



Tax Memorandum 2020

PREFACE

This Tax Memorandum summarizes crucial changes proposed in the Finance Bill 2020 in Income Tax, Sales Tax, Federal Excise Duty and Customs Duty Laws.

All changes through the Finance Bill 2020, except those mentioned specifically, are effective from 01 July 2020.

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

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

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SALIENT FEATURES OF AMENDMENTS IN INCOME TAX LAWS

Income Tax on Imports

- Exemption certificates have been done away with on imports
- Person specific rates to goods specific rates at import stage have been proposed by way of a detailed schedule.
- Tax on imports may vary between 1% --- 5.5%.
- Minimum taxation on import of Edible Oil, packing material and plastic raw material done away with.

Income Tax Audit and Assessment

- Concept of E-audit has been proposed.
- Audit proceedings can be finalized on the basis of sectoral benchmark ratios.
- Concept of Automated Adjustment in tax return by the system has been proposed.
- Concept of tax settlement offer has been proposed to finalize assessment.

Appeal Right

- Right of appeal before Tribunal has been taken away without 10% tax payment.

Withholding Provisions

- Filing requirement of withholding statements has been shifted back to quarterly intervals.
- Exemption Certificate has been proposed to be issued to Listed Companies within fifteen (15) days.
- Withholding Agent (Individual & AOP) to withhold only if their annual turnover crosses hundred million (100M).
- Withholding on Foreign Education, Functions, Insurance Premium have been done away with.
- 2% tax on purchase of locally produced Oil & Ghee has been done away with.

Capital Gain on Property

- Holding period of Plot and Constructed property unified.
- Holding period for Capital Gain Tax on Property has been reduced from eight (08) years to four (04) years.
- Tax rate on Gain on property reduced by 50% to a maximum rate of 10%.

Cash Payments

- Salary can be paid in cash for up-to 25,000/- Rupees per month.
- Expenses can be paid in cash for up-to 25,000/- Rupees per payment.
- Cash expenses can accumulate under a single head of account for upto Rs. 250,000 pa.

SALIENT FEATURES OF AMENDMENTS IN INDIRECT TAXES

Sales Tax

- Minimum threshold of supplies by retailers for obtaining CNIC of the buyers increased from Rs. 50,000 to 100,000.
- Retail sector engaged in Textile and Leather and is integrated online with FBR through Point of Sale to pay sales tax @ 12% instead of 14%.
- Value Addition Tax exempted on import of industrial raw material by manufacturers.
- Sales Tax Withholding also extended to taxable services.
- Scope of Section 73(4) extended to all registered persons.
- Condition of CNIC extended to taxable services without which input tax shall not be admissible.
- Partial filing of tax return not acceptable any longer.
- Introduction of audit proceedings through electronic means.
- Right of appeal awarded to the aggrieved person emanating out of Alternate Dispute Resolution process.
- FBR empowered to fix minimum production on the basis of single or more inputs and for fixation of wastage.
- Real-time access to information and databases to the Board by various authorities such as NADRA, FIA, provincial excise & taxation departments.
- Vehicles' Second Hand Market to pay sales tax only on value addition.
- Exemptions and Zero ratings offered to Gwadar Free Zone.

Customs Duty

- Exemption of additional custom duties on tariff lines which are now @ 0% customs duty in tariff.
- Reduction of custom duty on 40 raw materials of various industries.
- Tariff rationalization on 90 tariff lines from 11% to 3% and 0%.
- Intermediary raw materials allowed concessional import through IOCO quota determination.
- Reduction in regulatory duty on smuggling prone items.
- Regulatory duty on several industrial inputs reduced.
- Tariff protection for domestic industry by increasing / levy of regulatory duty on import of those items which are also locally manufactured.
- Enhancing scope of concessions available to Special Economic Zones.

Federal Excise Duty

- Increase in FED on cigars, cheroots, cigarillos and cigarettes from 65% to 100% of retail price.
- FED on cement reduced from Rs. 2 per kg to Rs. 1.75 per kg.
- Levy of FED @ 7.5% ad valorem in case of locally manufactured double cabin pick-up vehicles; @ 25% in the case of imported ones.
- FED levied on e-liquids of electric cigarettes @ Rs 10 per ml.
- FED levied on caffeinated energy drinks @ 25%;
- The scope of seizure of non-duty paid goods is extended to all products subject to FED.

AMENDMENTS IN INCOME TAX ORDINANCE 2001

1- TAXATION OF RENTAL INCOME

Lower Taxation Option, Opened for All Rentiers

Sections 15

An option was proposed to individual and AOP rentiers last year with annual rental income exceeding Rs. 4 million to pay tax under normal tax regime.

It has now been proposed that all Individuals and Association of Persons (AOPs) rentiers, irrespective of the threshold of Rs. 4 million to opt for charging of tax under normal regime as per business slab rates provided in Division I, Part I of First Schedule to the Ordinance. After opting for normal taxation, these taxpayers will also be eligible to claim adjustment of expenses incurred to earn such rental income.

One major expense which is allowed against the rental income is 20% allowance for building repairs, which effectively lowers the amount of Gross rental to 80% before it is subject to tax.

On the other hand, it has been proposed to reduce the limit of 6% collection charges to 2%.

A comparative tax advantage has also been tabulated as under;

INCOME FROM PROPERTY (S. 15)				
Proposed				
		Rental Slab	Business Slab	
Slab	Annual Rental Income	Tax Year 2021 (FTR)	Tax Year 2021 (NTR)	Tax Saving under NTR
1	200,000			
2	600,000	20,000		20,000
3	1,000,000	60,000	30,000	30,000
4	2,000,000	210,000	130,000	80,000
5	4,000,000	610,000	420,000	190,000
6	6,000,000	1,110,000	860,000	250,000
7	8,000,000	1,710,000	1,360,000	350,000
8	8,500,000	1,885,000	1,500,000	385,000

The tax liability has been calculated based on the allowability of 20% building repairs allowance.

Taxation of rental Income for companies has been proposed to be remain the same as it was already under NTR.

2- TAXATION OF CAPITAL GAIN ON PROPERTIES

Lesser Holding Period of Property; Section 37(1A)

The taxation of capital gains on property has always remained controversial and subject to frequent changes and amendments in terms of its holding period for exemption and rate of taxation. Through the Finance Act 2012, the income of property gain was brought into tax net. Initially, the holding period for exemption from capital gain tax on property was introduced for two (02) years, which was subsequently enhanced up to five (5) years and later on restricted up to three (03) years.

Last year, through the Finance Act 2019-20, the concept of same holding period for constructed and unconstructed property (plots) for tax exemption was abolished and two different holding periods of four (04) years and eight (08) years were introduced for house and plots, respectively.

It has now been proposed to remove the anomaly between the constructed and unconstructed property (plots) by introducing a uniform holding period for claiming the exemption as under;

S. No.	Holding Period of Property	FY 2021 Onwards
1	Up to one year	100% Taxable
2	More than one year but less than two years	75% Taxable
3	More than two years but less than three years	50% Taxable
4	More than three years but less than four years	25% Taxable
5	More than four year	0% Taxable

Lesser Taxation;
Section 37(1A)

Through this Finance Bill not only, the holding period for claiming exemption has been proposed to be reduced but its taxability has also been reduced by 50%. The comparison between the existing and proposed tax rates is being tabulated hereunder for quick reference and ease of understanding;

S. No.	Property Gain	FY 2020	FY 2021 Onwards
1	Up to 5(M)	5%	2.50%
2	More than 5(M) but less than 10(M)	10%	5%
3	More than 10(M) but less than 15(M)	15%	7.50%
4	More than 15(M)	20%	10%

We understand that the reduction in the holding period of property for tax exemption from eight to four years and the reduction in the tax liability of 50% were amongst the most desired amendments by the taxpayer and is therefore highly encouraging both for the property holders and property dealers as well.

Taxability on Capital Gain on Shares will remain continue
Section 37(A)

The Budgetary steps of FBR towards the Capital Markets and Capital investors has constantly been pushing the tax rate higher every year on one hand and increasing the minimum holding period requirement for getting exemption on the other.

This year, however, the tax rate on capital gain have been proposed to remain the same along with the holding period as well.

3- TAXATION OF BUSINESS INCOME:

Increase in the Threshold of Cash Expense

Section 21(L);

The bill has proposed to enhance the limit of cash expenses under a single account head from “fifty thousand” (50,000/-) to “two hundred and fifty thousand” (250,000/-) and for a single transaction from “ten thousand” (10,000/-) to “twenty-five thousand (25,000/-).

Accordingly, if multiple cash expenses have been incurred with each payment below the limit of Rupees 25,000/-, the same will be allowed as a tax expense even if the overall threshold of the single account head has increased to above Rupees 250,000/-.

We understand that proposed amendment is in line with the inflationary trends in the country and will increase ease of compliance and ease of doing business.

Increase in the Threshold of Cash Salary

Section 21(M);

The bill has proposed to enhance the limit of monthly cash salary from “fifteen thousand” (15,000/-) to “twenty-five thousand” (25,000/-).

We understand that proposed amendment is in line with the inflationary trends in the country and minimum wage threshold of salaries by provincial authorities. Accordingly, salaries of Rupees 25,000/- or below per month now need not to be routed through banking channels and can be disbursed in cash as a valid tax expense.

Disallowance of Expense in Proportion to Sales to Sales Tax Unregistered Person

Section 21(P);

The bill proposes to introduce a new sub-section to prescribe limits and conditions for allowance of utility expenditures. Such limits and conditions are said to be prescribed by the board.

Section 21(Q);

The bill has proposed to introduce a new sub-section to disallow upto 20% of business expenditure, of an industrial undertaking only, in proportion to sales made by it of more than one hundred million (100,000,000/-) to a single unregistered person who was required to be registered but not registered under the Sales Tax Act, 1990.

This section will increase the cost of doing business with unregistered persons as they would be required to get themselves registered and get into the tax net. We understand that the introduction of this section will broaden the tax base and will ensure documentation of such transaction.

Claim of Depreciation on Year of Purchase Reduced to 50%

Section 22(2) &(8);

Currently, full year depreciation is allowable in the year of purchase and no depreciation is allowed in the year of disposal. The bill has proposed to reduce the claim of depreciation to 50% in the year of purchase for depreciable asset used in business after 1st July, 2020. Moreover, half year depreciation on such depreciable asset would be allowed in the year of disposal.

We understand that the amendment will discourage the taxpayer for new investment on capital expenditure due to reduced depreciation in the first year making the investment unfeasible.

Lease Rentals to be disallowed on Motor Vehicle Costing above 2.5 Million

Section 28(1B);

Currently, there is no upper limit on the claim of lease rental on motor vehicle whereas depreciation is restricted on purchase of motor vehicle upto Rupees 2.5 million. Hence, there was a tax saving to lease rather than to purchase motor vehicle costing more than 2.5 million. The bill proposes to take away this edge by restricting the claim of lease rental on account of motor vehicles upto two and a half million (2,500,000/-).

Foreign Profit on Debt to Associated Enterprise Restricted to 15% of Taxable Income

Section 106A;

The bill has proposed to introduce a new section where after the foreign profit on debt claimed by a foreign controlled resident company (except for insurance or banking company) shall be restricted up to 15% of taxable income before depreciation, amortization, and such foreign profit on debt. The unclaimed amount is proposed to be carry forward for adjustment in next three years.

This proposes section is applicable on the following conditions:

1. Foreign profit on debt claimed is equal to or more than Rs. 10 million.
2. Non-resident person own fifty present (50%) or more in Foreign controlled resident company either directly or through an associate.
3. Foreign profit on debt has been received from an associate company.

Moreover, due to typo error it has not clearly been specified as to the consequence on a person, if foreign profit on debt is disallowed of a person under both Section 106 and 106A.

We understand that this amendment has been proposed to curb tax avoidance by foreign controlled resident company routing money under the head of profit on debt to its foreign associate company instead under the head of dividend thereby paying less tax on its bottom-line profit. This amendment is in line with international best practices to combat base erosion and profit shifting.

Final Tax Regime Ended for Person Receiving Payment for Use of Equipment and Rent of Machinery

Section 236Q;

The bill has done away “Final Tax Regime” (FTR) for person receiving payment from the rent of machinery and use of equipment and make them a part of “Minimum Taxation” under Normal Tax Regime (NTR). Hence, the tax deducted would become their minimum tax at the time of filing of tax return and will have to offer their bottom-line profit for taxation.

This amendment is in line with government policy towards phasing out of the final tax regime.

4- IMPORT TAX REGIME

Changes in Withholding Regime

Section 148(1), Div-I Part-II of 1st Schedule, 12th Schedule, Clause 72B of 2nd Schedule Part-IV, Clause 12 B, Clause 12 C);

A paradigm shift has been introduced in the existing tax regime on imports, exemption on imports have been done away with altogether. Henceforth no exemption certificate would be issued. The fact has been compensated with the amendment that rates of tax on imports has been drastically cut down from 5.5% to 1% or 2%.

Another major amendment which has been purposed to be introduced remains that from Person specific withholding rates to Goods specific withholding rate will be applied on the basis of nature of goods. A new detailed schedule has been introduced. Goods are specified in three broader categories broken in to three parts i.e. Part I, II & III.

However, the prevailing concessional rates on certain items such as remeltable scrap of iron and steel, potassic and urea fertilizers, LNG, Gold, Cotton, goods that were importable by manufacturers under the rescinded SRO1125(I)/2011 dated 31.12.2011, mobile phones etc. are being maintained.

Although, such shift is rationalizing withholding rates on the basis of fixed categories as per 12th Schedule but its categories are fictional which contradict with ground reality because the classification of goods may vary from person to person as some goods may be Capital good for one but could very much finished goods or raw material for the other. This goes in conflict with the principle of direct taxation and results in indiscriminate collection of taxes for FBR.

Consequential change to the withdrawal of quota exemption granted by Commissioner Inland Revenue on raw material for industrial undertakings under Clause (72B) Part IV of Second Schedule. However, the withdrawal of the clause may not absolve the tax payer from being selected for audit for the consumption, production and sales for the preceding financial year in which commissioner has issued the exemption certificate.

Another important amendment has been made with regard to definition of value of goods. In case of goods that are chargeable to tax at retail price under the Third Schedule of the Sales Tax Act, 1990, the retail price of such goods increased by sales tax payable in respect of the import and taxable supply of the goods shall be the value of the goods.

A new clause has been inserted wherein exemption has been provided from advance tax at import stage for various items imported in respect of fitting COVID-19 Pandemic from March 20, 2020 to September 30, 2020.

A new clause has been inserted wherein exemption has been provided from advance tax at import stage for pulses from April 07, 2020 to September 30, 2020.

Changes in Taxation Regime

Section 148(7), 148(8)

Currently, the principle taxation varies in certain cases on the basis of goods and on the basis of person both i.e. Commercial Importer and Manufacturer. This is now proposed to be harmonized as now principle taxation depends on the status of person. In case of manufacturing or industrial undertaking the tax on import is adjustable while in case of commercial importer it will be minimum tax.

Accordingly, the import of the following goods which was subject to minimum taxation for the manufacturer now become adjustable like importing industrial raw material for own consumption:

1. Import of Edible Oil
2. Import of Packing Material
3. Plastic Raw Material PCT 39.01 to 39.12.

The import by certain person which was adjustable is now purposed to be subjected to minimum taxation:

1. Large Importer House
2. Import of CBU Motor Vehicle by Motor Vehicle Manufacturer.

5- TAXATION OF NON-RESIDENT PERSONS:

Tax on Certain Payments to Non-Residents Person

Section 6

The tax on fee for offshore digital services was introduced through the Finance Act, 2018, whereby payment to non- resident person for online advertising including digital advertising space, designing, creating, hosting or maintenance of websites, digital or cyber space for websites, advertising, e-mails, online computing, blogs, online content and online data, providing any facility or service for uploading, storing or distribution of digital content including digital text, digital audio or digital video, online collection or processing of data related to users in Pakistan, any facility for online sale of goods or services or any other online facility, was held taxable in Pakistan and rate of taxation was proposed at 5% of gross amount as payment.

However, the amendment or the expression of word 'Fee for offshore Digital Services' in the provision of Section 6(2) of the Ordinance was not made earlier which is now been proposed to align with division IV of Part-I of 1st Schedule as to impart clarity regarding taxation on gross basis.

Change in Taxation of Permanent Establishment (PE) of Non-Resident Company

Section 113; Section 152(2A), (2B); Div-II of Pt-II of 1st Schedule

Currently, the provision of Section 113 of the Ordinance is only applied to Resident Companies, Individual and AOPS. Now the scope of Section 113 of the Ordinance has been widened to include the Permanent establishment of Non-Resident person in Pakistan in the ambit of minimum turnover taxation.

Currently, the tax deductible under section 152(2A) of the Ordinance on payment to a permanent establishment of a non-resident person is minimum tax only in case of rendering of services. The tax deductible on account of sale of goods and execution of contract is adjustable. However, it has been proposal to bring all deductible taxes under Section 152(2A) of the Ordinance in to minimum taxation except for those sale of goods which have been manufactured by Permanent establishment of Non-Resident Person.

The withholding tax rate has been rationalized and proposed to be reduced rate at 3% in case of following services as in case of resident person.

1. Transport services
2. Freight forwarding services
3. Air cargo services
4. Courier services
5. Manpower outsourcing services
6. Hotel services
7. Security guard services
8. Software development services
9. IT services and IT enabled services
10. Tracking services
11. Advertising services (other than by print or electronic media)
12. Share registrar services
13. Car rental services
14. Building maintenance services
15. Services rendered by Pakistan Stock Exchange Limited
16. Services rendered by Pakistan Mercantile Exchange Limited
17. Inspection services
18. Certification services
19. Testing services
20. Training services

The above amendments in the taxation and withholding of the Permanent establishment of Non-Resident person have been proposed to be brought in order impart equality in taxability of Permanent establishment of non-residents viz a viz with Resident person.

Minimum Taxation on Advertisement Services of Non-Resident Person

Section 152 (1AAA), (1BBB)

Currently, the deductible under Section 152(1AAA) of the Ordinance on account of rendering of advertisement services by the Non-residents Media Person relaying from outside the Pakistan is subject to final taxation which is inequivalent with the treatment of such advertisement services rendered by Resident media person where it is subject to minimum taxation.

However, it is therefore in order to impart equality in the taxation the above service of Non-resident media person is proposed to be minimum taxation viz a viz with resident media person.

Changes in Taxation of Cohesive Business Operation

Section 152 (4B)

W.e.f Finance Act 2019 an amendment was made for the taxation of offshore transaction which is part of overall Cohesive Business Plan in which Commissioner Inland Revenue has been empowered to allow person making payment to non-resident person for such transaction provided 30% of the tax deductible (effectively 2.1%) under Section 152(1A) of the Ordinance have been deducted at the time of payment.

Now the bill has proposed to reduce the above rate from 30% to 20% of tax under Section 152(1A) of the Ordinance (effectively 1.4%).

Payment to Non-Resident Person not appearing in Active Taxpayer List

2nd Schedule Part IV, Clause 111 A , 10th Schedule Rule 10

Currently, if name of non-resident person is not appearing in Active Taxpayer List than 100% excess withholding tax was required to be made while making payment on account of dividend royalty, fee for technical services, insurance and re-insurance premium and other general payments (not specifically covered). It is proposed that 100% excess tax withholding will not be made from non-Residents not appearing in the Active Tax Payer List while making payment on account of transactions listed hereunder;

- Dividend Payment to a non-resident person
- Payments to non-resident persons on account of royalty, fee for technical services, insurance and re-insurance premium and other general payments (not specifically covered).

This was an expected amendment as enhanced Withholding Rates in cases of non-residents had limited effect. FBR itself had clarified in this respect that non-residents will not be subjected to higher tax due to protection under their respective tax treaties.

6- REQUIREMENTS FOR NOT FOR PROFIT ORGANIZATION

In line with the objectives of having unified and harmonized policy for registration and regularization of non-profit organizations (NPOs) in parallel with the Corporate Sector, the Finance Bill 2020 seeks to further strengthen compliance regime for NPOs in terms of social service, donations from associates and voluntary contributions from the donors.

General Public should be Beneficiary

Sections 2(36)

The Bill proposes to revamp and restrict the goals of Non for Profit Organizations, for the benefit of general public at large instead of working for development purposes for specified segment or strata of society, through amendments in clause 36 of Section 2 of the Ordinance.

Donations by Associate Donors

Section 61

The Bill has also proposed separate threshold limits for tax credits to the donors in case the donor is an associate. The tax credit shall be available by applying person's average tax rate;

- a) In case of an associate individual or association of persons, on the maximum of fifteen percent (15%) of taxable income instead of 30%
- b) In case of an associate company, on the maximum of ten percent (10%) of taxable income instead of 20%.

List of Donors

Section 100C

The Tax credit equal to one hundred percent of the tax payable to the Non for Profit Organizations, inter alia, is proposed to be subjected to filing the statement of voluntary contributions and donations received in the immediately preceding tax year in the prescribed form and manner. We understand that the moot point remains to account for such contributions in the traditional norms of our society where majority of the people give charities / donations on the condition of anonymity. Also, this would bring hardship on the part of Non-Profit Organizations to make compliances of the prescribed form and manner, to be finalized by the Board.

10% Taxation of Surplus Funds;

Surplus funds are subjected to tax @ 10% subject to the exception given to restricted funds. One such exclusion is funds which could not be spent due to any obligation or restriction placed upon the NPO by the donor. It has been now proposed that where the donor is an associate of the NPO, such a restriction can be a mechanism to shift profit to the Non-Profit Organization and hence will not be an acceptable cause not to tax the remaining surplus.

Clause 61; Part I, Second Schedule

Following new entities have been proposed to entail direct deduction from the taxable income of the donor in respect of donations made to;

- The Prime Minister's COVID-19 Pandemic Relief Fund-2020
- Ghulam Ishaq Khan Institute of Engineering Science and Technology (GIKI)
- Lahore University of Management Sciences
- Dawat-e-Hadiya Karachi
- Baitussalam Welfare Trust
- Patients Aid Foundation
- Alkhidmat Foundation

Clause 66; Part I, Second Schedule

The enlistment of exempt entities under Clause 66, Part I, Second Schedule to the Ordinance, has been proposed to be segregated into two following categories asunder;

1. Ones whose income are exempt; and
2. Second whose income are exempt subject to fulfilling the conditions as stipulated under Section 100C of the Ordinance.

7- WITHHOLDING TAX PROVISIONS

Withholding taxes contribute undisputedly the largest portion of income tax revenue collection of the FBR.

On the contrary, compliance with withholding provision does not entail any tangible benefit for the taxpayer, but its noncompliance on the other hand is very inflicting.

There have been proposed certain amendments in the current Finance Bill, which aim at reducing the administrative hassle of the withholding compliance from the taxpayer.

The proposed amendments are briefly discussed in the ensuing paragraphs.

Withdrawal of Some Withholding Provisions

It has been proposed to delete the following withholding tax provisions;

S. No.	WHT	Nature of Payment
1	148A	Purchase of locally produced cooking oil or vegetable ghee
2	156B	Withdrawal of balance from pension fund
3	235B	Steel melters and composite units (normal withholding tax u/s 153 shall apply)
4	236D	Functions and Gatherings
5	236F	Cable Operators and other electronic media
6	236I	Educational Fee for ATL
7	236J	Dealers, Commission agents and Arhatis etc
8	236R	Education related expenses remitted abroad
9	236U	Payment of Insurance Premium
10	236X	Purchase of Tobacco

Hundred Million Turnover Limit for Withholding Agent

Section 153(7)

Currently, an individual or AOP having turnover of Rupees Fifty Million or above in any of the previous tax year is treated as a withholding agent for payment of goods, services and contracts. A person registered under the Sales Tax Act 1990 is also taken as a withholding Agent of the FBR without any turnover threshold.

In the Finance Bill 2021, it has been proposed to increase the limit of Rupees Fifty Million to Rupees Hundred Million in case of both Individual and AOP. Similar increase is also proposed for a person registered under Sales Tax Act, 1990.

The amendments are pragmatic in the sense that every person will now not become a withholding agent merely due to registration under Sales Tax Act, 1990.

It has also been proposed to treat tax deduction on payment for toll manufacturing at par with supply of goods, i.e. to withhold tax at rates of 4% and 4.5% as the case may be.

Withholding Statement Filings

Section 165

It has been proposed that filing of withholding statement by the withholding agents should be made back on quarterly basis instead on biannual basis. The due dates for submission of statements have been proposed as under:

S. No.	Quarters WHT	Due Date of filing
1	July 1 st to 30 th Sept 2020	October 20 th , 2020
2	Oct 1 st to 31 st Dec 2020	January 20 th , 2021
3	Jan 1 st to 31 st Mar 2021	April 20 th , 2021
4	April 1 st to 30 th June 2021	July 20 th , 2021

Furnishing of Information by Banks:

Section 165A

Currently, banks have to provide the list of persons receiving interest exceeding 500,000/- during the preceding financial year.

The limit of 500,000/- has been proposed to be omitted which means that banks have now to provide name of all persons who received interest during the preceding financial year.

Withholding on Payment of Dividend from Exempt Companies

Section 5/150

Currently, the tax chargeable is 25% under Section 5 of the Ordinance in case of a person receiving dividend income from a company where no tax is payable by such company, due to exemption of income or carry forward of business losses or claim of tax credits. Whereas the advance tax for such persons is 15% under Division I Part III of First Schedule to ITO.

It has been proposed to align the withholding tax rate with tax chargeability and increase the WHT rate from 15% to 25%.

Withholding on Payment of Return from Sukuk

Section 150A

Currently, the rate of tax u/s 5AA on return on investment in Sukuks received from a Special Purpose Vehicle is 25%. However, the withholding tax rate is 15%.

It has been proposed to align the withholding tax rate with tax chargeability and increase the WHT rate from 15% to 25%.

Exemption from Withholding Tax under Section 153

Clause 46AA, Part IV, 2nd Schedule

In the recent Finance Bill 2021, it has been proposed that the exemption from withholding under section 153 from withholding tax as recipient of payments of the following persons

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

8- INCOME TAX AUDITS & ASSESSMENTS

Automated Correction in Income Tax Return:

Section 120(2A)

The Bill has proposed to introduce provisions for automated correction of income tax return by the system. The corrections are said to be made to correct the amount of total income, taxable income and the resulting tax payable. Once after the system is in place, it is apprehended that following will be discarded by the system.

1. Government challans/tax deductions
2. Tax deduction certificate by banks
3. Tax deduction certificate by utilities companies
4. Tax challans with wrong codes
5. Carry forward of wrong business loss
6. Payment of WWF and WPPF to provincial governments
7. Carry forward of loss in case of non-filer
8. Any other mathematical error in rates and computation

The procedure for correction by the system is proposed to be as follows:

1. The correction will be made within 6 months of filing of the tax return. No correction will be made after 6 months and the return will be deemed as adjusted.
2. The system will provide a notice providing an opportunity of hearing to the taxpayer before correction.
3. The taxpayer has to reply within 30 days of the system notice.
4. The taxpayer dissatisfied with the correction order passed under Section 120(2A) can appeal with the Commissioner (Appeals)

We understand that though it is what is expected out of system automation, the disallowance of tax deduction due to the inefficiency of the other government institution, not issuing the challan, is completely undesirable as it is the poor taxpayer who is to suffer the brunt of fault not of his own.

It would not be out of context to comment here that it remains to be seen as to whether the system would also allow the automated refund position to the taxpayer as well, once after all the wrongs has been discarded by the system.

Possession of Definite Information No Longer Needed to Amend Assessment

Section 122

A major amendment has been managed to sneak into one of the most controversial provisions of the Ordinance, to the serious disadvantage of the taxpayer.

Previously the commissioner could only amend assessment on the basis of definite information acquired from audit. The Bill has now proposed to allow the commissioner to amend assessment either on the basis of definite information or on the basis of audit alone.

The simplicity of amendment does not reflect upon on the seriousness of its ramifications whereby the requirement to possess definite information before amending assessment has been done away with.

As to whether the above undesired amendment withstand in the coming days will be worth to be observed.

Assessment by Settlement

Section 122D

The Bill has proposed to introduce new Section whereby the taxpayer can offer settlement before the Assessment Oversight Committee to conclude his assessment proceedings.

The procedure of offer of settlement is proposed as follows:

The taxpayer after receiving the final show cause notice under Section 122(9) of the Ordinance can give an offer of settlement to the assessment oversight committee. The oversight committee shall comprise of Chief Commissioner, Commissioner and Additional Commissioner. The committee after providing an opportunity of hearing may accept or amend the settlement offer. If the taxpayer is satisfied with the decision of the committee:

1. He will deposit the amount of tax payable
2. The commissioner will amend his assessment in accordance with decision of the committee once the tax has been paid.
3. The taxpayer shall waive his right to appeal against the settlement order
4. If the taxpayer is not satisfied with the decision of the committee, he shall submit a reply to the show cause notice and the assessment proceeding shall continue.

An exception has been provided that the option for settlement cannot be exercised for cases involving concealment of income or requiring interpretation of question of law. It also appears that cases of monitoring of withholding of taxes are not intended to be covered under this scheme. We understand that this is a major shift in the assessment provisions under the Ordinance which appears to drift the increasing load of disputed cases on appeals and that too without any meaningful recovery of taxes therefrom.

Another factor underlying the introduction of settlement scheme could be to ensure transparency of the proceedings as it would entail involvement of 3 commissioners of different departmental levels instead of mere one who holds the jurisdiction over the case.

Income Tax Audit through Video Link

Section 177(2A)

The commissioner has been given power to conduct audit proceeding electronically through video link. It appears that this is an anticipatory amendment made in response to the pandemic of corona virus to maintain the concept of social distancing and to keep out the personal hearings. However, it would be a challenge for the commissioner to examine records of the taxpayer through video links. Hence, its practical application with such limitation remains to be seen.

Income Tax Audit on the Basis of Sectoral Benchmark Ratios

Section 177(2AA)

The bill has proposed to give power to the commissioner to determine the taxable income of the taxpayer on the basis of sectoral benchmark ratios. It is said that the ratios shall be prescribed by the board.

The application of the Benchmark ratio in audit will be made only in cases of taxpayer failure to give details, information and the Books of Accounts as follows;

1. Failure to produce books of accounts
2. Failure to produce incomplete books of accounts
3. Failure to provide explanation regarding defects in the books of accounts

We understand the use of benchmark ratios would be a significant shift as a dependable tool available to the officer to conduct the audit proceedings. What at the same time cannot be ruled out in case in every other case, the officer will tend to use the same ratio on the pretext of insufficient or unsatisfactory explanation on the defects identified in the books, which eventually

will lead to avoidable rejection of the trading version of the taxpayer merely on the ground that the officer religiously followed the given set of bookish benchmark ratio instead of looking into peculiarities of each manufacturer.

9- OTHER SIGNIFICANT CHANGES

Tax Credit; Enlistment; *Section 65C*

Tax credit @ 20% of the tax payable is allowed to any company for getting it listed in the Pakistan stock exchange in the year of listing and subsequent tax year and 10% for further two tax years. This aims to promote and encourage listing of Companies.

Through the Finance Bill 2020-21, the restriction of time limitation up to June 30, 2022 for enlistment in stock exchange is proposed to be imposed, whereby, the company may avail the aforesaid benefit of tax credit only, if it get itself listed on or before June 30, 2022.

Rather to impose restriction of getting listed, what needs to be attention here and should be addressed that the Shareholders of the Private Limited Company which is getting enlisted, do not get any exemption from the Capital gain on conversion into a listed Company in their individual capacities.

Therefore, in order to make the amendment more meaningful, equal exemption should also be provided for in the hands of the Shareholders as well.

Taxpayer Profile is required to be furnished; *Section 114A*

It has been proposed that the taxpayer should furnish his profile consisting of the detail of bank accounts, utility connection, business premises, type of business etc. through electronically on IRIS.

The following persons are required to furnish their profile on or before December 31st of 2020;

- Every person applying for registration under Section 181;
- Every person deriving income chargeable to tax under the head, "income from business";
- Every person whose income is subject to final taxation;
- Any non-profit organization;
- Any trust or welfare institution; and
- Any other person prescribed by the Board

In case of any change in the above particular of profile, it would be required to be updated within the period of ninety (90) days, failing which the Finance Bill proposes to impose penalty at Rupees. 2,500/- for each day with a minimum penalty of Rs. 10,000/-. Further, the name of the taxpayer not updating the profile shall be excluded from the Active taxpayers' list (ATL) for the latest Tax Year and his name shall be reincluded in the ATL only after filing of the profile along with payment of surcharge of Rs. 20,000, Rs. 10,000 and Rs. 1,000 in case of company, AOP and Individual, respectively.

We understand that this amendment is a step towards documentation, however, requiring the updating of profile from a taxpayer who is applying for his tax registration is unheard as he would be filing in the required information already.

Moreover, the penal provisions are no less suspending the taxpayer filer status for a non-compliance of non updation is highly disproportionate.

Appeal Fee before the CIR(A) is Enhanced;

Section 127

Through the Finance Bill 2020-21, it has been proposed to be enhance the appeal fee before the Commissioner – IR, as follows;

S. No.	Holding Period of Property	Company	AOP	Individual
1	Appeal Fee against the assessment order	5,000/-	2,500/-	2,500/-
2	Any other cases	5,000/-	1,000/-	1,000/-

CIR (A) will identify the Outstanding Demand;

Section 129

Normally, at the time of passing the order, the CIR(A) does not mention the outstanding demand after giving the relief during the proceeding of the case. Therefore, the tax officer cannot enforce the recovery measures immediately as available under the law unless the appeal affect under Section 124 of the Ordinance is given to the taxpayer.

Through the Finance Bill 2020-21, the FBR seeks to amend the aforesaid Section and proposes to bound the CIR(A) to specify the outstanding demand upheld in his order which is now required to be paid.

We understand that this amendment will be helpful for the tax officer to enforce the recovery measure immediately against the taxpayer and recover the outstanding tax demand. At the same time, such amendments and that too though legislative amendments in the appellate mechanism merely under mines the real significance of the Commissioner Appeals.

Right of Appeal is jeopardized before the ATIR;

Section 131

Through the Finance Bill 2020-21, the FBR proposes that no appeal before the Appellate Tribunal-IR can be submitted unless the proof of payment of 10% of the outstanding tax demand which has been created in the result of the order passed by the CIR (A).

The proposal of above amendment is against the decisions of superior courts which have been held that recovery of tax demand cannot be forced until the order has been scrutinized by at least one independent forum.

The superior courts have also decided that the first independent forum to be the Appellate Tribunal, therefore, enforcing the taxpayer to pay @ 10% of tax demand before filing an appeal to the Appellate Tribunal – IR will be against the decisions of superior court and natural justice.

Withholding Provision on Withdrawal of Pension Fund Allinged;

Section 156B

Through the Finance Bill 2020-21, it has been proposed to omit the withholding provision on Pension Fund as available under Section 156B of the Ordinance and has now been proposed to be aligned under the relevant clause of Pension Fund, 23A of Part-I of 2nd Schedule of the Ordinance.

No FTR Statement is required to be filed;

Section 114

A person having income related to final tax regime was required to furnish a statement under Section 115 of the Ordinance instead of filing a tax return under Section 114 of the Ordinance.

It has now been proposed that the statement declaring income subject to final tax should be incorporated as a part of the return under Section 114 of the Ordinance.

WITHHOLDING RATES (SUBJECT WISE)



SECTIONS		PAYMENT / TRANSACTION	WITHHOLDING TAX RATES					
A. IMPORTS			Part I of 12th Schedule [Annexure I]		Part II of 12th Schedule [Annexure II]		Part III of the 12th Schedule [Annexure III]	
IMPORTS	148	"Imports (Minimum Tax except by an Industrial undertaking for its own use."	Filer	Filer	Non-Filer	Filer	Non-Filer	
			1%	2%	4%	5.5%	11%	
		Manufacturers covered under S.R.O. 1125(I)/2011				1%	2%	
		Pharmaceutical Imported Finish Goods				4%	8%	
B. INDIVIDUAL			Slabs Rates					
INDIVIDUAL	149	Salary	Slab	Rate on Exceeding Amount		Fixed Tax		
			Up to 600,000	Nil		Nil		
			600,001 to 1,200,000	5%		Nil		
			1,200,001 to 1,800,000	10%		30,000		
			1,800,001 to 2,500,000	15%		90,000		
			2,500,001 to 3,500,000	17.5%		195,000		
			3,500,001 to 5,000,000	20%		370,000		
			5,000,001 to 8,000,000	22.5%		670,000		
			8,000,001 to 12,000,000	25%		1,345,000		
			12,000,001 to 30,000,000	27.5%		2,345,000		
			30,000,001 to 50,000,000	30%		7,295,000		
50,000,001 to 75,000,000	32.5%		13,295,000					
75,000,000 and above	35%		21,420,000					
C. DIVIDEND			Individual/AOP		Companies			
DIVIDEND	150	Power Generation <i>*Subject to the implementation & Purchase Agreements</i>	Filer	Non-Filer	Filer	Non-Filer		
		Cash Dividend	7.5%	15%	7.5%	15%		
		Stock Fund	15%	30%	15%	30%		
		Money Market Fund	15%	30%	15%	30%		
		Income Fund or any other fund	15%	30%	15%	30%		
		REIT Scheme	25%	50%	25%	50%		
		Rental REIT Scheme	25%	50%	25%	50%		
		Exempt company OR Non tax payable Companies	25%	50%	25%	50%		
	236S	Specie Dividend	15%	30%	15%	30%		
	150A	Dividend on Sukuks	10% < 1million	20%	25%	50%		
12.5% < 1million			25%					

			Individual /AOP/Company						
D.	INTEREST		Filer	Non-Filer	Filer	Non-Filer			
INTEREST	151	Interest	If Interest < 500,000 / Annum		If Interest > 500,000 / Annum				
	151(1)(a)	Interest on National Saving Scheme (NSS)	10%	20%	15%	30%			
	151(1)(b)	Interest on Bank Account							
	151(1)(c)	Interest on Federal Government, Provincial Government & Local Government Bonds							
	151(1)(d)	Interest on Company Loans							
E.	NON-RESIDENT		Filer	Non Filer					
NON - RESIDENT	152(1)	Royalty or Fee for Technical Services	15%		30%				
	152(IA)	Construction Services	7%		7%				
		Advertisement by TV Satellite Channels	7%		7%				
	152(1AAA)	Media Person Advertisement Services	10%		10%				
	152(1C)	Fee for Offshore Digital Services	5%		5%				
	152(2)	Any Other Services	20%		40%				
	152 (2A)	(a)	Companies						
			Filer		Non Filer		IND./AOP		
			File		Non Filer		File		
			4%		8%		4.5%		
			8%		16%		10%		
	(b)	Contract	7%		14%		7%		
		Sportsman	Filer		Non Filer				
		10%		20%					
	152A	Foreign Produced Commercial	Filer		Non Filer				
			20%		40%				
	152(5)(I)	Companies					IND./AOP		
		Filer		Non Filer		Filer		Non Filer	
		3%		6%		3%		6%	
		1	Transport Services						
		2	Freight Forwarding Services						
		3	Air Cargo Services						
		4	Courier Services						
5		Manpower Outsourcing Services							
6		Hotel Services							
7		Security Guard Services							
8		Software Development Services							
9		IT Services and IT Enabled Services							
10		Tracking Services							
11		Advertising Services (Other than Print/Electronic Media)							
12		Share Registrar Services							
13	Car Rental Services								
14	Building Maintenance Services								

	15	Services Rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited				
		<ul style="list-style-type: none"> • Inspection • Certification • Testing • Training Services 	3%	6%	3%	6%
F. GOODS, SERVICES & CONTRACTS						
GOODS, SERVICES & CONTRACTS	F. GOODS, SERVICES & CONTRACTS		Companies		IND./AOP	
			Filer	Non-Filer	Filer	Non-Filer
	153(1)(a)	Rice, Cotton Seed Oil, Edible Oils (if Annual Supplies > 75K)	1.5%	3%	1.5%	3%
		Other Goods including Toll Manufacturing (if Annual Supplies > 75K)	4%	8%	4.5%	9%
		Dealer and Sub-Dealer of Sugar, Cement and Edible Oil	0.25%	0.50%	0.25%	0.50%
	153(1)(ab)	Distributors of FMCG (excluding durable goods)	2%	4%	2.5%	5%
		Services (if Annual Services > 30K)	8%	16%	10%	20%
		1 Transport Services				
		2 Freight Forwarding Services				
		3 Air Cargo Services				
		4 Courier Services				
		5 Manpower Outsourcing Services				
		6 Hotel Services				
		7 Security Guard Services				
		8 Software Development Services				
		9 IT Services and IT Enabled Services	3%	6%	3%	6%
		10 Tracking Services				
		11 Advertising Services (Other than Print/Electronic Media)				
		12 Share Registrar Services				
		13 Engineering Services	Omitted from reduce Rate (Covered in Normal Services)			
		14 Car Rental Services				
		15 Building Maintenance Services				
		16 Services Rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited	3%	6%	3%	6%
		<ul style="list-style-type: none"> • Inspection • Certification • Testing • Training Services 				
	Electronic and Print Media Advertising Services	1.5%	3%	1.5%	3%	
	Contracts (if Annual Contract > 10K)	7%	14%	7.5%	15%	
153(1)(C)	Sportsman					
		Filer		Non Filer		
		10%		20%		
		Company/ AOP/Individual				
153(2)		Filer		Non Filer		
	Stitching, Dying, Printing, Embroidery etc.	1%		2%		
153(B)	Royalty to Resident Persons	15%		30%		
G. EXPORTS			Filer			
EXPORTS	154	Exports	1%			
	154(1)	Export of Goods	1%			
	154(2)	Export Commission	5%			
	154(3)	Inland Bank to Bank Letter of Credit	1%			
	154(3A)	Export Processing Zone	1%			
	154(3B)	Indirect Exporter; SPO	1%			

H. RENT			COMPANY		IND./AOP	
RENT	155	Rent (On Gross Rental Payment)	Filer OR Non-Filer	Slabs	Rate on Exceeding Amount	Fixed Tax
			15%	Up to 200,000	Nil	Nil
				200,000 to 600,000	5%	Nil
				600,000 to 1,000,000	10%	20,000
				1,000,000 to 2,000,000	15%	60,000
				2,000,000 to 4,000,000	20%	210,000
				4,000,000 to 6,000,000	25%	610,000
				6,000,000 to 8,000,000	30%	1,110,000
				8,000,000 and above	35%	1,710,000

I. PRIZE & WINNINGS			Companies/ IND./AOP	
PRIZE & WINNING	156	Prize Bonds Prizes, Winning, Lottery & Raffles	Filer	Non-Filer
			15%	30%
			20%	40%

J. PETROL AND CNG			Companies/ IND./AOP	
PETROL & CNG	156A 234A	Petrol & Petroleum Products CNG Stations	Filer	Non-Filer
			12%	24%
			4%	8%

K. WITHDRAWALS FROM BANK			Filer	Non-Filer
BANKS	231A	Cash Withdrawal (if > 50k /day)	-	0.6%
	231AA	Bearer Banking Transaction (if > 25k /day)	-	0.6%
	236P	Banking Transaction Other than Cash	-	0.6%

L. PURCHASE OF MOTOR VEHICLES			Engine Capacity	Filer (Per Annum)	Non-Filer (Per Annum)	
PURCHASE OF MOTOR VEHICLES	231B(1A)	At the time of Motor Vehicle Leasing	Any Motor Vehicle	-	4%	
	231B(1) & (3)	On Registration by Excise & Taxation Dept. & On Sale by Manufacturer (Car or Jeep)	Up to 850cc	7,500 / seat	15,000 / seat	
			851cc to 1000cc	15,000 / seat	30,000 / seat	
			1001 to 1300cc	25,000 / seat	50,000 / seat	
			1301cc to 1600cc	50,000 / seat	100,000 / seat	
			1601cc to 1800cc	75,000 / seat	150,000 / seat	
			1801cc to 2000cc	100,000 / seat	200,000 / seat	
			2000cc to 2500cc	150,000 / seat	300,000 / seat	
			2500cc to 3000cc	200,000 / seat	400,000 / seat	
	231B(2)	Transfer or Ownership (Tax rate shall be reduced by 10% each year from the date of 1 st registration)	Above 3000cc	250,000 / seat	500,000 / seat	
	231B(2)		Transfer or Ownership (Tax rate shall be reduced by 10% each year from the date of 1 st registration)	Engine Capacity	Filer (Per Annum)	Non-Filer (Per Annum)
				Up to 850cc	-	-
				851cc to 1000cc	5,000 / seat	10,000 / seat
				1001 to 1300cc	7,500 / seat	15,000 / seat
				1301cc to 1600cc	12,500 / seat	25,000 / seat
				1601cc to 1800cc	18,750 / seat	37,500 / seat
				1801cc to 2000cc	25,000 / seat	50,000 / seat
		2000cc to 2500cc		37,500 / seat	75,000 / seat	
2500cc to 3000cc	50,000 / seat	100,000 / seat				
231B(2)	Transfer or Ownership (Tax rate shall be reduced by 10% each year from the date of 1 st registration)	Above 3000cc	62,500 / seat	125,000 / seat		

			Engine Capacity	Filer (Per Annum)	Non-Filer (Per Annum)
234	Private Motor Vehicle		Up to 1000cc	800 / seat	1,600 / seat
			1001cc to 1199cc	1,500 / seat	3,000 / seat
			1200cc to 1299cc	1,750 / seat	3,500 / seat
			1300cc to 1499cc	2,500 / seat	5,000 / seat
			1500cc to 1599cc	3,750 / seat	7,500 / seat
			1600cc to 1999cc	4,500 / seat	9,000 / seat
			2000cc & above	10,000 / seat	20,000 / seat

M. BROKERAGE AND COMMISSION			Companies/ IND./AOP	
			Filer	Non-Filer
BROKERAGE & COMMISSION	233	Advertising Commission	10%	20%
		Life Insurance Agent (If < 500,000)	8%	16%
		Other Commissions	12%	24%
	236J	Commission Agents (Fruits & Vegetables) and Arhatis	Omitted	

N. SHARES SALE & PURCHASE			Description	Filers	Non-Filers
SHARES	233A	Collection by Pakistan Stock Exchange (Adjustable)	Purchase of Shares	0.02% of Purchase Value	0.04% of Purchase Value
			Sale of Shares	0.02% of Sale Value	0.04% of Sale Value
	233AA	Collection by NCCPL	10%		

O. ELECTRICITY (ON GROSS)			Filer/Non-Filer	
ELECTRICITY	235	Commercial	12%	
		Industrial	5%	
	235A	Domestic	Not < 75,000	0%
		Exceeding 75,000	7.5%	

P. PHONE & INTERNET			Filer/Non-Filer	
PHONES & INTERNET	236	Telephone Bill	12.5%	
		Internet Bills		
		Phone Cards		

Q. AIR TICKETS			Companies/ IND./AOP	
AIR TICKETS	236B	Domestic Air Tickets (Except Baluchistan Coastal Belt, Azad Jammu Kashmir, FATA, Gilgit-Baltistan and Chitral)	5%	
		International Air Tickets: -		
		First/Executive Class	16,000/- Per Person	
		Others Excluding Economy	12,000/- Per Person	
	Economy	Nil		

R. PROPERTY SALE AND PURCHASE			Filer	Non-Filer
PROPERTY	236C	Sale of Property	1%	2%
	236K	On Purchase of immovable Property and person responsible for collecting payments in Installment on the Fair Market Value	1%	2%

S. Function & Gatherings		Cities of Pakistan	Tax Rate		
N & CTIO FUN	236D	Marriage related Functions	Omitted		
		Other Functions & Gatherings			
T. DISTRIBUTORS, DEALERS, WHOLESALERS		Filer	Non-Filer		
DISTRIBUTORS DEALER	236G	Fertilizers	0.7%	1.4%	
		Other than Fertilizers	0.1%	0.2%	
	236H	Sales to Retailers/Wholesalers by Distributors / Dealer			
		<ul style="list-style-type: none"> Electronics Others 	1%	2%	
	236HA	Sale of Certain Petroleum Products (Final)	0.5%	1%	
U. EDUCATION EXPENSES		Filer/Non-Filer			
EDUCATION	236I	For Institutions in Pakistan	Omitted		
	236R	For Institutions outside Pakistan			
V. TOBACCO		Filer/Non-Filer			
TOBACCO	236X	On the purchase value of Tobacco	Omitted		
W. OTHER VARIOUS WITHHOLDING SECTIONS;					
OTHERS	156B	Voluntarily Pension Scheme	3 years Average	3 years Average	
	235B	Steel Metals, Re-roller etc.	Rs.1/- per unit of Electricity		
	236F	Cable Operators	Omitted		
	236Q	Rent of Machinery & Equipment ; Minimum Tax	10%		
	236U	Premium by Insurance Companies	Types of Premium	Non-Filer Only	
			General Insurance Premium	Omitted	
			Life Insurance Premium if exceeding of Rs.0.3 Million per annum		
	236V	Extraction of Minerals	Filer	Non-Filer	
	236A	Other Auction	10%	20%	
		Immovable Property Sold by Auction	5%	10%	
236O	Advance tax under this chapter shall not be collected from	<ul style="list-style-type: none"> Federal Government, Provincial Government Foreign Diplomats, Diplomatic Mission Exemption Certificate 			
236Y	Any amount Remitted outside Pakistan through Credit, Debit or Prepaid Cards	1%	2%		

AMENDMENTS IN SALES TAX ACT 1990

ACTIVE TAXPAYER

Section 2(1) (a) & (d)

Presently, sub-clause (a) of Section 2(1) provides that a registered person is treated as an “Active taxpayer” if he is not blacklisted or whose registration is not suspended or blocked in terms of Section 21 of the Sales Tax Act 1990 (the Act). However, the concept of blocked registration does not find any reference in Section 21 *ibid*. Therefore, the Finance Bill seeks to remove such an anomaly by omitting the words ‘*is blocked*’ being irrelevant.

Further, at present, any person who fails to file two consecutive monthly or an annual withholding tax statement under section 165 of the Income Tax Ordinance, 2001 is removed from the definition of “Active Taxpayer”. The bill now proposes to relax the period of two consecutive months to three consecutive months.

OUTPUT TAX

Section 2(20)

Before the passage of 18th Amendment in the Constitution of Islamic Republic of Pakistan, service sales tax was being collected by FBR. Therefore, the definition of “output tax” had a reference for such taxes. Since service tax is now being collected by all Provinces under their respective statutes, the redundant clause has been amended to restrict it to the extent of Islamabad Capital Territory (Tax on Services), 2001 the service tax whereof is collected by FBR.

VALUE OF SUPPLY

Section 2(46)(h) & 2(46)(j)

Until June 2019, the mechanism for determining value of supply in case electricity supplied by the IPPS, WAPDA & KESC was provided in the erstwhile Sales Tax Special Procedures Rules, 2007. Vide Finance Act 2019, said special procedure were abolished and all the necessary provisions were transposed to the Act. However, the provision for value of electricity supply by WAPDA were omitted without any transposition. Now to make up this deficiency, the Finance Bill seeks to amend the definition of term “Value of supply” for the purpose of levying sales tax on electricity supplied by the WAPDA retrospectively with effect from 1 July 2019, to treat it at par with that of IPPs.

The Finance Bill further proposes insertion of a new sub clause in the definition of value of supply by prescribing value of supply for car dealers purchasing used vehicles from general public. It is proposed that car dealers would be liable to charge and pay sales tax to the extent of their actual value addition instead of gross sale value provided sales tax on such vehicles was already paid at import or manufacturing stage.

We understand the proposed amendment seeks to bring the largely undocumented sector into the tax net. However, to capture all 2nd hand Such incentive should also be awarded to the entire 2nd market / articles like furniture, electrical appliances, etc.

SCOPE OF TAX

Section 3(7) & Eleventh Schedule

The bill intends to extend the scope of sales tax withholding on procurement of services. Such change aims to remove an anomaly on withholding of sales tax on services provided in Islamabad under Islamabad Capital Territory (Tax on Services) Ordinance, 2001. Currently, Rule 150ZZH of the Sales Tax Rules, 2006 stipulates the applicability of withholding on services as specified in the Schedule to the ICT Ordinance. However, there was no reference of service in the charging provision. By virtue of proposed amendment, services rendered in Islamabad will be subject to withholding under Eleventh Schedule to the Act.

The Finance Bill further propose to treat the non-active taxpayer at par with unregistered persons for the purpose of withholding by amending S. No. 1, 2, 3, 4 & 6 of the Eleventh Schedule to Act as tabulated below:

EXISTING PROVISIONS			PROPOSED AMENDMENTS		
Withholding agents	Supplier category	Rate of deduction	Withholding agents	Supplier category	Rate of deduction
Federal & provincial government departments, Autonomous bodies, Public sector organization	Registered person.	1/5 th of sales tax	Federal & provincial government departments, Autonomous bodies, Public sector organization	Active taxpayer.	1/5 th of sales tax
	Person Registered as a wholesaler, dealer or distributor.	1/10 th of Sales Tax as shown on invoice.		Active taxpayer registered as a wholesaler, dealer or distributor.	1/10 th of Sales Tax as shown on invoice.
	Unregistered persons.	Whole of the tax involved or as applicable to supplies on the basis of gross value of supplies.		Persons other than Active Taxpayers.	Whole of the tax involved or as applicable to supplies on the basis of gross value of supplies.

EXISTING PROVISIONS			PROPOSED AMENDMENTS		
Withholding agents	Supplier category	Rate of deduction	Withholding agents	Supplier category	Rate of deduction
Companies as defined in the Income Tax Ordinance, 2001	Registered person.	1/5 th of sales tax	Companies as defined in the Income Tax Ordinance, 2001	Active taxpayer	1/5 th of sales tax
	Registered person as a wholesaler, dealer or distributor.	1/10 th of Sales Tax as shown on invoice		Active taxpayer registered as a wholesaler, dealer or distributor.	1/10 th of Sales Tax as shown on invoice.
	Unregistered persons.	5%		Persons other than Active Taxpayers.	5%
Registered persons purchasing cane molasses	Unregistered person	Whole of sales tax applicable	Registered persons purchasing cane molasses	Persons other than Active Taxpayers.	Whole of sales tax applicable

DETERMINATION OF TAX LIABILITY

Section 7(5)

In a significant move, in order to curb sales tax avoidance through exorbitant declaration of wastage of input goods, the Finance Bill proposes to empower FBR to impose restrictions on wastage of material on which input tax has also been claimed. Such restriction may be introduced for goods or class of goods. In his Budget Speech on the floor of National Assembly, the Honorable Minister for Industries also stated that many businesses claim wastage more than the average wastage ratio of the sector and pay less sales tax. To discourage this practice, it is proposed to introduce sector wise limit of wastage ratio.

We understand that resorting to assessments in the mechanized manner to curb the malpractices by some of the businesses will jeopardize interest of genuine taxpayers. On the technical touchstone, the provision is misfit in the scheme of assessment under the Act as the proposed amendment aims to treat the wastage, in excess of prescribed ratio, as production. While on the other hand, no corresponding amendment has been made for such 'deemed production' either in charging provision or in the definition of "supply".

TAX CREDIT NOT ALLOWED

Sections 8(1)(m)

Vide Finance Act 2019, an amendment was introduced for disallowing input tax paid on goods on pro-rata basis attributable to taxable supplies to unregistered persons without obtaining their CNIC. Now, the Finance Bill proposes to expand the scope of such provision by disallowing the input tax paid on services attributable such supplies made to unregistered persons without obtaining CNIC. It could effectively mean that service tax paid to provincial authorities, under ICT Service Tax Laws or FED paid under VAT Mode may also be denied to the taxpayers if they eventually do not get hold of CNIC of their unregistered buyer.

It seems that the policy makers only have a single solution for their failure to document the unregistered persons / undocumented sector, i.e., penalize the person doing business with undocumented sector. We understand given the huge size of undocumented segment of economy, this policy may prove counterproductive by compelling registered taxpayers to quit business being uncompetitive vis.a.vis their unregistered competitors.

POWER OF TAX AUTHORITIES TO MODIFY ORDERS, ETC

Section 11C

The Bill also proposes to introduce new section *parimateria* to Section 124A of the Income Tax Ordinance 2001. The proposed Section prescribes that the Commissioner or an Officer of Inland Revenue will be under obligation to follow the question of law decided by a High Court or Appellate Tribunal in favor of a registered person on or after July 1990, despite that an appeal may also have been preferred against such decision of High Court or Appellate Tribunal, until the decision of the High Court or of the Appellate Tribunal is reversed or modified. In case where the decision of High Court or Appellate Tribunal is reversed or modified, the Commissioner or an Officer of Inland Revenue may modify the assessment order within the period of one year from the date of receipt of decision regardless of any time limitation.

We understand the proposed amendment will have far reaching impact in reducing unwarranted and constant litigation with tax authorities.

TAX INVOICES

Section 23(1)(b)

Through Finance Act 2019, the registered suppliers were made liable to disclose CNIC of the unregistered buyer to whom the goods are sold. This disclosure is proposed to be made on the face of the tax invoice. Suppliers, whose sale invoices do not bear CNIC of the unregistered buyers, are deprived of the input tax on pro-rata basis. However, supplies made by retailers to ordinary consumers valuing less than fifty thousand rupees were excluded from the aforesaid requirement.

Now the bill proposes to enhance the threshold limit of rupees fifty thousand for retailer to rupees one hundred thousand.

It is pertinent to note the requirement of disclosing CNIC on invoice was not well received by the traders who went on nationwide strike after introduction the proviso and successfully negotiated an MOU with Government for waiver of such condition till January 2020. On a legal yardstick, we understand that such MOU does not hold field as the same has not been incorporated in the law.

AUDIT

Sections 25& 38

The Commissioner IR is empowered to call for records / documents for the purpose of conducting audit under the Act by himself or through an Officer Inland Revenue duly authorized by him in this respect. Further, if the Commissioner has sufficient evidence that such taxpayer is involved in tax fraud or evasion, he may authorize an officer not below the rank of Assistant Commissioner to conduct investigative audit.

The bill seeks to insert a new sub-section to enabling the conduct such audit proceedings electronically through video links or any other facility prescribed by the Board. Bare perusal of the proposed provision suggests that only Commissioner can conduct audit proceedings electronically; however, this seems to be impractical since usually the audit is conducted by subordinate field formations. This impracticality may trigger dispute between the taxpayers and Officer Inland Revenue wishing to conduct e-audit.

Corresponding amendments have also been proposed in Section 38 whereby real time access to business premises, stocks and record may be sought by the authorized officers through electronic means for conducting such investigative audit(s).

RETURNS

Section 26

Incidentally, a large number of taxpayers file return along with essential information only and avoid filing annexures of the return. To address this menace, the Finance Bill seeks to insert the word "complete" in Section 26 whereby taxpayers would be obliged to file true, correct and complete tax return alongwith all prescribed annexures thereof.

OFFENCES AND PENALTIES

Section 33

Through Tax Laws Second Amendment Ordinance, 2019 a penal provision was introduced whereby if a person is required to integrate its business with the FBR system under Section 3(9A) or 40C for online monitoring, reporting or recording of sales fails to do so even after six month, he will be imposed a penalty of Rs. 1 million besides his business premises may be sealed.

Now the Finance Bill seeks to curtail the time limit of six month to two months period and also provides clarity that such business shall be sealed till the integration requirement is met by the taxpayer.

The Finance Bill also seeks to insert a new clause prescribing penalty of Rs. 25,000 for first default and Rs. 50,000 for each subsequent default, in case a person fails to provide real time to information and databases in terms of newly proposed Section 56AB.

APPEALS

Section 45B

It has been proposed to revise the appeal filing fee as under:

Nature of Appeal	Status of Appellant	Appeal Fee
Against Assessment Order	Company	Rs. 5,000
	Other than Company	Rs. 2,500
Against others	Company	Rs. 5,000
	Other than Company	Rs. 1,000

The Finance Bill also seeks to insert a new sub-section placing bar on Commissioner Appeals on admitting any documentary material or evidence which was not produced by the taxpayer at the time of assessment by the Officer Inland Revenue. However, the Commissioner Appeals is empowered to exercise discretion for admitting such additional information upon satisfaction that appellant was prevented by sufficient cause from providing such information at assessment stage. This proposed provision is a replica of Section 128(5) of the Income Tax Ordinance, 2001 and aims at persuading the taxpayers to take the assessment proceedings seriously.

ALTERNATE DISPUTE RESOLUTION

Section 47A

The concept of alternate dispute resolution had been introduced in Pakistan since 2004 and its rules and procedures were repeatedly amended. The provision was last substituted vide Finance Act 2018, whereby among other things condition to withdraw any appeal pending before any forum was introduced and the decision of an Alternate Dispute Resolution Committee [ADRC] was made binding upon both the parties i.e taxpayer and the department. However, due to deprivation of right of appeal, taxpayers were least interested in filing application for alternate dispute resolution.

Now the Finance Bill proposes to done away with precondition of withdrawal of pending appeal(s). Further, in case the taxpayer is satisfied with order of ADRC, the same would be binding on the department, subject to the condition that taxpayer withdraws his appeal, if pending before any forum, and intimates the same to Commissioner within 60 days of ADRC's decision. In case taxpayer is aggrieved with ADRC decision, he may pursue such pending appeal.

Other significant change proposed is that both the members of ADRC are to be nominated by the Board, one being the concerned Chief Commissioner IR and the other from a panel of Chartered Accountants, Cost Accountants or Advocates.

SERVICE OF ORDERS, DECISIONS, ETC.

Section 56

Presently tax notice, order or requisition can be served through electronic means i.e., on email or e-folder for limited companies. The proposed amendment seeks to widen e-notices or e-orders to all taxpayers. This proposed amendment will also enable the tax officers to conduct audit electronically.

After the proposed amendment, the taxpayers may need to remain vigilant and check their email mentioned in their profile with FBR and respective e-folder on FBR web-portal regularly to avoid lapse of any notice or order.

REAL TIME ACCESS TO INFORMATION AND DATA BASES.

Section 56AB

The bill seeks to empower the Board to make arrangement for a real time access to consumer profile and other information from certain organization as listed below;

1. National Database and Registration Authority (NADRA)
2. Federal Investigation Agency (FIA)
3. Bureau of Immigration and Overseas Employment
4. Islamabad Capital Territorial Authority
5. Land Record and Development Authorities
6. Excise and Taxation Department
7. Electricity and Gas transmission and distribution companies

Until such arrangements for real time access to such information is made, the above organizations will share such information on periodical basis. The move is aimed at equipping the Board to gather actionable information against the tax evaders to broaden the tax net. However, FBR's present capacity and capability for meeting this challenge is uncertain since despite holding all necessary information of unregistered industrial & commercial users of utilities, no tangible measure was adopted to bring them into the tax net. This is why we understand such an objective could not be achieved without structural reforms in FBR.

CERTAIN TRANSACTIONS NOT ADMISSIBLE.

Section 73(4)

Section 73(4) was introduced vide Tax Laws (Second Amendment) Ordinance 2019, whereby manufacturers were barred from supplying taxable goods to unregistered persons beyond annual threshold of Rs. 100 Million and monthly limit of Rs. 10 Million. Upon taxable supplies to unregistered person beyond aforesaid threshold limits, corresponding input tax attributable to such excess supplies is disallowed on proportionate basis. Now the Finance Bill seeks to expand the scope this provision to every taxpayer making taxable supplies.

Though, the proposed amendment is aimed at documenting the economy for the larger interest of the country; however, it is imperative to note that the law enforcement is the obligation of government agencies i.e., FBR in the instant case. Depriving a taxpayer from a proprietary right of adjusting the input due to the reason that some other citizen with whom he is doing business is not law complaint is against the principles of natural justice. Further, denial of otherwise legitimate input tax is against very principle of VAT based sales tax regime.

We understand the measure if implemented will increase the cost doing business for the compliant taxpayers and may prove counterproductive by persuading taxpayer for creative accounting and structuring transaction in novel ways.

FIFTH SCHEDULE.

Serial No. 13 & 14

To incentivize manufacturing activity in Gwadar Free Zone and export thereof, supplies of raw material, components and goods for further manufacturing in the said territory are now proposed to be zero rated in terms of Serial 13 of Fifth Schedule of the Act.

Similarly, supplies of locally manufactured plant and machinery to manufacturers operating in Gwadar Free Zone are proposed to be zero rated in terms of Fifth Schedule of the Act subject to certain conditions, restrictions and procedure enumerated therein.

However, in order to curtail the misuse of zero rating facility, supplies made from Gwadar Free Zone to tariff areas of Pakistan are proposed to be taxed at assessed value declared at Goods Declaration at the time of import.

The above amendments are proposed to be effective from 1st June 2020.

SIXTH SCHEDULE (Table-I)

Exemption on import and supplies in Gwadar Free Zone

Serial No. 100A

Import by or supplies of material and equipment by companies operating in Gwadar Port for development of Gwadar Free Zone are proposed to be exempted from sales tax with effective from 1st June 2020 subject to certain condition and procedure.

Serial No. 100D

The bill proposes to exempt the machinery, equipment, material and goods which will be imported by investors of Gwadar Free Zone and will be used within the limits of said territory and for making export from thereon, subject to conditions specified therein. However, in case of goods are supplied or taken out of the Zone for purpose other than export, the tax on the same shall be paid by the importer.

Extension in extension in exemption under Serial No. 103

The exemption on import & supply of ships and all floating crafts including tugs, dredgers, survey vessels and other specialized crafts purchased or bare-boat chartered by a Pakistan entity and flying the Pakistan flag is proposed to be extended till 2023.

Exemption on import and supplies of Dietetic Foods under Serial No. 154

It is proposed to exempt import and supplies of Dietetic Foods intended for consumption by children suffering from inherent metabolic disorder subject to approval by Ministry of National Health Services, Regulations and Coordination.

SIXTH SCHEDULE (Table-3)

Serial No. 15A

The bill seeks to make amendment in description of following headings of Serial No. 15A.

Existing			Proposed		
S. No.	Description	Heading	S. No.	Description	Heading
(i)	Aluminum Housing/ Shell for LED (LED Light Fixture)	9405.1090	(i)	Housing /shell. Shell cover and base cap for all kinds of LED lights and bulbs	Respective Heading
(ii)	Metal Clad Printed Circuit Boards (MCPCB) for LED	8534. 0000	(ii)	Bare and stuffed Metal Clad Printed Circuit Boards(MCPCB) for LED	8534. 0000

EIGHT SCHEDULE (Table-1)

The bill seeks to make modify the sales tax on following under Table 1 of Eight Schedule of the Act.

Existing			Proposed		
S. No.	Description	Sales Tax	S. No.	Description	Sales Tax
56	Potassium chlorate (KClO ₃)	17% along with Rs.70 per kg	56	Potassium chlorate (KClO ₃)	17% along with Rs.80 per kg
66	Supplies as made from retail outlets as are integrated with Board's Computerized system for real time reporting of sales	14%	66	Supplies as made from retail outlets as are integrated with Board's Computerized system for real time reporting of sales	12%

NINTH SCHEDULE

The schedule is proposed to be amended in line with the mobile manufacturing policy approved by the ECC of the Cabinet. Sales tax on Smart Phones up to valuing \$30 is being proposed to increase. Smart phones whether valuing less than \$30 and till \$100 would be subject to sales tax in accordance with sales tax applicable to category as specified under Ninth Schedule to the Act i.e. Rs.1320/-

TWELFTH SCHEDULE

The bill proposes to withdraw value addition tax on import of raw material and intermediary goods imported by manufacturer for in-house consumption. Through Finance Act, 2019 this exemption was restricted to those goods which are subject to custom duty at the rate up to 16% ad valorem only which was unwarranted and unjustified and was challenged before the court by some taxpayers. Now the old position has been rightly restored.

AMENDMENTS IN FEDERAL EXCISE ACT, 2005

Identical Amendments

The following amendments, discussed in this Memorandum under Sales Tax Act 1990, have also been replicated under Federal Excise Act 2005 (FED Act):

- Adjustment of Duties of Excise
- Appeal effect / power of tax authorities to modify orders
- Appeal to Commissioner (Appeals)
- Appeals to the Appellate Tribunal
- Alternative Dispute Resolution
- Real time access to information and databases

AUDIT

Section 46(10)

Subsection (10) of Section 46 has been omitted. This subsection restricts Inland Revenue Officer to conduct audit once in three years. After such omission, audit may be conducted audit once in a year.

AMENDMENT IN FIRST SCHEDULE

Section 3

Certain changes in rate of duty, description and category of goods have been proposed in First Schedule to the Federal Excise Act, 2005 as follows:

Existing				Proposed 2020-21			
Sr. No.	Description of goods	Tariff Heading	Rate	Sr. No.	Description of goods	Tariff Heading	Rate
				6a.	Caffeinated energy drinks	2202.101 2202.99	25% of the retail price";
8	"Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes.";	24.01	Sixty [five] percent of retail price	8	"Cigars, cheroots, cigarillos and cigarettes of tobacco and tobacco substitutes.";	24.01	Hundred percent of retail price
				8a.	E-liquids by whatsoever name called, for electric cigarette kits	Respective heading	Rupees ten per ml";
				55C.	Imported double cabin (4x4) pick-up vehicles	8704.219 8704.319	25% ad val
				55D.	Locally manufactured double cabin (4x4) pick-up vehicles	8704.29 8704.319	7.5% ad val"; and
56	Filter rod for cigarettes	5502.009	Rupee 0.75 per filter rod]	56	Filter rod for cigarettes	5502.009	Rupee 01 per filter rod]

REDUCTION IN DUTY ON CEMENT

Excisable Goods; Table-I

The Bill proposes to decrease FED on cements, classified under Tariff Heading 25.23. Currently FED on cement is chargeable on fixed rate basis which was Rs.2 per kilogram. Such rate is now proposed to be decreased to Rs.1.75 per kilogram.

NEW EXCISABLE GOODS

Excisable Goods; Table-I

This is the list of new goods which have been proposed to be excisable goods under First Schedule to the Federal Excise Act, 2005 at the rate specified next to each goods:

Sr. No.	Description of goods	Tariff Heading	Rate
6a.	Caffeinated energy drinks	2202.1010 2202.9900	25% of the retail price
8a.	E-liquids by whatsoever name called, for electric cigarette kits	Respective heading	Rupees ten per ml
55C.	Imported double cabin (4x4) pick-up vehicles	8704.2190 8704.3190	25% ad val
55D.	Locally manufactured double cabin (4x4) pick-up vehicles	8704.290 8704.3190	7.5% ad val

AMENDMENTS IN CUSTOMS ACT, 1969

ADVANCE RULING

Section 2(ai) & 212B

A new definition of 'advance ruling' has been proposed to be insert in Section 2 of the Customs Act, 1969 [Customs Act]. Simultaneously, a new Section 212B has also been proposed to be added in the Custom Act whereby provision of advance ruling for determination of classification, origin or applicability of a particular relief or exemption on goods prior to their importation or exportation, valid for a specified period of time, would be issued by the Board or any officer or a committee authorized by the Board.

We understand it is a beneficial amendment and would resolve many issues in advance emanating at the time of import or export of goods in assessment of duty /taxes. Adopting the mechanism of advance ruling, provisional assessment /determination of liability under Section 81 may be avoided.

MINIMAL DUTIES

Section 19C

The Bill seeks to increase the value of minimal duties from Rs.100/- to Rs. 5,000/- by amending Section 19C of the Customs Act.

After proposed amendment, no duties and taxes shall be demanded where the value of imported goods does not exceed Rs. 5,000/- subject to conditions and restrictions as may be prescribed by the Board under the rules.

CHANGES IN CUSTOMS TARIFF

- Exemption of additional custom duties on those tariff lines which are now @ 0% customs duty in tariff.
- Reduction of custom duty on 40 raw materials of various industries
- Tariff rationalization under National Tariff Policy 2019, by reducing customs duty on 90 tariff lines from 11% to 3% and 0%.
- Reduction in regulatory duty from 12.5% and 17.5% to 6% and 11%, respectively on Hot Rolled Coils (HRC) of Iron and steel falling under PCT codes 7208 and 7225& 7226, respectively.
- Exemption of custom duties on import of raw materials by manufacturers of Butyl Acetate.
- Exemption of custom duty on import of raw material by manufacturer of syringes and saline infusion sets.
- Exemption of customs duties on import of raw material by manufacturers of buttons.
- Reduction in custom duty on import of raw material by manufacturers of interlining/buckram.
- Reduction of custom duty and exemption of additional custom duty and regulatory duty on import of raw materials by manufacturers of Wire rod

- Exemption of custom duties and regulatory duty on import of machinery, equipment and other project related items for setting up of internet cable landing stations.
- Exemption of custom duties on import of raw material by beverage can manufacturers.
- Reduction in Custom duty and exemption from Additional custom duty on import of raw material by food packaging industry.
- Exemption from customs duties on import of 61 COVID19 related items, which was due to expire on 20th June has been extended due to the continuation of pandemic.
- Exemption from 2% ACD on import of edible oils and oil seeds under PM's COVID19 Relief Package has been extended.
- Exemption of duties & taxes on import of Dietetic Foods for Children with inherited metabolic disorders.
- Exemption of all duties & taxes on import of Diagnostic Kits for Cancer and Corona Virus.
- Exemption of Customs duties on inputs of Ready to use Supplementary Foods (RUSF).
- Exemption of Customs duties on import of life saving drug Meglumine Antimonite for treatment of leishmaniasis.
- Exemption of customs duties on imports for setting up new industries in erstwhile FATA area extended till 2023.
- Reduction in additional customs duty for soap manufacturing industry on Palm Stearin
- Enhancement in scope of concessions available to Special Economic Zones

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