tax year and do not have taxable income under any other head .

## RATE OF TAX

| S.No.<br>(1) | Gross amount of rent<br>(2)   | Rate of tax<br>(3)   |
|--------------|---|--|
| 1.           | Where the gross amount of rent does not exceed Rs.200,000.                            | Nil  |
| 2.           | Where the gross amount of rent exceeds Rs.200,000 but does not exceed Rs.600,000.     | 5 per cent of the gross amount exceeding Rs.200,000.                   |
| 3.           | Where the gross amount of rent exceeds Rs.600,000 but does not exceed Rs.1,000,000.   | Rs.20,000 plus 10 per cent of the gross amount exceeding Rs.600,000.   |
| 4.           | Where the gross amount of rent exceeds Rs.1,000,000 but does not exceed Rs.2,000,000. | Rs.60,000 plus 15 per cent of the gross amount exceeding Rs.1,000,000. |
| 5.           | Where the gross amount of rent exceeds Rs.2,000,000.                                  | Rs.210,000 plus 20 per cent of the gross amount exceeding Rs.2,000,000 |

## DEDUCTIONS NOT ALLOWED

[Deductions in computing income under 'Income from Business']

Here , certain amendments and new substitutions have been made , summarized as below \_\_\_\_\_

- any expenditure from which the person is required to deduct or collect tax under the various provisions of income tax law , unless the person has paid or deducted and paid the tax as required .

As long as disallowance in respect of purchases of raw materials and finished goods hereunder shall not exceed twenty percent of purchases of raw materials and finished goods :

Further , in the event the recovery of any amount of tax under 'failure to pay tax collected or deducted' or 'recovery of tax from the person from whom tax was not collected or deducted' shall be considered as tax paid .

- any expenditure in respect of sales promotion , advertisement and publicity in excess of five percent of turnover incurred by pharmaceutical manufacturers.

## D E P R E C I A T I O N

[Allowance / Deduction for the Depreciation of the person's depreciable assets used in the person's business in the tax year ]

Here , an explanation has been added , detailed as below \_\_\_\_\_

*Explanation* - For the dismissal of any dubiousness and uncertainty , it is clarified that where any building , furniture , plant or machinery is used for the purposes of business during any tax year for which the income from such business is exempt , admissible initial depreciation shall be treated to have been allowed in respect of the said tax year and after expiration of the exemption period , written down value of such assets shall be determined after reducing total depreciation deductions (including any initial allowance) as per provisions herein mentioned .

## TAX CREDIT FOR INVESTMENT IN HEALTH INSURANCE

A resident person being a filer other than a company shall be entitled to a tax credit for a tax year in respect of any health insurance premium or contribution paid to any insurance company registered by the Securities and Exchange Commission of Pakistan under the Insurance Law as long as the resident person being a filer is deriving income chargeable to tax under the head "salary" or "income from business".

The amount of a person's tax credit allowed here for a tax year shall be computed according to the following formula , namely: —

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

where—

- A is the amount of tax assessed to the person for the tax year before allowance of tax credit here ;
- B is the person's taxable income for the tax year ; and
- C is the lesser of —
  - (a) the total contribution or premium paid by the person as above in the year ;
  - (b) **five per cent** of the person's taxable income for the year; and
  - (c) one hundred thousand rupees .

## CONTRIBUTION TO AN APPROVED PENSION FUND

In the event the additional contribution of **two percent per annum** for each year of age exceeding forty years shall be allowed upto the 30<sup>th</sup> June, 2019 as long as the condition that the total contribution allowed to such person shall not exceed thirty percent of the total taxable income of the preceding year .

## DEDUCTIBLE ALLOWANCE OF 'EDUCATION' EXPENSES

Individuals shall be entitled to a deductible allowance in respect of tuition fee paid by him/her in a tax year as long as the taxable income of the individual is less than **one million rupees** .

The allowed deductible allowance as above for a tax year shall not exceed the lower of

- (a) **five percent** of the total tuition fee paid in the year by the individual as above ;
- (b) **twenty-five percent** of the individual's taxable income for the year ; and
- (c) an amount computed by multiplying **sixty thousand** with **number of children** of the individual .

Any allowance or part of an allowance here for a tax year that is not able to be deducted for the year **shall not be carried forward** to a subsequent tax year .

Allowance here shall be allowed against the tax liability of either of the parents making payment of the fee on furnishing NTN or name of the educational institution .

Allowance here shall not be taken into account for computation of tax deduction under salary .

## TAX CREDIT FOR EMPLOYMENT GENERATION BY MANUFACTURERS

A taxpayer company formed for establishing and operating a new manufacturing unit between the 1st day of July, 2015 and the 30th day of June 2019 (both days inclusive) it shall be given a tax credit for a period of **ten** years .

The above tax credit for a tax year shall be equal to **TWO percent** of the tax payable for every fifty employees registered with the Sindh EOBI or the Sindh SSI during the tax year , subject to a maximum of **ten percent** of the tax payable .

## VARIOUS TAX CREDITS

### Tax credit To a person registered under The sales Tax REGIME

The rate has been enhanced to 3 % from 2 ½ % and now it is applicable upto June '2019 .

### Tax credit for investment

Taxpayer Company invests any amount in the purchase of plant and machinery , for the purposes of extension , expansion , balancing , modernization and replacement owned by it, credit equal to ten per cent of the amount so invested shall be allowed against the tax payable , now , extended upto June '2019 .

### Tax credit for enlistment

Taxpayer Company opts for enlistment in any registered stock exchange in Pakistan , a tax credit equal to twenty percent of the tax payable shall be allowed for the tax year in which the said company is enlisted and for the following tax year .

### Tax credit for newly established industrial undertakings

The tax credit instead equal to 100 % , shall be computed as under \_\_\_\_\_

The amount of a person's tax credit allowed for a tax year shall be computed according to the following formula , namely : —

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

where—

- A is the amount of tax assessed to the person for the tax year before allowance of any tax credit for the tax year ;
- B is the equity raised through issuance of new shares for cash consideration ; and
- C is the total amount invested in setting up the new industrial undertaking .

If 70 % equity raised through issuance of new shares for cash consideration (one of the condition) , set up upto June '2019 .

Tax credit for industrial undertakings established  
before the 1<sup>st</sup> day of July, 2011

Investment instead of 100 % new equity at least 70 % new equity through issuance of new shares, set up upto June '2019 and the tax credit instead equal to 100 %, shall be computed as under \_\_\_\_\_

The amount of a person's tax credit allowed for a tax year shall be computed according to the following formula, namely: —

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

where—

- A is the amount of tax assessed to the person for the tax year before allowance of any tax credit for the tax year ;
- B is the equity raised through issuance of new shares for cash consideration ; and
- C is the total amount invested in the purchase and installation of plant and machinery for the industrial undertaking .

However, subsequently, if it is discovered, that business has been discontinued in the subsequent five years after the credit has been allowed or any of the specified condition was not fulfilled, the credit originally allowed **shall be deemed to have been wrongly allowed** and the Commissioner Inland Revenue may, re-compute the tax payable by the taxpayer for the relevant year and the provisions of the Income Tax Ordinance shall apply accordingly .

## FAIR MARKET VALUE

The fair market value of any property or rent, asset, service, benefit or perquisite at a particular time shall be the price which the property or rent, asset, service, benefit or perquisite would ordinarily fetch on sale or supply in the open market at that time .

The above fair market value shall be determined without regard to any restriction on transfer or to the fact that it is not otherwise convertible to cash .

Where the price other than the price of immoveable property referred above is not ordinarily ascertainable, such price may be determined by the Commissioner .

Despite anything contained as above, the fair market value of immovable property shall be determined on the basis of valuation made by a panel of approved valuers of the State Bank of Pakistan .

## TRANSACTIONS BETWEEN ASSOCIATES

Every taxpayer who has entered into a transaction with its associate shall :

- maintain a master file and a local file containing documents and information as may be prescribed ;
- keep and maintain prescribed country-by-country report, where applicable ;
- keep and maintain any other information and document in respect of transaction with its associate as may be prescribed ; and
- keep the files, documents, information and reports specified in clauses (a) to (c) for the period as may be prescribed .

A taxpayer who has entered into a transaction with its associate shall furnish , **within thirty days** the documents and information to be kept and maintained as above , if required by the Commissioner in the course of any proceedings under the Income Tax Ordinance .

The Commissioner may , by an order in writing , grant the taxpayer an extension of time for furnishing the documents and information as above , if the taxpayer applies in writing to the Commissioner for an extension of time to furnish the said documents or information :

In the event , the Commissioner shall not grant an extension of **more than forty-five days** , when such information or documents were required to be furnished as above , unless there are exceptional circumstances justifying a longer extension of time .

## 'MINIMUM' (TURNOVER) TAX

Applicable to a resident company , an individual (**having turnover of ten million rupees or above in the tax year 2017 or in any subsequent tax year**) and an AOP (**having turnover of ten million rupees or above in the tax year 2017 or in any subsequent tax year**) where , for any reason whatsoever allowed under the Income Tax Ordinance , including any other law for the time being in force —

- (a) loss for the year ;
- (b) the setting off of a loss of an earlier year ;
- (c) exemption from tax ;



- (d) the application of credits or rebates ; or
- e) the claiming of allowances or deductions (including depreciation and amortization deductions) no tax is payable or paid by the person for a tax year or the tax payable or paid by the person for a tax year is less than one percent of the amount representing the person's turnover from all sources for that year :

*Explanation.*-For the purpose of this minimum tax provision , the expression "tax payable or paid " does not include –

- a) tax already paid or payable in respect of deemed income which is assessed as final discharge of the tax liability under Income Tax Ordinance or under any other provision of this said Ordinance ; and
- b) tax payable or paid as Super tax for rehabilitation of temporarily displaced persons .

Where this above provision applies

- (a) the aggregate of the person's turnover as defined here for the tax year shall be treated as the income of the person for the year chargeable to tax ;
- (b) the person shall pay as income tax for the tax year (instead of the actual tax payable under the Income Tax Ordinance) , minimum tax computed on the basis of specified rates;
- (c) where tax paid as above exceeds the actual tax payable , the excess amount of tax paid shall be carried forward for adjustment against tax liability of the subsequent tax year :

Subject to the amount herein as above shall be carried forward and adjusted against tax liability for five tax years immediately succeeding the tax year for which the amount was paid .

"t u r n o v e r"      m e a n s

- (a) the gross sales or gross receipts, exclusive of Sales Tax and Federal Excise duty or any trade discounts shown on invoices, or bills, derived from the sale of goods, and also excluding any amount taken as deemed income and is assessed as final discharge of the tax liability for which tax is already paid or payable ;

- (b) the gross fees for the rendering of services for giving benefits including commissions; except covered by final discharge of tax liability for which tax is separately paid or payable ;
- (c) the gross receipts from the execution of contracts; except covered by final discharge of tax liability for which tax is separately paid or payable ; and
- (d) the company's share of the amounts stated above of any association of persons of which the company is a member .

## PROVISIONAL ASSESSMENT

[Where a person fails to file a return of income against issuance of Notice for such filing]

The provisions of Provisional Assessment shall not apply , if —

- ➡ return of income along with wealth statement , wealth reconciliation statement and other documents required here are filed by the person being an individual or an AOP for the relevant tax year during the said period of **forty-five days** ; and
- ➡ the individual or an association of persons presents accounts and documents for conducting audit of income tax affairs for that tax year :

Provided further that the provisions of being final assessment order after the expiry of 45 days , shall not apply —

- ➡ to a company , if return of income tax alongwith audited accounts or final accounts, as the case may be , for the relevant tax year are filed by the company electronically during the said period of **forty-five days** ; and
- ➡ if the company presents accounts and documents for conducting audit of its income tax affairs for that tax year .

## TAX COLLECTED OR DEDUCTED AS A FINAL TAX

Where the tax collected or deducted is final tax and separate rates for filer and non-filer have been prescribed for the said tax , the **final tax shall be the tax rate for filer** and the excess tax deducted or collected on account of higher rate of non-filer shall be adjustable in the return filed for the relevant tax year .

## PAYMENT FOR FOREIGN PRODUCED C O M M E R C I A L S

Every person responsible for making payment directly or through an agent or intermediary to a non resident person for foreign produced commercial for advertisement on any television channel or any other media shall deduct tax at the rate of twenty percent from the gross amount paid .

## PAYMENT FOR RENDERING OR PROVIDING OF SERVICES

Tax deducted on services by person making payments to electronic and print media for advertising services shall be final tax with effect from the 1<sup>st</sup> July, 2016 .

## ADVANCE TAX FROM PROVINCIAL SALES TAX REGISTERED PERSONS

Every provincial sales tax registered person shall be liable to pay adjustable advance tax at the rate of three per cent of the turnover declared before the Provincial revenue authority .

The advance tax as above shall be paid monthly at the time when sales tax return is to be filed with the Provincial revenue authority .

Advance tax paid herein above may be taken into account while working out advance tax payable under section 147 .

The provisions of the Income Tax Ordinance shall apply to any advance tax due under this above provisions as if the amount due were tax due under an assessment order .

A taxpayer who has paid advance tax herein above for a tax year shall be allowed a tax credit for that tax in computing the tax due by the taxpayer on the taxable income of the taxpayer for that year .

A tax credit allowed for advance tax paid under this above provisions shall be applied in accordance with the above sub-provisions .

A tax credit or part of a tax credit allowed here for a tax year that is not able to be credited for the year shall be refunded to the taxpayer in accordance with section 170 .

This above provision shall not apply to a person who was filer on the thirtieth day of June of the previous tax year .

## OTHER SPECIALISED BUSINESSES \ ITEMS

Here , certain amendments , modifications and new substitutions have been made , summarized as below \_\_\_\_\_

### RULES FOR THE COMPUTATION OF THE PROFITS AND GAINS OF INSURANCE BUSINESS

In computing income under Insurance Business , there shall be included capital gains on disposal of shares and dividend of listed companies , vouchers of Pakistan Telecommunication Corporation , modaraba certificate or instruments of redeemable capital and derivative products and shall be taxed at the specified rates .

### RECOGNISED PROVIDENT FUNDS

Employer's annual contributions , deemed to be income received by employee , where , the portion of the annual accretion in any year to the balance at the credit of an employee participating in a recognized provident fund as consists of –

contributions made by the employer in excess of one-tenth of the salary or Rs 150,000 whichever is low of the employee

### RULES FOR THE COMPUTATION OF THE PROFITS AND GAINS OF A BANKING COMPANY AND TAX PAYABLE THEREON

For tax year 2015 and 2016 the provisions of section 4B shall apply to banking companies and shall be taxed at the specified rate .

### RULES FOR THE COMPUTATION OF CAPITAL GAINS ON LISTED SECURITIES [Manner and basis of computation of capital gains and tax thereon]

Capital gains on disposal of units of open ended mutual funds and to which Special Gain Tax apply, shall be computed and determined under this Schedule and tax thereon shall be collected and deposited by NCCPL in the prescribed manner :

Provided that law relating to Capital Gains on Disposal of Securities regarding capital gains arising on redemption of securities shall continue to apply .

Gain or loss arising to persons through trading of future commodity contracts on Pakistan Mercantile Exchange, subject to tax under Capital Gain Sale of Securities and to which Special Gain Tax apply, shall be computed and determined under this Schedule and tax thereon shall be collected and deposited on behalf of taxpayers by NCCPL as prescribed .

For the purpose of these above rules , NCCPL shall develop an automated system .

Provided that if the said information is not furnished under this sub-rule or sub-rule (3A), NCCPL shall forward the details to the Commissioner who shall exercise powers under the Ordinance to enforce furnishing of the said information including all penalty provisions .

The Asset Management Companies , Pakistan Mercantile Exchange and any other person shall furnish information when required by NCCPL for discharging obligations under here in this regime .

## APPEAL TO COMMISSIONER {APPEALS}

The Commissioner (Zonal , has the jurisdiction over the case of the taxpayer) shall not issue notice for recovery of any tax due from a taxpayer , if the said taxpayer has filed an appeal before the Commissioner (Appeals) in respect of the order under which the tax sought to be recovered has become payable and the appeal has not been decided by the Commissioner (Appeals) , subject to the condition that twenty-five percent of the said amount of tax due has been paid by the taxpayer .

## EXEMPTIONS ADVANCED TO

### GRATUITY FUND

UPTO Rs. 300,000 is tax free in the case of other Employees (other than Government employees and Gratuity Fund approved by the Commissioner) .

### COMPUTER SOFTWARE OR I. T. SERVICES

Total income exempted upto June 30 , 2019 , in case 80 % of the Export Proceeds brought into Pakistan in Foreign Exchange remitted from outside Pakistan through normal Banking Channels .

## CHINA BASED COMPANY AND GAWADAR PORT

Income derived by China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gawadar International Terminal Limited, Gawadar Marine Services Limited and Gawadar Free Zone Company Limited from Gawadar Port operations for a period of twenty-three years , with effect from the sixth day of February, 2007 .

Profit and gains derived by a taxpayer from businesses set up in the Gawadar Free Zone Area for a period of twenty three years with effect from the first day of July, 2016 .

Profit on debt derived by –

any foreign lender ; or

any local bank having more than 75 percent shareholding of the Government or the State Bank of Pakistan ,

under a Financing Agreement with the China Overseas Ports Holding Company Limited, for a period of twenty three years with effect from the first day of July, 2016 .

Income derived by contractors and sub-contractors of China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited , Gawadar International Terminal Limited , Gawadar Marine Services Limited and Gawadar Free Zone Company Limited from Gawadar Port operations for a period of twenty years , with effect from the first day of July , 2016 ; and

Any income derived by China Overseas Ports Holding Company Limited being dividend received from China Overseas Ports Holding Company Pakistan (Private) Limited , Gawadar International Terminal Limited Gawadar Marine Services Limited and Gawadar Free Zone Company Limited for a period of twenty-three years with effect from the first day of July , 2016 .

Any income derived by China Overseas Ports Holding Company Pakistan (Private) Limited being dividend received from, Gawadar International Terminal Limited Gawadar Marine Services Limited and Gawadar Free Zone Company Limited for a period of twenty-three years with effect from the first day of July , 2016 .

## SERVICES RENDERED AND CONSTRUCTION CONTRACTS - OUTSIDE PAKISTAN

The tax in respect of income from Services Rendered outside Pakistan and Construction Contracts executed outside Pakistan shall be charged at the rates as specified below

Subject to receipts from services and income from contracts are brought into Pakistan in foreign exchange through normal banking channel .

## EXCEPTION TO THE RULE

The minimum (turnover) tax provisions **shall not apply** in respect of the following \_\_\_\_\_

- ▶▶ China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gawadar International Terminal Limited, Gawadar Marine Services Limited and Gawadar Free Zone Company Limited for a period of twenty three years, with effect from the Sixth day of February , 2007 .
- ▶▶ Companies , having exemption on Profits and gains derived from a transmission line project set up in Pakistan on or after the 1st day of July, 2015 for a period of ten years .

The minimum (turnover) tax shall be **0.5% upto the tax year 2019** and 1 % thereafter in respect of :

Companies operating Trading Houses which —

- (i) have paid up capital of exceeding Rs.250 million ;
- (ii) own fixed assets exceeding Rs.300 million at the close of the Tax Year ;
- (iii) maintain computerized records of imports and sales of goods ;
- (iv) maintain a system for issuance of 100% cash receipts on sales ;
- (v) present accounts for tax audit every year ; and
- (vi) is registered under the Sales Tax Act , 1990]

The provision in respect of deduction or collection of tax from payment of Dividend shall not apply to \_\_\_\_\_

- China Overseas Ports Holding Company Limited ,
- China Overseas Ports Holding Company Pakistan (Private) Limited ,
- Gawadar International Terminal Limited ,
- Gawadar Marine Services Limited , and
- Gawadar Free Zone Company Limited

for a period of twenty-three years.

## SECOND PAKISTAN INTERNATIONAL SUKUK COMPANY LIMITED

The provisions relating to advance tax under the income tax of law in respect of the following shall not apply to the above named company \_\_\_\_\_

### AS A PAYER :

- ➡ advance payment of tax (Section 147) ;
- ➡ profit on debt ;
- ➡ payment to non-resident ;
- ➡ cash withdrawals from Bank ;
- ➡ on transaction in Bank (other than cash) ;
- ➡ at the time of sale by Auction ; and
- ➡ on purchase / transfer of immovable property .

### AS A RECIPIENT :

- ➡ advance payment of tax (Section 147) ;
- ➡ profit on debt ; and
- ➡ income from property (Rent) .

The provision relating to advance tax on sale or transfer of immovable property shall not apply to “Pakistan International Sukuk Company Limited .

The provisions relating to deduction of tax from Rendering of or Providing of Services shall not apply for the period beginning on the first day of July, 2015 and ending on the thirtieth day of June, 2017 to a company being a filer and engaged in providing or rendering

freight forwarding services ,  
air cargo services ,  
courier services ,  
manpower outsourcing services ,  
hotel services ,  
security guard services ,  
tracking services ,



advertising services (other than by print or electronic media) ,  
share registrar services ,  
engineering services or car rental services , and  
software development services , IT services and IT enabled services :

#### I.T. SERVICES AND I.T. ENABLED SERVICES

“IT Services” include software development , software maintenance , system integration , web design , web development , web hosting , and network design , and

“IT Enabled Services” include inbound or outbound call centers , medical transcription , remote monitoring , graphics design , accounting services , HR services , telemedicine centers , data entry operations , locally produced television programs and insurance claims processing .

As long as the tax payable or paid on the income from providing or rendering aforesaid services **shall not be less than** two percent of the gross amount of turnover from all sources and that the company furnishes in writing an irrevocable undertaking by the fifteenth day of November, 2015 to present its accounts to the Commissioner within thirty days of filing of return , for audit of its income tax affairs for tax year 2016 or 2017, as the case may be .

If and only if for tax year 2017, the company shall furnish irrevocable undertaking by November, 2016 , to present its accounts to the Commissioner .

#### NO TAX AT IMPORT STAGE FOR AN INDUSTRIAL UNDERTAKING

If the tax liability for the current tax year , on the basis of determined tax liability for any of the preceding two tax years , whichever is the higher , has been paid .

As long as the quantity of raw material to be imported which is sought to be exempted from tax **shall not exceed 110 percent** of the quantity of raw material imported and consumed during the previous tax year :

On condition that the Commissioner shall conduct audit of taxpayer's accounts during the financial year in which the certificate is issued in respect of consumption , production and sales of the latest tax year for which return has been filed and the taxpayer shall be treated to have been selected for audit :

In the event , if the taxpayer fails to present accounts or documents to the Commissioner or the officer authorized by the Commissioner , the Commissioner shall , by an order in writing , cancel the certificate issued and shall proceed to recover the tax not collected at import stage for the period prior to such cancellation and all the provisions of the Income Tax Ordinance shall apply accordingly .

## BROKERAGE AND COMMISSION

| S. No. | Person  | Rate applicable on the amount of payment. |             |
|--------|---|---|-------------|
|        |   | Filer                                     | Non-filer   |
| (1)    | (2)   | (3)                                       | (4)         |
| 1.     | Advertising Agents  | <b>10 %</b>                               | <b>15 %</b> |
| 2.     | Life Insurance Agents where commission received is less than Rs.0.5 million per annum | <b>8 %</b>                                | <b>16 %</b> |
| 3.     | Persons not covered in 1 and 2 above  | <b>12 %</b>                               | <b>15 %</b> |

## RATES FOR COLLECTION OF TAX BY A STOCK EXCHANGE REGISTERED IN PAKISTAN

| S.No. | Description                   | Rate                           |
|-------|-------------------------------|--------------------------------|
| (1)   | (2)                           | (3)                            |
| 1.    | in case of purchase of shares | <b>0.02% of purchase value</b> |
| 2.    | in case of sale of shares     | <b>0.02% of sale value</b>     |

Advance tax on sale or transfer of Immovable property

| Filer      | Non-filer  |
|------------|------------|
| (1)        | (2)        |
| <b>1 %</b> | <b>2 %</b> |

Advance tax in the case of Cable Television Operator

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

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

In addition to tax collected as above PEMRA shall collect tax at the rate of fifty percent of the permission fee or renewal fee, as the case may be, from every TV Channel on which foreign TV drama serial or a play in any language , other than English , is screened or viewed .

\* \* \* \* \*  
\* \* \* \* \*

# Customs

a → Tariff slabs reduced from existing 5 to 4 by merging 2% slab and 5% slab in new 3% slab .

b → 10% and 15% slabs substitute with 11% and 16% slabs respectively .

c → Concessions of CD for Dairy, Livestock & Poultry Sectors from 5% to 2%.  
Concessions of CD for Fish Farming, fish feed pellet (floating type) machines . from 5% to 2%, fish / shrimp feed 10% & 20% to 0% .

d → Exemption from CD on import of Premixes to prevent growth stunting (from 5 - 20% to 0%) .

e → Expansion in scope of exemption on Renewable Energy Technologies .

f → Expansion in scope of exemption for Charitable non-profit making Institutions Operating Hospitals .

g → Relief on Cool Chain Machinery .

h → Extension in relief on import of Solar Panels till June, 2017 .

i → Exemption from CD and taxes on disposal of old & used ambulances imported by Edhi Foundation .

j → Implementation of automotive development policy (ADP) 2016-2021 .

| S.No | Measure  | OLD CD % | NEW CD% |
|------|--|----------|---------|
| 1    | Exemption from CD on Water Quality Testing Kits        | 20       | 0       |
| 2    | Concessions of CD on local manufacturing of LED Lights | 20       | 5       |
| 3    | Exemption from CD on Linear Alkyl Benzene              | 2        | 0       |
| 4    | Reduction in CD on raw material of PVC Resin           | 5        | 3       |
| 5    | Reduction in CD on White Spirits                       | 10       | 3       |
| 6    | Reduction in CD on Stamping Foil                       | 20       | 16      |
| 7    | Reduction Of CD Fatty Alcohol Ethoxylate               | 15       | 5       |
| 8    | Reduction in CD on CFC Free Gases                      | 15       | 11      |

|    |  |                 |                 |
|----|--|-----------------|-----------------|
| 9  | Reduction in CD rate for Aluminum Sheet in coil                          | 20              | 11              |
| 10 | Reduction in CD on Thermostats of Deep-freezers                          | 20              | 3               |
| 11 | Rationalization of CD Betel nuts and Betel Leaves                        | 10<br>Rs.300/kg | 20<br>Rs.600/kg |
| 12 | Rationalization of CD on Almonds   | 10              | 20              |
| 13 | Rationalization of CD Frozen fish  | 10              | 20              |
| 14 | Increase of CD on Medium Density Fiber board                             | 15              | 20              |
| 15 | Increase of CD on Cement Clinker   | 2               | 11              |
| 16 | Increase in CD on Semi Printed/Printed Security Paper                    | 5               | 16              |
| 17 | Increase in CD on Live Chicken stoke and Eggs of chicken                 | 5               | 11              |
| 18 | Increase in CD on Brides eggs (not in shell)                             | 5               | 16              |
| 19 | Removal of RD from Bead Wire for tyres Manufacturers                     | RD 10           | 0               |
| 20 | Removal of RD from Carbon Steel Strips used by Razor blade Manufacturers | RD 17.5         | 0               |
| 21 | Levy of RD on Powdered Milk  | 20              | 20+25RD         |
| 22 | Levy of RD on Whey Powder  | 20              | 20+25RD         |

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# FEDERAL EXCISE

■ FED at 16% on services such as Advertisement on CCTV / Cable TV , Shipping Agents, Banking Companies , Insurance Companies , Cooperative & Financing Societies , Modarbas , Musharikas , Franchise Services , Stevedores , Stock Brokers , Forex Dealers etc. on which Provinces are collecting sales tax is being withdrawn .

■ Exemption from Federal Excise Duty to Concession Holder of Gawadar Port Authority and its operating companies , their contractors and subcontractors for development of Gawadar Port and Gawadar Free Zone . Exemption from Federal Excise Duty for a period of 40 years on the import and supply of materials , equipment , ship bunker oils brought and sold to ships calling on / visiting Gawadar Port , for the development of Gawadar Port and Free Zone for Gawadar Port is being granted .

■ Exemption from Federal Excise Duty to businesses to be established in Gawadar Free Zone . Exemption for a period of 23 years Federal Excise Duty is being granted to businesses to be established in Gawadar Free Zone . This exemption shall be available to sales/supplies within the Gawadar Free Zone . However , sales / supplies outside the free zone and into the territory of Pakistan shall be subjected to applicable rates of Federal Excise Duty .

■ Enhancement of Federal Excise Duty on Cement with fixed rate basis and to charge FED on cement on fixed rate basis @ Rs. 1/ kg .

■ Enhancement of Federal Excise Duty on Aerated Waters to 11.5% of retail price from 10.5% .

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S. R. B.

| STATUTORY (STANDARD) RATE REGIME  | REDUCED RATE REGIME  |
|---|--|
| [Who opted to pay under this regime]  | [With condition of No input tax Adjustment]  |
| <p>Now Reduced to <b>13 %</b> from 14 %</p> <p>Including these specific heads as well _____</p> <p>»» Services by Production Houses and Programme Producers {9832.0000}</p> <p>»» Franchise Services {9823.0000}</p> <p>»» Construction Services {9824.0000}</p> <p>»» Ready Mix Concrete Services {9837.0000}</p> <p>»» Intellectual Property Services {9838.0000}</p> | <p>Now Enhanced to <b>8 %</b> from 6 %</p> <p>»» Renting of Immovable Property Services {9806.3000}</p> <p>»» Services by Production Houses and Programme Producers {9832.0000}</p> <p>»» Ready Mix Concrete Services {9837.0000}</p> <p>»» Legal Practitioners and Consultants {9815.2000}</p> <p>»» Accountant and Auditors {9815.3000}</p> <p>»» Tax Consultant {9815.9000}</p> <p>»» Construction Services {9824.0000}</p> <p>»» Corporate Law Consultants {9833.0000}</p> <p>»» Inter-City Transportation or Carriage of Goods by road or through pipeline or conduit {9836.0000}</p> |

## TELECOMMUNICATION SERVICES – {98.12}

The sales tax on telecommunication services has been Increased to **19 %** from 18 % , w.e.f. 01 July 2016 .

However , EXEMPTION available under internet services , broadband , including e-mail services and data communication network services of upto 2 mbps speed valued at NOT more than 1,500 Rupees per Month per service Recipient and of more than 2 mbps speed but not more than 4 mbps speed valued at 2,500 Rupees per Month per service Recipient.

## EXEMPTION FROM WHOLE SINDH SALES TAX ON SERVICES

RESTAURANTS AND CATERERS , whose turnover does not Exceed 4 Million Rupees (old 3.6 Million) in a financial year {9801.2000 & 9801.5000}

CONSTRUCTION – where construction work undertaken by a person , whose turnover does not Exceed 4 Million Rupees (old 10 Million) in a financial year {9824.0000}

CONTRACTUAL EXECUTION OF WORK OR FURNISHING SUPPLIES – where annual turnover does not Exceed 4 Million in a financial year {9809.0000}

However , no exemption to Restaurants are air conditioned and restaurants , which are located within the building or premises of air conditioned Shopping Malls or Shopping Plazas .

AND Construction of an Independent private House having total covered area NOT exceeding 10000 sq. ft. OTHER THAN residential unit of Property Developers or Promoters and APARTMENTS , where the covered area does not Exceed 10000 sq. ft.

“ Cosmetic and plastic surgery (other than an aesthetic, cosmetic or plastic surgery undertaken to preserve, protect or enhance physical appearance or beauty) undertaken to restore or reconstruct anatomy or functions of body affected due to congenital defects, developmental abnormality, degenerative diseases, injury or trauma of individual persons including acid or burn victims {9842.2000}. ”

“ Contractor of Building {including water supply , gas supply and sanitary works or of electrical and mechanical works (including air conditioning)} or of multidisciplinary works (including turn-key projects) and similar other works} as long as the annual turnover does not Exceed 4 Million Rupees in a financial year . ”



## ASSESSMENT OF TAX

No assessment shall be made unless a show cause notice is served to the person in default within EIGHT YEARS (old Five Years) .

## RETENTION AND PRODUCTION OF RECORDS AND DOCUMENTS

The required maintained records or documents shall be retained by a person here , for a period of TEN YEARS (old Five Years) .

## R E C O V E R Y   O F   T A X NOT LEVIED OR SHORT LEVIED

A person liable to pay any amount of tax or charge not levied or short levied shall be served with a notice , within EIGHT YEARS (old Five Years) .

## R E M O V A L   O F   D I F F I C U L T I E S

The government may , for the purposes of removing any difficulty or for bringing the provisions of Sindh Sales Tax on Services Act into effective operation shall not exercise this power after EXPIRY of EIGHT YEARS (old Five Years) .

The following more services have been included under 'Taxable Services' (Second Schedule) , namely \_\_\_\_\_

## MORE SERVICES INCLUDED UNDER 'TAXABLE SERVICES'

|           |  |     |
|-----------|--|-----|
| 9803.0000 | Chartered flight services within Sindh or originating from any airfield in Sindh             | 13% |
| 98.05     | Services provided or rendered by persons authorized to transact business on behalf of others |     |

|           |  |     |
|-----------|--|-----|
| 9819.9200 | Public relations services  | 13% |
| 9842.0000 | Cosmetic and plastic surgery and transplantations  | 13% |
| 9843.0000 | Visa processing services, including advisory or consultancy services for migration or visa application filing services                           | 13% |
| 9844.0000 | Debt collection services and other debt recovery services provided or rendered by debt collection agencies or recovery agencies or other persons | 13% |
| 9845.0000 | Supply chain management or distribution (including delivery ) services   | 13% |

## INPUT TAX CREDIT NOT ALLOWED

Here , a registered person shall not be entitled to claim , reclaim , adjust or deduct input tax in relation to –

- (a) the goods or services used or to be used for any purpose other than for the taxable services provided or rendered or to be provided or rendered by him ;
- (b) the goods in respect of which sales tax has not been deposited or rendered by him;
- (c) the services in respect of which the Provincial sales tax has not been deposited in the treasury of the respective Provincial Government , and the services in respect of which the Islamabad Capital Territory sales tax has not been deposited in the treasury of the Federal Government ;
- (d) further tax , extra tax or value addition tax levied and the rules or notifications issued thereunder ;
- (e) fake , false , forged , flying or fraudulent invoices or the invoices issued by persons black-listed or suspended by Board or FBR or any other Provincial Sales Tax Authority ;

- (f) capital goods and fixed assets not exclusively used in providing or rendering of taxable services ;
- (g) the following goods or services , excluding the ones directly used and consumed in the economic activity of a registered person in provision of the services paying sales tax at a rate not less than thirteen percent ad valorem ;-
  - (i) vehicles classified under Customs Law and parts (including batteries and tyres and tubes) of such vehicles ;
  - (ii) calendars , diaries , gifts , souvenirs and giveaways ;
  - (iii) garments , uniforms , fabrics , footwear , handwear , headwear for the employees ;
  - (iv) food, beverages and consumptions on entertainments meetings or seminars or for the consumption of the registered person or his Directors , shareholders. Partners , employees or guests ;
  - (v) electricity , gas and telecommunication services supplied at the residence of the employees or in the residential colonies of the employees;
  - (vi) building materials including cement , bricks , mild steel products , paints , varnishes , distemper , glass products ;
  - (vii) office equipment and machines (excluding electronic fiscal cash registers) , furniture , fixtures or furnishings ;
  - (viii) electrical and gas appliances , pipes and fittings ;
  - (ix) wires , cables , sanitary fittings , ordinary electric fittings , electric fans and electric bulbs and tubes ; and
  - (x) crockery , cutlery , utensils , kitchen appliances and equipments ;
- (h) utility bills not in the name of the registered person unless evidence of consumption of such utilities is provided to the satisfaction of the officer of the SBR not below the rank of an Assistant Commissioner ;

- (i) goods or services procured or received by a registered person during a period exceeding six months prior to date of commencement of the provision of taxable services by him ;
- (j) goods or services used or consumed in a services liable to sales tax at ad valorem rate lesser than thirteen percent or at specific rate at fixed rate or at such other rates not based on value ;
- (k) the amount of sales tax paid on the telecommunication services in excess of nineteen percent ad valorem and the amount of sales tax paid on other taxable goods or services in excess of thirteen percent ad valorem ; and
- (l) such goods or services as are notified by the Board to be in –admissible for input tax claim or reclaim or credit or adjustment or deduction .

In case where a registered person deals with taxable and non-taxable or exempt services , he shall be entitled to claim or reclaim , for input tax credit or adjustment or deduction , only such proportion of the input tax as in attributable to taxable or non-exempt services in such manner as may be prescribed by the Board .

No person other than a person registered under normal registration , voluntary registration or compulsory registration shall claim or deduct or adjust any input tax in respect of sales tax paid on any goods or services received or procured by him for use or consumption in the provision of taxable services .

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