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Notice:

RASG is also pleased to notify its valued clients, friends and associates that our website, www.rasgco.com has been uploaded with our “Tax Commentary - 2009” and a digital copy of the Commentary can also be downloaded both in ‘MS Word’ and ‘PDF’ formats.

Special Thanks:

For the excellent teamwork displayed by the staff of RASG as well as our other associates and printers during the preparation of this document.

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Alhamdulillah!

RIAZ AHMAD SAQIB GOHAR & CO. RASG is pleased to present the 'highlights, comparison and comments' on this year's budget to its client, friends and associates. While developing this document every endeavor has been made to keep the presentation simple, with the view to help our readers understand the amendments in the various statutes through the Finance Bill, 2009.

This commentary reflects our understanding of the legislation and we recommended that reference should be made to the precise wording of the Bill wherever necessary. We would also recommend that the professional advice should be sought before acting upon any of the amendments.

This is being 20th year of my practice as professional accountant and writing the tax commentary. I remember how I was able to get hold of the copy of the Finance Bill and was able to type my single man firm's first tax commentary on a manual type writer. I still rejoice the feed back I received from my seniors and well-wishers.

Today! RASG's team has completed the Commentary in a record time. I am thankful to the almighty Allah, my partner, my associates and my dearest team members. I also offer special thanks to our clients whose support always encourages us to deliver better.

Regards

Gohar Manzoor

June 14, 2009



Preamble

Federal Budget 2009-10 (HIGHLIGHTS)

INCOME TAX

- The basic limit of exemption from income tax in respect of salaried persons is proposed to be increased from Rs.1,80,000 to Rs.2,00,000. In the case of women salaries taxpayers, this limit is proposed to be increased from Rs.2,40,000 to Rs.2,60,000.
- Presently senior citizens are allowed 50% relief in tax liability provided the taxable income, in a tax year, does not exceed Rs.5,00,000/-. It is proposed to enhance limit of taxable income to Rs.7,50,000.
- Withholding tax rate in respect of cigarettes and pharmaceutical products distributors is being reduced from 3.5% to 1%.
- At present, the taxpayers are entitled to compensation @ 6% for the late payment of refunds. Considering the prevailing interest rates on bank loans the rate of compensation is being increased to KIBOR.
- Presently, receipts form accumulated balance of voluntary pension scheme is exempt up to 25% of the available balance. In order to promote the voluntary pension schemes and allow relief to pensioner class the said limit is proposed to be enhanced to 50%.
- Under the existing provisions of the Income Tax Ordinance, a person is entitled to tax credit on interest payment of housing loans up to 40% of the taxable income or Rs.5,00,000/- whichever is low. The said limits are proposed to be enhanced to 50% and Rs.7,00,000/- respectively.
- Presently, tax collected on monthly electricity bills in respect of non-corporate Commercial and Industrial consumers is treated as final tax. An amendment has been proposed in section 235 of the Ordinance by virtue of which the tax deducted on the monthly electricity bills exceeding Rs.30,000/- will be adjustable which consequently could be refunded.
- Withholding tax on imports is proposed to be enhanced to 4% across the board.
- Presently, advance tax is payable in four quarterly installments on the basis of last assessed income. It is proposed that for working out the advance tax liability the sales should also be taken in to account.



HIGHLIGHTS

- Concept of minimum tax has proposed to be reinstated with higher rate of minimum tax @ 0.5% of turnover.
- Presently, the indenting commission is being taxed @ 1% of the gross receipts whereas the general rate for commission and brokerage is 10%. In view of the gross disparity in the rate it is proposed to be enhanced to bring it in conformity with other commission.
- In order to raise funds for the rehabilitation of internally displaced persons (IDPs) of Swat, Dir & Bunir it is proposed to charge 5% tax on tax payable by individuals and AOPs whose taxable income exceeds one million rupees. This is a one time levy and payable for tax year 2009 only.
- In order to support IDPs in their habilitation a new tax is being proposed to be charged on bonus income of corporate executives @ 30% of the bonus. This is a one time levy and payable for tax year 2009 only.
- At present, additional tax is chargeable @ 12% per annum on late payment of tax. The rate is proposed to increase the rate of additional tax to KIBOR+3% per quarter.
- In order to avoid false claims of tax payments and make possible speedy verification of tax paid for issuance of refund, it is proposed that the taxpayer would be required to furnish copies of challan or other equivalent document in support of claims of tax payments.
- At present, the taxpayers are allowed to file revised return any time within five years of the filing of original return. It is proposed to disallow filing of revised return in cases, where the department has initiated proceedings for amendment of assessment order.
- An amendment has been proposed in section 124 of the Income Tax Ordinance, 2001 by virtue of which the taxpayers would be provided the facility of filing appeal against the reassessment order.
- In order to safeguard the interest of revenue it has been proposed that in certain cases where departmental appeals are pending in courts the Commissioner will be empowered to withhold refunds.
- An amendment has been proposed in section 115 of the Income Tax Ordinance to provide for filing of revised statement by the tax payer on account of any omission or wrong statement of particulars of income.
- The motor vehicle registration authorities are being empowered to collect advance tax payable on purchase of a new locally manufactured motor vehicle at the time of registration of such vehicle.

- It is being made mandatory that the taxpayers who are required to file wealth statement shall also file wealth statement reconciliation giving necessary details and documents in support thereof.
- In order to ensure filing of income tax returns by all persons having reasonable resources and income, it is proposed that any person owning immovable property with a land area having 500 sq. yards, flat having covered area 2000 sq.ft or owns a motor vehicle having engine capacity of 1000CC or more shall file return of income.
- Taxation Officers are being empowered to pass best judgment assessment orders in the cases of the taxpayers who failed to furnish statutory statement as required under section 115 of the Income Tax Ordinance, 2001.
- To accelerate the pace of documentation of the economy and broadening of tax base the manufacturer are being incentivized by allowing tax credit at 2.5% of the tax payable if they are able to make at least 90% of their sales to sales tax registered persons.

SALES TAX AND FEDERAL EXCISE

- Reduction of Federal Excise duty on cement to encourage construction activities.
- Exemption of Sales Tax on import of Lysine Sulphate for poultry products.
- Only 1 addition in the list of zero rated items with the name of wheel chairs.
- Withdrawal of 5% Federal Excise duty on motor cars.
- Reduction of Federal Excise duty on telecommunication services from 21% to 19%.
- Withdrawal of exemption on import of ware potatoes and onion
- Enhancement of Federal Excise duty on cigarettes.
- Levy of Federal Excise duty on advertisement, periodicals
- Levy of Federal Excise duty on short message services.
- Levy of Federal Excise duty @ 16% on numbers of services.
- Default surcharge introduced KIBOR plus three percent
- Reduction in time limit of adjudication of cases

- Failure to provide any record or violation of law may post Sales Tax Officer on the premises
- Reopening of proceedings initiated within three years.
- Insured ADRC recommendation within the prescribed time.
- Compensation will be paid on delay refunds on the basis of KIBOR.

CUSTOMS

- The Bill seeks to introduce Karachi Inter Bank Offered Rate (*KIBOR*) as the default interest rate for surcharges payable under the Act.
- The Bill seeks to extend the time period of ninety days to one hundred and twenty days for passing order by commission appeal.
- The Bill seeks to specify that for the constitution of Special Bench constituted by the Chairman, the case shall involve duty, tax, penalty or fine exceeding ten million rupees instead of five million rupees.
- The Bill seeks to increase the retention period of two years to three years for record to be kept for any proceedings relating to any decision or order passed by an officer of customs.
- The Bill seeks to clarify that the retention period for the record regarding the case not settled yet shall be the date of final decision in any proceedings including proceedings for assessment, appeal, revision, reference, petition and any proceedings before an Alternative Dispute Resolution Committee, whichever is later.
- The Bill seeks to enhance the rate of custom duty on multimedia still/video camera from 5 % to 10 %.
- The Bill seeks to enhance rate of custom duty on Liquid Crystal Devices (LCD) from 5 % to 25%.
- The Bill seeks to wave of custom duty on fully dedicated CNG buses

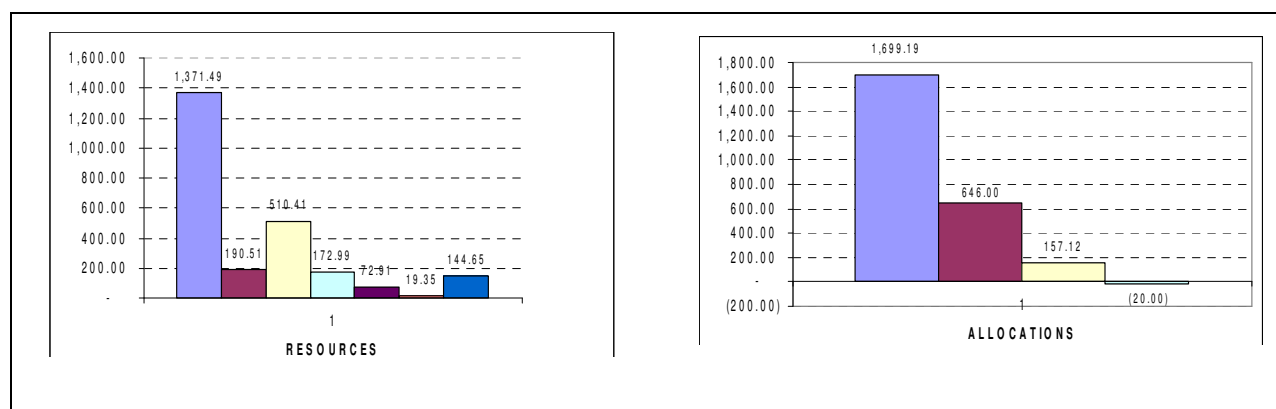


RESOURCES	2009-2010		2008-09	
	Rs. In billion	%	Rs. In billion	%
Net Revenue Receipts	1,371.49	55	1,223.74	59
Net Capital Receipts	190.51	8	187.24	9
External resources- Loans	510.41	21	367.43	18
Self financing of PSDP by Provinces	172.99	7	123.66	6
Change in Provincial Cash balance	72.91	3	37.65	2
Privatization proceeds	19.35	1	1.29	0
Bank borrowings	144.65	6	146.02	7
TOTAL RESOURCES	2,482.31	100.00	2,087.03	100.00

ALLOCATIONS

Current Expenditure	1,699.19	68	1,649.22	79
Development Expenditure- PSDP	646.00	26	418.97	20
Other Development Expenditure	157.12	6	58.84	3
Est. Operational Shortfall – PSDP	(20.00)	(1)	(40.00)	(2)
TOTAL EXPENDITURE	2,482.31	100.00	2,087.03	100.00

GRAPHIC VIEW OF BUDGET – 2009-2010 (PKR BN)



PREAMBLE According to Economic Survey 2008-09, launched jointly by Advisor to the Prime Minister on Finance, Mr. Shaukat Tarin and Minister of State for Finance, Ms. Hina Rabbani Khar, here on Thursday MAY 11, 2009, the economic growth of 2.0 % seems reasonable although it implies definite slippage against 4.1 % growth of last year and this year's target of 4.5 %. During the past years the war against terror is the main cause due to which, Pakistan not only lost precious lives and infrastructure but a very conservative estimate has placed economic cost of this war for Pakistan at around US\$ 35 billion since 2001-02. Other causes were the energy outages and political uncertainty till March, 2009 when the movement of reinstatement of Chief Justice was at its height. At the start of fiscal year (2008-09), Pakistan economy was confronted with four major challenges which posed threat to Pakistan's recovery and socio-economic growth including regaining macroeconomic stability, poverty reduction, fiscal retrenchment and weaknesses in the external account. The government has been trying to stabilizing the economy by minimizing the extra expenditures and unproductive subsidies, tightening the monetary policy to reduce the inflation rate and control the flight of foreign exchange. The government has taken number of steps to meet the above challenges which are described as follows:-



1. Adjustment of petroleum prices;
2. Curtailment of budgetary expenditures;
3. Periodical revision of energy prices (Electric ,gas);
4. SBP measures mainly through interest rates;
5. Improving the public private partnership program.

The government has also initiated the Pakistan's stabilization program with the support of IMF. This program is aimed to address the Pakistan's some long standing problems e.g tax collection deficit, electric subsidies, exchange rate upward fluctuation, etc.

However, despite the several pessimistic factors still our economy depict certain encouraging aspects e.g worker's remittances have remained strong and grew by 19.5% and decline in prices petroleum and commodities/food has helped to reduce the import bill and thus decreased the large current account deficit. Country's current account deficit has been reduced by \$2 billion and even for the month of February 2009, we have witnessed surplus monthly current account since June 2007. It is also likely that current account deficit decelerate by 8.5% to 5.3% of GDP in 2008-9 which allowed for a build up of country's foreign exchange reserve beyond the \$11 billion.

Following is a quick account of various important aspects of the economic survey 2008-2009:.

GROWTH AND INVESTMENT Pakistan's economy has confronted many challenges during the year 2008-9 consisting of political uncertainty hovering around for most part of the year, intensification of war on terror, acute energy shortage and extremely high inflation by Pakistan's standard, massive adjustment efforts to regain stability from a highly disruptive year (2007-08) of exceptionally high macroeconomic imbalances, and above all significant demand compression both on domestic and external front, the economic growth seemed to be satisfactory under the circumstances. Real GDP grew by 2.0 % in 2008-09 as against 4.1 % last year and growth target is met 4.5%.

Agriculture sector has depicted a stellar growth of 4.7 % as compared to 1.1 % witnessed last year and target of 3.5 % for the year. The livestock sector grew by 3.7 % in 2008- 09 as against 4.2 % last year.

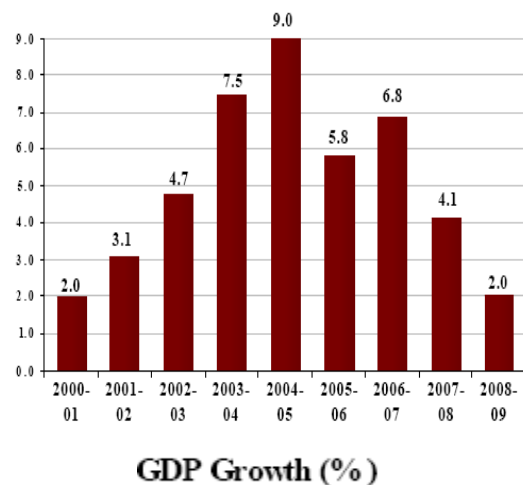
Service Sector grew by 3.6 % as against the target of 6.1 % and last year's actual growth of 6.6 %.

Finance And Insurance Sector witnessed a slow down of 1.2 % compared with an expansion of 12.9% in 2007-08. The performance of this sector shows that Pakistan's financial sector is integrated in the world economy and feeling the heat of the financial crisis plaguing international financial markets.

Transport, Storage And Communication depicted a sharp deceleration in growth to 2.9 % in 2008-09 as compared to 5.7 % growth of last year.

Per capita real income has risen by 2.5 % in 2008-09 as against 3.4 % last year. Per capita income in dollar term rose from \$ 1042 last year to \$ 1046 in 2008-09, thereby showing marginal increase of 0.3 %.

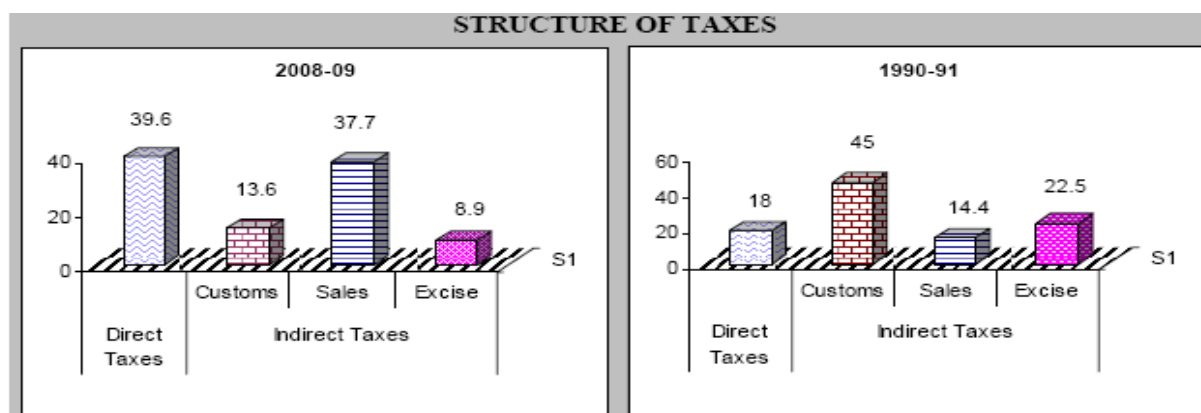
Investment has declined from 22.5 % of GDP in 2006-07 to 19.7 % of GDP in 2008-09. Fixed investment has decreased to 18.1 % of GDP from 20.4 % last year. The national savings rate has increased to 14.4 % of GDP in 2008-09 from 13.5 % of GDP last year. Domestic savings has declined substantially from 16.3 % of GDP in 2005-06 to 11.2 % of GDP in 2008-09. The overall foreign investment during the first ten months (July-April) of the current fiscal year has declined by 42.7 % and stood at \$ 2.2 billion as against \$3.9 billion in the comparable period of last year. Private portfolio investment on the other hand showed a net outflow of \$451.5 million as against a net inflow of \$98.9 million during the comparable period of last year.



MANUFACTURING AND MINING Manufacturing sector is the contributory of 18.4 % to GDP, it has recorded its weakest growth in a decade during current fiscal year. Overall manufacturing posted a negative growth rate of 3.3 % during the current fiscal year against the target of 6.1 % and 4.8 % of last year. Textile production has declined slightly, by 0.7 % over the same period last year. The cement sector posted a growth rate of 4.71 % during the current fiscal year. Cement exports increased by 48.8 %. Fertilizer industry also posted a positive growth due to increase in production. The mining and quarrying sector has registered almost flat growth rate i.e. 1.31 % as against a target of 4.5 % and 3.0 % of last year. The growth rate of this sector declined sharply due to substantial diminishing trend in the production of Magnesite (51.3%), Sluphere (10.3%) and Dolomite (4.6%).

FISCAL DEVELOPMENT The unanticipated persistence of inflationary pressures on the economy kept fiscal policy options limited. However, there has been significant improvement in fiscal performance during 2008-09 due to the policy shift, with the overall fiscal deficit estimated to have dropped to 4.3 % of annual GDP. In the year 2008-09 total revenue as %age of GDP slightly recovered, due to a marginal improvement in non-tax revenues as % of GDP. Total revenue is expected to reach at Rs. 1910 billion, as compared to Rs. 1499.5 billion during the 2007-08. The FBR revenue collection for the fiscal year 2008-09 was targeted at Rs.1250 billion at the time of presentation of the Federal Budget 2008-09. Tax collection during the first ten months (July-April) of the current fiscal year amounted to Rs.898.6 billion, which is 17.7 % higher than the net collection of Rs.763.6 billion in the corresponding period of last year. Yet the FBR tax collection to GDP ratio is likely to deteriorate around 9 % of GDP as against the target of bringing it in to the vicinity of 10 % of GDP. Tax revenue from all sources exhibited a decline in tax-GDP ratio from 10.3 % in 2007-08 to around 10 % in 2008-09. The budgeted total expenditure for the

fiscal year 2008-09 was Rs.2391 billion, which is 4.9 % higher than the last year's revised estimate. On the other hand current expenditures were envisaged to remain more or less stagnant at Rs.1876 billions.



MONEY & CREDIT In the light of continued inflationary buildup and increasing pressures in the foreign exchange market, the SBP announced a package of monetary measures which basically increased the discount rate to 12% with an increase in CRR and SLR to 9 % and 19 %, respectively for banking institutions, margin requirement of 35% for the opening of letter of credit for imports (*excluding food and oil*) and establishment of a floor of 5% on the rate of return on P & L sharing and saving accounts. However, noticing visible signs of demand compression enabled the SBP to reduce 100 basis points on April 20, 2009. Weighted average lending rate have witnessed decline from 15.5% in October 2008 to 14.3 % in March 2009. Weighted average deposit rate on the other hand has decreased from 9.5 % in October 2008 to 8.0 % in March 2009. The weighted average yields on 6 months T-bill has declined by almost 250 basis points to 11.5 % in March 2009 as against 14 % in November 2008 but inched up to 12.4% in April 2009. For 6-months and 12-months KIBOR they are decreased by 26 bps and 39 bps to 13.68 % and 13.83 % respectively at end May 2009 in view a cut of 100 bps in the policy rate in April 2009.

Profile of Monetary Indicators

	Rs. (billion)	
	Jul-10May 2007-08	Jul-9May 2008-09
1. Net government sector Borrowing (a+b+c)	421.4	458
a. Borrowing for budgetary support	360.4	340
b. Commodity operations	60.9	119.8
c. Others	0.1	-1.7
2. Credit to Non-government Sector (d+e+f+g)	414.4	160
d. Credit to Private Sector	369.8	21.8
e. Credit to Public Sector Enterprises (PSEs)	44.300	138.4
f. PSEs Special Account-Debt repayment with SBP	-0.03	-0.086
g. Other Financial Institutions (SBP credit to NBFIs)	0.24	-0.137
3. Other Items (net)	-180.4	-175.9
4. Net Domestic assets (NDA)	655.4	442.1
Growth	21.28%	10.99%
5. Net Foreign Assets (NFA)	-290.90	-227.10
6. Monetary Assets (M2)	364.4	215.0
Growth	8.96%	4.59%

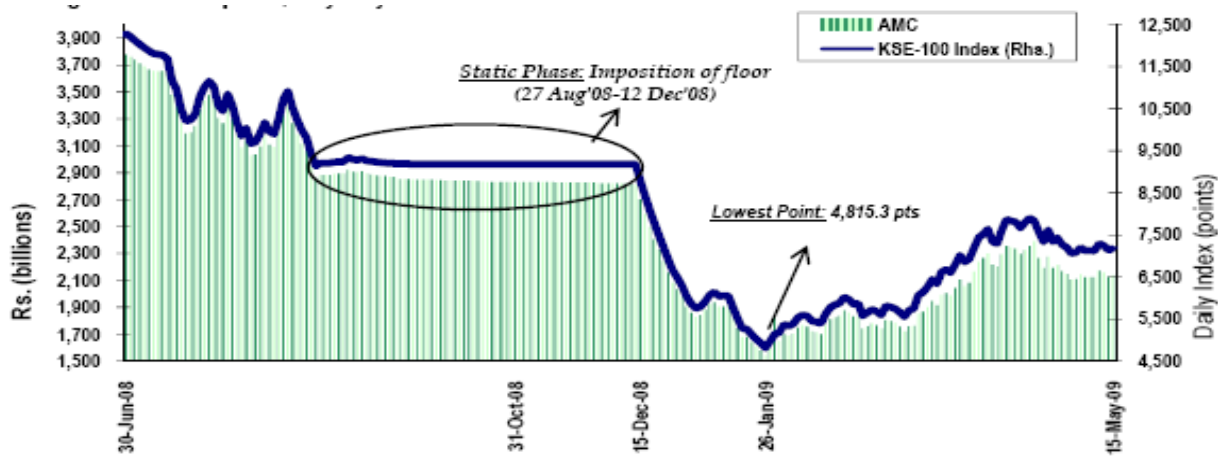
Source: SBP

CAPITAL MARKETS Subsequent to the high time growth the stock market has seen an episode of sharp decline and KSE 100 index has fallen by 62% (as on December 31st. 2008) since reaching its peak in April 2008. The stock markets in Pakistan remained largely resilient since the beginning of the millennium and this buoyancy in the local bourse was seen till April of the year 2008, when the all-time high record of 15,676 points for the KSE-100 index was achieved. The market interventions by regulators were in no way a substitute of capital controls. However, both the domestic quandaries and unsteady global horizon resulted in a turnaround during FY08 and FY09. As a result, the country recorded net Foreign Portfolio Investment (FPI) outflows of \$177.7 million in FY08. The stock market observed gigantic FPI outflows due to the removal of the price floor mechanism in the middle of December 2008. It stands at a negative \$418.4 million till March 2009.

The total funds mobilized during July-March 2008-09 in the three stock exchanges (KSE, LSE & ISE) amounted to Rs. 97.8 billion, as compared to Rs. 117.2 billion in the last fiscal year. The total turnover of shares in the three stock exchanges during the same period was 18.8 billion, compared to 70.4 billion shares in the previous fiscal year.

Pakistan’s debt market has witnessed an issuance of long term government securities amounting to about Rs. 49 billion and revision in deposit rates of National Savings Schemes on a quarterly basis in 2008-09. By end-March FY09, there were 99 mutual funds out of which 76 were open-end funds and 23 were closed-end funds. Total assets of mutual funds stood at Rs. 183.6 billion. As on March 31, 2009, there were 11 active licensed leasing companies. These companies are striving to grow by mitigating various risk factors that include fierce competition among different segments of the financial sector, due to increasing financing cost. On March 31, 2009, there were 10 active licensed investment banks and a number of investment banks have merged their operations with banks as it has become hard in sustaining investment finance services on a stand-alone basis.

KSE Snapshot, July-May 2008-09



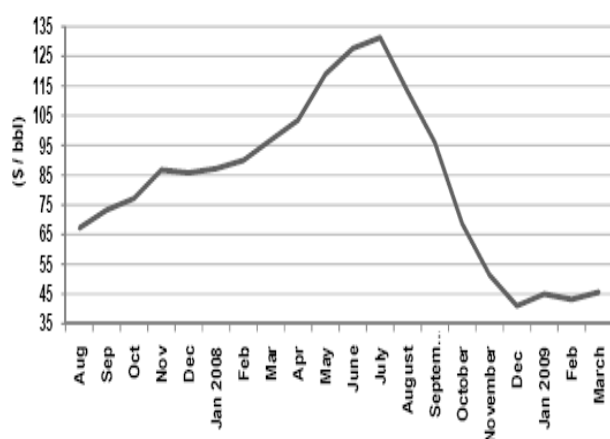
INFLATION Inflation rate as measured by the change in Consumer Price Index (CPI), averaged at 22.3 % during the first ten months (July-April) 2008-09 as against 10.3 % in the same period last year. Food and non-food inflation have been estimated at 26.6 % and 19.0 % against 15.0 % and 6.8 % in the same period of last year. Core Inflation, which represents the rate of increase in cost of good and services excluding food and energy prices, core, also went up from 14.7 % in July 2008 to 17.8 % in April 2009. The overall annual inflation is expected to average 21 % while GDP growth to remain at 2.0 % for the year 2008-09.

Period	GDP Growth Rate	Inflation Rate
1950-60	3.1	2.1
1960-70	6.8	3.2
1970-80	4.8	12.3
1980-90	6.5	7.8
1990-00	4.6	9.7
2001-09	5.2	8.4

Source: FBS

TRADE AND PAYMENTS The year started with first quarter current account deficit of \$3.8 billion and reached to third quarter deficit of just \$0.3 billion. Overall exports recorded a negative growth of 3.0 % during the first ten months (July-April) of the current fiscal year against positive growth of 10.2 % in the same period of last year. In absolute terms, exports have decreased from \$ 15,222.9 million to \$ 14762.2 million in the period. Imports during the first ten months (July-April) of the current fiscal year (2008-09) decline by 9.8 % compared with the same period of last year, reaching to \$ 28.92 billion. Imports of the petroleum group registered declining growth of 7.6 % and reached to \$8012.7 million. The decline in imports of the petroleum group has been due to massive fall in oil prices in the international market (Fig. 1). Pakistan's current account deficit (CAD) moved back o US\$ 8.5 billion during Jul-April 2008-09 against US\$ 11.2 billion in the comparable period of last year, showing an improvement of 23.5 %. Trade deficit decelerated by 12.3 % during July-April 2008-09. Services account deficit shrank by 41.3 % during Jul-April Fiscal Year 2008-09 to reach \$ 3.2 billion. Financial account contracts from \$ 6,224 million to \$ 3,476 million during July-April 2008-09 against corresponding period last year. Financial account contracts from \$ 6,224 million to \$ 3,476 million during July-April 2008-09 against corresponding period last year. Workers' remittances amounted to \$ 6355.6 million in July-April 2008-09 as against \$ 5319.1 in corresponding period last year, thereby showing an increase of 19.5 %. Pakistan's total liquid foreign exchange reserves amounted to \$ 11.6 billion by the end of May, 2009.

Trend in Oil Prices (Monthly Average)

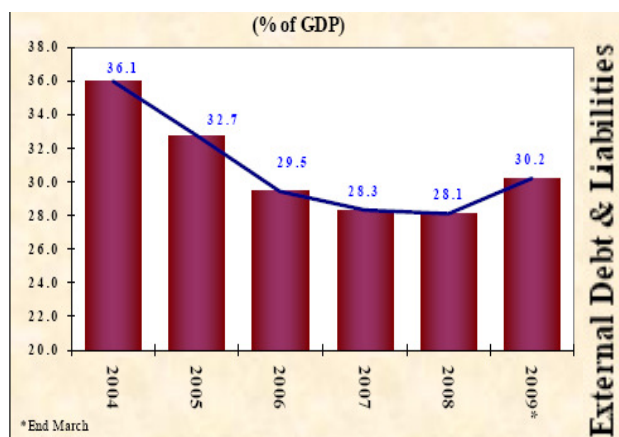


Workers' Remittances (\$ Million)

Monthly Cash Inflow*	2007-08	2008-09	% Change
July	495.69	627.21	26.53
August	489.51	592.3	21.00
September	516.05	660.35	27.96
October	580.24	466.13	-19.67
November	505.58	620.52	22.73
December	479.26	673.5	40.53
January	557.07	637.3	14.40
February	502.76	641.32	27.56
March	602.21	739.43	22.79
April	590.71	697.52	18.08
July-April	5,319.08	6,355.58	19.49
Monthly average	531.91	635.56	19.49

* Including FEBCs and FCBCs *Source: SBP*

EXTERNAL AND DOMESTIC DEBT External debt and liabilities (EDL) Pakistan's total external debt increased from US\$ 46.3 billion at end-June 2008 to US\$ 50.1 billion by end-March 2009 — an increase of US \$ 3.8 billion or 8.2 %. In relative terms, EDL as %age of GDP increased from 28.1 % at end-June 2008 to 30.2 % by end--March 2009--an increase of 2.1 %age points. The country's debt burden is also defined as external debt and liabilities as %age of foreign exchange earnings which increased from 124.3 % by end-June 2008 to 144.3 % by end-March 2009. The spread on Pakistani sovereign bonds as given by the EMBI have gone up by 1550 bps and have a rating of B3/CCC+. Public debt increased by Rs.1367 billion in the first nine months of 2008-09, reaching a total outstanding amount of Rs.7268 billion; an increase of 23.2 % in nominal terms. The increase in total public debt is shared between rupee and foreign currency debt in the ratio of 40:60. Total domestic debt is positioned at Rs 3758.6 billion at end-March 2009 which implies net addition of Rs.484.1 billion in the nine months of the current fiscal year. In relation to GDP the domestic debt stood at 28.7 % of GDP which is lower than end-June 2008 level at 31.3 %. Interest payments on domestic debt stood at Rs 551 billion which sums to 41.8 % of tax revenues and 30.5 % of total revenues estimates of 2008-09.



EDUCATION

Public expenditure on education as a %age to GDP is lowest in Pakistan due to fiscal resources constraint. The trend of investment on Education in terms of GDP has been 2.50 % and 2.47 % in the years 2006-07 and 2007-8 respectively whereas it is

Year	(In Billion Rs.)			Expenditure on Education	
	Current	Development	Public Sector Expenditure on Education	As % of GDP	% of Total Expenditure
2000-01	69.5	6.4	75.9	1.82	10.6
2001-02	70.4	8.5	78.9	1.79	9.5
2002-03	79.5	10.4	89.9	1.86	10.0
2003-04	94.3	29.9	124.2	2.20	13.0
2004-05	106.6	33.4	140.0	2.15	12.5
2005-06	128.9	41.9	170.8	2.24	12.2
2006-07	159.9	56.6	216.5	2.50	12.0
2007-08	190.2	63.5	253.7	2.47	9.8
2008-09 *	200.4	75.1	275.5	2.10	11.52
*Estimated					

Source: Provincial and Federal Budget Documents, Ministry of education

estimated to be 2.10 % during the 2008-09. According to the Ministry of Education, there are currently 227,243 educational institutions in the country. The over all enrolment is recorded at 34.49 million with teaching staff of 1.27 million.

Expenditure on Education

HEALTH & NUTRITION The existing network of medical services consists of 948 hospitals, 4794 dispensaries, 5310 basic health units (BHUs), 561 rural health centres (RHCs) and the availability of 103037 hospital beds. Besides, there are 133956 doctors, 9012 dentists and 65387 nurses in the country. The total outlay on health during 2008-09 is estimated at Rs.74 billion which shows an increase of 23 % over last year and works out to be 0.5 % of GNP. The new health facilities added to the overall health services system during 2008-09, include the construction of 48 new facilities (35 BHUs and 13 RHCs), up-gradation of 890 existing facilities (850 BHUs and 40 RHCs), addition of 4300 hospital beds and training of 4500 doctors, 400 dentists, 3200 nurses and 5000 paramedics beside training of 96000 LHV's.

Health & Nutrition Expenditures (2001-01-2008-09)					(Rs. Billions)
Fiscal Years	Public Sector Expenditure (Federal and Provincial)				Health Expenditures as % of GDP
	Total Health Expenditures	Development Expenditure	Current Expenditure	% age Change	
2000-01	24.28	5.94	18.34	9.9	0.58
2001-02	25.41	6.69	18.72	4.7	0.57
2002-03	28.81	6.61	22.21	13.4	0.59
2003-04	32.81	8.50	24.31	13.8	0.58
2004-05	38.00	11.00	27.00	15.8	0.57
2005-06	40.00	16.00	24.00	5.3	0.51
2006-07	50.00	20.00	30.00	25	0.57
2007-08	60.00	27.22	32.67	20	0.57
2008-09	74.00	33.00	41.10	23	0.55

POPULATION, LABOUR AND EMPLOYMENT The population of Pakistan stood at 163.67 in mid 2008-09. If the existing trend remains unchanged, it will reach 167 million by the year 2010 and 194 million by 2020 (NIPS). Crude birth rate (CBR) in Pakistan is estimated at 25 while 10 years ago it was 31.7

Population by Urban/ Rural Areas

Mid Year	Population Estimated	Rural Areas	Urban Areas
1999	136.41	91.94	44.47
2000	139.41	93.75	45.66
2001	142.35	95.52	46.83
2002	145.28	97.27	48.02
2003	148.21	99.00	49.21
2004	151.09	100.30	50.80
2005	153.96	101.55	52.41
2006	156.77	102.75	54.02
2007	159.57	103.91	55.66
2008	162.37	105.06	57.32

Source: planning and Development Division:

which is a good trend, similarly CDR is 7.7 and about a decade ago it was 9. Pakistan has a labour force of 51.78 million people. Women labour force has increased; which stood at 10.96 million that is 0.1 million more than the previous year. The total number of people employed was 49.09 that are 1.44 million more than the previous year. Agriculture dominates the distribution of employed persons among all the major sectors.

Population, Labor Force and Labor Force Participation (LFP) Rates

Year	Population (million)		Labor Force (million)		LFP Rate (percent)	
	Total	Working age *	Total	Increase	Crude	Refined
1996-97	126.90	84.65	36.30	--	28.6	43.0
1997-98	130.58	88.52	38.20	1.90	29.3	43.3
1999-00	136.01	92.05	39.40	1.20	29.4	42.8
2001-02	145.80	99.60	42.39	2.99	29.6	43.3
2003-04	148.72	103.40	45.23	2.84	30.4	43.7
2005-06	155.37	108.79	50.05	4.82	32.2	46.0
2006-07	158.17	111.39	50.33	0.28	31.8	45.2
2007-08	160.97	114.64	51.78	1.45	32.2	45.2

Source: Labor Force Surveys 2001-02, 2003-04, 2005-06 & 2006-07, Federal Bureau of Statistics

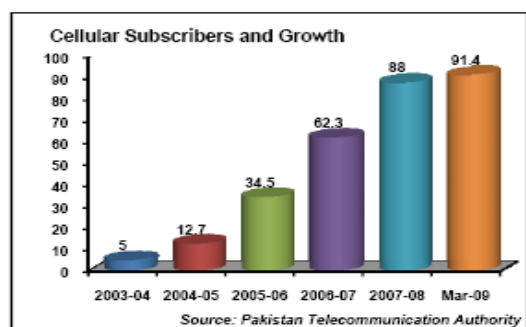
* Population 10 years and above is considered as working age population

POVERTY During year 2008-09, government took various initiatives to combat poverty which included PPAF, micro finance SME operations, Benazir Income Support program, Peoples Works program, Pakistan Bait-ul-Mal and Punjab Government initiatives including tractor subsidy, sasti roti and Punjab food support scheme; which will help enhance absolute per capita income, and widen the scope to earn livelihood. Food prices have a significant bearing on poverty incidence. A review of price trends of essential items during 2007-08 indicates that the major portion of food inflation during this period stemmed from hike in the prices consumed by the poor household such as wheat, flour, rice, edible oil, vegetables and pulses. Since April 2007, the economy has witnessed over 200 % increase in the price of palm oil; and an increase of 150 % in wheat prices, while over 100 % increase in the price of oil in the international market.

Price Trend of Essential Commodities						(Rs) per Kg
Items	Weights	Units	2007-08	July 2008	4 th June 2009	% change 4 th June 09 / July 08
Wheat	0.62	Kg	16.44	21.22	23.75	11.92
Wheat Flour	11.91	Kg	18.06	23.92	26.79	12.00
Beef	3.99	Kg	123.30	133.13	155.30	16.65
Mutton	2.81	Kg	236.48	248.67	281.03	13.01
Chicken (Farm)	2.39	Kg	82.72	93.64	102.02	8.95
Milk Fresh	15.73	Ltr	30.44	34.58	40.12	16.02
Cooking Oil	1.90	2.5 Ltr	316.06	398.00	359.06	-9.78
Onion	1.38	Kg	16.19	17.49	20.78	18.81
Sugar	4.46	Kg	27.90	31.44	45.42	44.47
Mash Pulse	0.49	Kg	71.38	73.48	85.48	16.33

Source: Federal Bureau of Statistics

TRANSPORT AND COMMUNICATION Pakistan has a vast road network covering 258,350 kilometers including 176,589 KM of high type roads and 81,761 KM of low type roads. Total roads network which were 229,595 Km in 1996-97, increased to 258,350 Km by 2008-09 indicating an increase of 12.5 %. Pakistan Railway carried 63.0 million passengers and 5.4 million tons of freight during current fiscal year and its earning stood at Rs. 17442 million. PIA international passenger traffic, excluding Hajj traffic registered an increase of 3.5 %. On domestic routes passenger traffic also registered an increase of 3.6 % passengers. The consolidated revenue of port operations (KPT, PQA & PNSC) for the quarter ending March 31, 2009 were Rs.9503 million as against Rs.7,471 million for the corresponding period



last year showing an increase of 27 %. Telecom sector of Pakistan exhibited positive but slow growth in terms of revenue, subscribers and teledensity. During the current fiscal year total tele density reached to 60.6 %. However, cellular segment leads the share in total tele density by 93.7 % followed by Fixed Local Loop (FLL) 3.8 % and Wireless Local Loop (WLL) 2.5 %. During the first 9 months of 2008-09, cellular Market added 3,422,599 subscribers with average of 0.3 million per month and total subscribers reached 91.4 million. Total fixed line subscribers in Pakistan stand at a total of 3.7 million as of March, 2009, yielding total tele density of 2.3 %. Total WLL subscribers stood at 2.5 million and density in the country touched 1.5 % in March, 09. There are currently more than 12,000 cities/ towns/villages covered by WLL services.

ENERGY The consumption of petroleum products, gas and coal during the first nine months (July-March 2008-09) of the current fiscal year decreased by 3.4 %, 2.5 % and 26.5 %, respectively over the corresponding period of last year. On the other hand, supply of crude oil, petroleum products, coal, and electricity during the first nine months of the outgoing fiscal year 2008-09 decreased by 5.5 %, 2.8 %, 26.5 % and 17.9 %, respectively over the corresponding period of last year. Production of crude oil per day has decreased to 66,531 barrels per day during July-March 2008-08 from 70,165 barrels per day during the same period last year, showing a decrease of 5.2 %. The average production of natural gas per day stood at 3,986.5 million cubic feet during July-March, 2008-09, as compared to 3,965.9 million cubic feet over the same period last year, showing an increase of 0.52 %. The total installed generation capacity has increased to 19,754 MW during July-March 2008-09 from 19,566 MW during the same period last year, showing a marginal increase (1.0 %). Presently, some 2,700 CNG stations are operating in the country. By March 2009 about 2.0 million vehicles were converted to CNG as compared to 1.70 million vehicles during the same period last year, showing an increase of 17.6 %.

ENVIRONMENT The Government of Pakistan has declared 2009 as the National Year of Environment. Climate Change is also a matter of concern for Pakistan because of the impact it will have on glaciers releasing water for crops. Planning Commission has recently established a task force to investigate the impact of climate change on the country's agriculture, economy and natural resources. The latest figures released by the MoEnv estimated that about 38 % of Pakistan's irrigated land is waterlogged; the productivity of soil is being lost due to salinity and sodicity. The Planning Commission proactively interacted with the MoEnv and the Provincial Forest Departments to come up with projects for afforestation/reforestation to meet the MTDF and MDGs targets.

TAX EXPENDITURES Tax expenditures are provisions in the tax code such as exclusions, deductions, credits and deferrals that are designed to encourage certain kind of activities or aid taxpayers in special circumstances. The total expenditure for the fiscal year 2008-9 has been estimated around Rs. 119.65 billion, which is 38.1 % higher than the amount incurred in fiscal year 2007-8. The estimated revenue loss stemming from tax expenditures was substantially higher in the previous year mainly due to withdrawal of capital gains to promote stock markets.

Summary of Tax Expenditures (Rs. in billion)

Type of Tax	Cost of Exemptions		% Change
	2007-08	2008-09	
1. Income Tax	27.66	40.864	47.74
2. Sales Tax	17.60	17.5	-0.57
3. Customs Duties	41.397	61.282	48.03
<i>Total</i>	<i>86.657</i>	<i>119.646</i>	<i>38.1</i>

INCOME TAX ORDINANCE, 2001



SECTION 2(17A) & (48A)

Definitions

Existing	Proposed Amendment
<p>“New Clause shall be added”</p> <p>“Regional Commissioner” means a person appointed as a Regional Commissioner of Income Tax under section 208 and includes a Director-General of Income Tax and Sales Tax;]</p>	<p>“Director General” means a person appointed as Director General of Regional Tax Office or Large Taxpayers Unit under section 208 and includes a Director General of Income Tax, Sales Tax, Federal Excise Duty (FED) and Regional Commissioner of Income Tax.”;</p> <p>“Shall be Omitted”</p>
<p>Comments: The Bill seeks to change the nomenclature of designations in tax department and to introduce terminology of “Director General” for “Regional Commissioner”. Consequently, definition of Regional Commissioner given in Section 2(48A) has also been proposed to be done away with.</p>	

Definitions

Clause (19)(f) (i) (ii) (iii) & (iv)

Existing	Proposed Amendment
<p>any after tax profit of a branch of a foreign company operating in Pakistan;]</p> <p>any advance or loan made to a shareholder by a company in the ordinary course of its business, where the lending of money is a substantial part of the business of the company; and</p> <p>any dividend paid by a company which is set off by the company against the whole or any part of any sum previously paid by it and treated as a dividend within the meaning of 1[sub-clause] (e) to the extent to which it is so set off;</p> <p>“New Clause shall be added”</p>	<p>for the word “any” the words “remittance of” shall be substituted;</p> <p>the word “and” occurring at the end, shall be omitted;</p> <p>after semicolon, at the end, the word “and” shall be inserted and thereafter the following new paragraph shall be inserted, namely:-</p> <p>remittance of after tax profit by a branch of Petroleum Exploration and Production (E&P) foreign company, operating in Pakistan.”;</p>
<p>Comments: The proposal seeks to amend definition of “Dividend”. Last year the sub-clause sought to be amended was inserted by the Finance Act, 2008 that included “any after tax profit of a branch of a foreign company operating in Pakistan” in the definition of dividend with certain exceptions.</p> <p>As the original sub-clause was creating hardships as it treated after tax profit as dividend for the purposes of levy of tax regardless of the fact that it has neither been paid nor remitted. Now the Bill seeks to lighten</p>	

Definitions**Clause (19)(f) (i) (ii) (iii) & (iv)**

up the provision by only treated the amount of after tax profit as dividend. The proposed amendment further also exempts the remittance of after tax profit by a branch of Petroleum Exploration and Production (E&P) foreign company operating in Pakistan.

The above steps have been apparently taken to encourage Foreign Direct Investment (FDI) in Pakistan.

Definitions**Clause (30AA)**

Existing	Proposed Amendment
“New Clause shall be added”	KIBOR means Karachi Inter bank offered Rate applicable on the first day of each quarter of the financial year;”
Comments: KIBOR rate defined	

Definitions**Clause (70A) Section 113 (3)**

Existing	Proposed Amendment
“New Clause shall be added”	“(70A) “turnover” means turnover as defined in sub-section (3) of section 113;”;
<p>Comments: The proposed addition seeks to define the term “turnover” with reference to its definition given in proposed new Section 113 so as to extend the definition to whole of the Ordinance. The proposed Section 113 (3) defines the turnover to mean:</p> <ul style="list-style-type: none"> (a) the 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. <p>In our opinion, the above definition specially under clause (d) relating to company’s share of profit of an AOP contains a lacuna as it does not exclude AOP income if covered under Final Tax Regime. Keeping in view the provisions of section 169 and as held at the various appellate forums income covered under final tax regime can not be tax twice. Therefore, we feel that clause (d) above should be appropriately worded to exclude such instances as has been done incase of clause (a) to (c) above.</p>	

Tax on Dividends**SECTION 5 (1)**

Existing	Proposed Amendment
Subject to this Ordinance, a tax shall be imposed, at the rate specified in Division III of Part I of the First Schedule, on every person who receives a	After the word “company” the words, brackets and figures “or treated as dividend under clause (19) of section 2” shall be inserted;

Tax on Dividends

SECTION 5 (1)

dividend from a 3[] company.	
Comments: The amendment proposes an editorial addition to clarify the taxability of amount treated as dividend under Section 2(19) of the Ordinance.	

Salary

SECTION 12(2) Clause a

Existing	Proposed Amendment
Salary means any amount received by an employee from any employment, whether of a revenue or capital nature, including - (a) any pay, wages or other remuneration provided to an employee, including leave pay, payment in lieu of leave, overtime payment, bonus, commission, fees, gratuity or work condition supplements (such as for unpleasant or dangerous working conditions);	in section 12, in sub-section (2), in clause (a), for the “semi colon,” occurring at the end, a “colon” shall be substituted and thereafter the following proviso shall be inserted, namely:- “Provided that any bonus paid or payable to corporate employees receiving salary income of one million rupees or more (excluding bonus) in tax year 2009, shall be chargeable to tax at the rate provided in paragraph (2) of Division I of Part I of the First Schedule;”;
Comments: The Bill seeks to levy a one time tax on bonuses paid / payable to corporate employees receiving income of Rs. 1,000,000/- or more (excluding bonus) in tax year 2009 @ 30% of bonus (the rate proposed in paragraph 2 of Division I of the First Schedule to the Ordinance). The purpose of this levy is help the IDP’s.	

Value of Perquisites

SECTION 13(13)

Existing	Proposed Amendment
Where, in a tax year, an employer has provided an employee with a perquisite which is not covered by sub-sections (3) through (12), the amount chargeable to tax to the employee under the head “Salary” for that year shall include the fair market value of the perquisite, 3[except where the rules, if any, provide otherwise,] determined at the time it is provided, as reduced by any payment made by the employee for the perquisite.	for the word “through” the word “to” shall be substituted;
Comments: Seek to remove an editorial error.	

Income From Property

SECTION 15(1) (6) & (7)

Existing	Proposed Amendment
The rent received or receivable by a person 1[for] a tax year, other than rent exempt from tax under this Ordinance, shall be chargeable to tax in that year under the head “Income from Property”.	After the word “Property” the words and letters “at the rates specified in Division VI of Part I of the First Schedule” shall be inserted;
“Shall be Omitted”	

Income From Property**SECTION 15(1) (6) & (7)**

(6) Income under this section shall be liable to tax at the rate specified in Division VI of Part I of the First Schedule.]

(7) the provisions of sub-section (1), shall not apply in respect of a taxpayer who-(i) is an individual or association of persons; (ii) derives income chargeable to tax under this section not exceeding Rs. 150,000 in a tax year; and (iii) does not derive taxable income under any other head.

“Shall be Omitted”

Comments: Certain editorial corrections have been proposed with a proposal to tax the “Income from Property” at the following rates:

In the case of Individuals and Association of Persons:

S. No.	Gross amount of rent	Rate of tax
(1)	Where the gross amount of rent does not exceed Rs.150,000/-	NIL
(2)	Where the gross amount of rent exceeds Rs.150,000/- but does not exceed Rs.400,000/-	5 per cent of the gross amount exceeding Rs.150,000/-
(3)	Where the gross amount of rent exceeds Rs.400,000/- but does not exceed Rs.1,000,000/-	Rs.12,500/- plus 7.5 per cent of the gross amount exceeding Rs.400,000/-
(4)	Where the gross amount of rent exceeds Rs.1,000,000/-	Rs.57,500/- plus 10 per cent of the gross amount exceeding Rs.1,000,000/-

In the case of Company:

S. No.	Gross amount of rent	Rate of tax
(1)	Where the gross amount of rent does not exceed Rs.400,000/-	5 per cent of the gross amount exceeding Rs.150,000/-
(2)	Where the gross amount of rent exceeds Rs.400,000/- but does not exceed Rs.1,000,000/-	Rs.20,500/- plus 7.5 per cent of the gross amount exceeding Rs.400,000/-
(3)	Where the gross amount of rent exceeds Rs.1,000,000/-	Rs.65,000/- plus 10 per cent of the gross amount exceeding Rs.1,000,000/-

Deductions in computing income chargeable under the head “Income from Business”**SECTION 20 (1A)**

Existing	Proposed Amendment
“New sub-section shall be added”	“(1A) subject to this Ordinance, where animals which have been used for the purposes of the business or profession otherwise than as stock-in-trade and have died or become permanently

Deductions in computing income chargeable under the head “Income from Business”

SECTION 20 (1A)

	useless for such purposes, the difference between the actual cost to the taxpayer of the animals and the amount, if any, realized in respect of the carcasses or animals.”;
<p>Comments: The Bill seeks to specifically allow as a deduction from “Income from Business”, the difference between the actual cost to the taxpayer of the animal used for the purposes of the business or profession, otherwise than as stock-in-trade, and the amount realized in respect of the carcasses or the animal in cases where the animal have died or become permanently useless for the purposes of the business.</p>	

Depreciation

SECTION 22(13) (a) & (b)

Existing	Proposed Amendment
the cost of a depreciable asset being a passenger transport vehicle not plying for hire shall not exceed one million rupees; Provided that the prescribed limit of one million rupees shall not apply to passenger transport vehicles, not plying for hire, acquired on or after the first day of July, 2005. the cost of immovable property or a structural improvement to immovable property shall not include the cost of the land;	after the word “one” the words “and half” shall be inserted <p style="text-align: center;">“Shall be Omitted”</p>
<p>Comments: The proposed amendment seeks to increase the cost of passenger transport vehicle not plying for hire for the purposes of depreciation allowance from Rs. 1,000,000/- to Rs. 1,500,000/-. However, to discourage the personal use of luxurious passenger transport vehicle not plying for hire, the cap of the above referred cost is also proposed to apply on passenger transport vehicles, not plying for hire, acquired on or after July 1, 2005. Currently, the said cost cap does not apply to the above referred vehicles acquired on or after July 1, 2005.</p>	

Initially allowance

SECTION 23B(2)

Existing	Proposed Amendment
<p>“New section shall be added”</p>	<p>“23B. Accelerated depreciation to alternate energy projects.- (1) Any plant, machinery and equipments installed for generation of alternate energy by an industrial undertaking set up anywhere in Pakistan and owned and managed by a company shall be allowed first year allowance in lieu of initial allowance under section 23, at the rate specified in Part II of the Third Schedule against the cost of the “eligible depreciation assets” put to use after first day of July, 2009.</p> <p>The provisions of section 23 except sub-sections</p>

Initially allowance**SECTION 23B(2)**

“New sub-section shall be added”	(1) and (2) thereof, shall mutatis mutandis apply.”
<p>Comments: To encourage investment in alternate energy projects, the Bill proposes to allow First Year Allowance (FYA) in lieu of Initial Allowance (IA) under Section 23 against the cost of the eligible depreciable assets if any plant, machinery and equipments will be installed for generation of alternate energy by an industrial undertaking setup anywhere in Pakistan and owned by a company.</p> <p>Rate of FYA proposed is 90% of the cost of eligible assets. The provisions of Section 23 regarding applicability of Section 76 in determining cost of the assets, definition of eligible depreciable assets, etc. will apply equally to assets referred in the proposed section.</p>	

Profit on debt, financial costs and lease payments**SECTION 28(1) (g)**

Existing	Proposed Amendment
any amount incurred by the Small Business Finance Corporation (hereinafter referred to as “the Corporation”) in the tax year to the State Bank of Pakistan (hereinafter referred to as the “Bank”) as the share of the Bank in the profits derived by the Corporation on investments made in small business out of a credit line provided by the Bank on a profit and loss sharing basis;	for the words and brackets “Small Business Finance Corporation (hereinafter referred to as “the Corporation”)” the words “Small and Medium Enterprises Bank (hereinafter referred to as “the SME Bank””, shall be substituted;
<p>Comments: Long awaited editorial proposal to replace wording of Small Business Finance Corporation with Small and Medium Enterprises Bank (the SME Bank).</p>	

Bad debts**SECTION 29A (1) & (2)**

Existing	Proposed Amendment
<p>A banking company 2[or non-banking finance company or the House Building Finance Corporation] shall be allowed a deduction, not exceeding three per cent of the income for the tax year, arising out of consumer loans for creation of a reserve to off-set bad debts arising out of such loans.</p> <p>Where bad debt can not be wholly set off against reserve, any amount of bad debt, exceeding the reserves shall be carried forward for adjustment against the reserve for the following years.]</p>	<p>the words “banking company or” shall be omitted; and</p> <p>in the Explanation, the words “a banking company or” shall be omitted;</p>
<p>Comments: The bill seeks to exclude consumer loans advanced by a banking company from the definition of “consumer loan” with the effect that the banking companies would not be allowed deduction, of maximum of 3% of income in a tax year, for creation of a reserve to off-set bad debts arising out of such loans.</p> <p>In our opinion this proposed amendment will adversely affect the banking companies especially when</p>	

Bad debts

SECTION 29A (1) & (2)

their Non performing loans (NPL) are increasing due to economic factors.

Federal and Provincial Government, and Local Government Income

SECTION 49

Existing	Proposed Amendment
Federal and Provincial Government, and Local Government Income	Federal, Provincial Government, and local government income
Comments: Seek to remove an editorial error.	

Carry forward of business losses

SECTION 57 (4) & (5)

Existing	Proposed Amendment
<p>Where the loss referred to in sub-section (1) includes deductions allowed under sections 22, 23 and 24 that have not been set off against income, the amount not set off shall be added to the deductions allowed under those sections in the following tax year, and so on until completely set off.</p> <p>In determining whether a person’s deductions under sections 22, 23 and 24 have been set off against income, the deductions allowed under those sections shall be taken into account last.</p>	<p>after the figure “23” the commas and figures “, 23A, 23B” shall be inserted; and</p> <p>after the figure “23” the commas and figures “, 23A, 23B” shall be inserted; -</p>
Comments: The proposed amendment intends to include the First Year Allowances for the purpose of carry forward of business losses u/s 57 till these are fully utilized after adjustment of any other losses available for such adjustment.	

Charitable donations

SECTION 61(2)(b)(ii)

Existing	Proposed Amendment
a company, fifteen per cent of the taxable income of the person for the year.	for the word “fifteen” the word “twenty” shall be substituted;
Comments: The Bill proposes that the limit of donation for tax credit on account of charitable donation by companies be enhanced from 15% to 20% of taxable income of the person for the tax year.	

Profit on debt

SECTION 64(2)(b) & (c)

Existing	Proposed Amendment
<p>[forty] percent of the person’s 5[taxable] income for the year; or</p> <p>[five] hundred thousand rupees.</p>	<p>for the word “forty” the word “fifty” shall be substituted;</p> <p>for the words “five hundred” the word “seven hundred and fifty” shall be substituted;</p>

Profit on debt

SECTION 64(2)(b) & (c)

<p>Comments: Under the current provision of the law, a person is entitled to tax credit in respect of any profit or share in rent and share in appreciation for value of house paid by the person in the year on a loan by a scheduled bank or non banking finance institution regulated by the Securities and Exchange Commission of Pakistan or advanced by Government or the Local Government or a statutory body or a public company listed on a registered stock exchange in Pakistan where the person utilizes the loan for the construction of a new house or the acquisition of a house. Such credit is allowed for payment up to lower of 40% of the taxable income or Rs. 500,000/-. The said limits have been proposed to be enhanced to 50% and Rs. 750,000/- respectively in view of the inflationary trend in Pakistan.</p>	

Miscellaneous provisions relating to tax credits

SECTION 65A

Existing	Proposed Amendment
<p>“New Section shall be added”</p>	<p>Tax credit to a person registered under the Sales Tax Act, 1990.- (1) Every manufacturer, registered under the Sales Tax Act, 1990, shall be entitled to a tax credit of two and a half per cent of tax payable for a tax year, if ninety per cent of his sales are to the person who is registered under the aforesaid Act during the said tax year. (2) For claiming of the credit, the person shall provide complete details of the persons to whom the sales were made. (3) No credit will be allowed to a person whose income is covered under final tax or minimum tax. (4) Carry forward of any amount where full credit may not be allowed against the tax liability for the tax year, shall not be allowed.”</p>

Comments: A special incentive is being offered to the tax payer in order to broaden tax base and accelerate documentation in Pakistani economy. The bill seeks to give incentive to manufacturers registered under the Sales tax Act, 1990 (the Act) @ 2.5% of tax payable for a tax year, if 90% of his/its sale are to a person registered under the Act.

The said credit is proposed to be given if the person will provide complete details of the person whom the sales were made. The credit is also proposed to not be given to persons whose income is covered under final tax or minimum tax. The bill further proposes that where the credit could not be fully utilized, in that case it can not be carried forward to the next year.

Cost

SECTION 76(5)

Existing	Proposed Amendment
	<p>for the full stop, at the end, a colon shall be substituted and thereafter the following Explanation shall be added, namely:-</p>

Cost

SECTION 76(5)

“New Explanation shall be added”	“Explanation.- Difference, if any, on account of foreign currency fluctuation, shall be taken into account in the year of occurrence for the purposes of depreciation.”;
<p>Comments: Under the existing provisions of the Ordinance, where an asset has been acquired by a person with a loan denominated in a foreign currency and, before full and final repayment of the loan, there is an increase or decrease in the liability of the person under the loan as expressed in Rupees, the amount by which the liability is increased or reduced shall be added to or deducted from the cost of the asset.</p> <p>The proposal seeks to add explanation to the effect that such difference shall be taken into account only in the year of occurrence for the purposes of depreciation.</p>	

Transfer of assets

SECTION 90

Existing	Proposed Amendment
Transfer of assets	Transfer
<p>Comments: Seek to remove an editorial error.</p>	

Principles of taxation of associations of persons

SECTION 92

Existing	Proposed Amendment
<p>Principle of taxation of associations of persons</p> <p>(1) An association of persons shall be liable to tax separately from the members of the association and 2[where the association of persons has paid tax the] amount received by a member of the association in the capacity as member out of the income of the association shall be exempt from tax.</p>	<p>Principle of taxation of association of persons</p> <p>the brackets and figure “(1)” shall be omitted;</p>
<p>Comments: Seek to remove an editorial error.</p>	

Minimum tax on the income of certain persons

SECTION 113

Existing	Proposed Amendment
	<p>(1) This section shall apply to a resident company where, for any reason whatsoever allowed under this Ordinance, including any other law or for the time being in force –</p> <p>(a) loss for the year;</p> <p>(b) the setting off of a loss of an earlier year;</p> <p>(c) exemption from tax;</p>

Minimum tax on the income of certain persons

SECTION 113

“New Section shall be added”

(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-half per cent of the amount representing the person’s turnover from all sources for that year:
 Provided that this sub-section shall not apply in the case of a company, which has declared gross loss before set off of depreciation and other inadmissible expenses under the Ordinance. If the loss is arrived at by setting off the aforesaid or changing accounting pattern, the Commissioner may ignore such claim and proceed to compute the tax as per historical accounting pattern and provision of this Ordinance and all other provisions of the Ordinance shall apply accordingly.

(2) Where this section applies:
 (a) the aggregate of the person’s turnover as defined in sub-section (3) 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 this Ordinance), an amount equal to one-half per cent of the person’s turnover for the year;
 (c) where tax paid under sub-section (1) exceeds the actual tax payable under Part 1, Division II of the First Schedule, the excess amount of tax paid shall be carried forward for adjustment against tax liability under the aforesaid Part of the subsequent tax year

Provided that the amount under this clause shall be carried forward and adjusted against tax liability for three tax years immediately succeeding the tax year for which the amount was paid.

(3) “turnover” means,-
 (a) the 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

Minimum tax on the income of certain persons

SECTION 113

<p>The retailer shall not be entitled to claim any adjustment of withholding tax collected or deducted under any head during the year.]</p>	<p>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.”;</p> <p>for the full stop, at the end, a colon shall be substituted and thereafter the following proviso shall be inserted, namely:-</p> <p>“Provided that turnover chargeable to tax under this section shall not include the sale of goods on which tax is deducted or deductible under clause (a) of sub-section (1) of section 153.”;</p>
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Comments: Through the Finance Act 2008, the provision regarding payment of minimum tax on declared turnover by the companies showing losses for one or other reasons was deleted. The proposed addition seeks to bring alive that deleted provision with some modifications; major being the rate of minimum tax which has been proposed @ 0.5% of the turnover. Previously, the excess of minimum tax over the tax otherwise chargeable under the Ordinance could be carried forward to subsequent five tax year for adjustment against normal tax liability of the person. Now the bill proposes it that this period be three years.

The proposed addition also provides that the provision of minimum tax under Section 113 will not be applicable in the case of a company, which has declared gross loss before set off of depreciation and other inadmissible expenses under the Ordinance. However, if the loss is arrived at by setting off the aforesaid or changing accounting pattern, the Commissioner may ignore such claim and proceed to compute the tax as per historical accounting pattern.

Minimum tax on the income of certain persons

SECTION 113-B

Existing	Proposed Amendment

Minimum tax on the income of certain persons

SECTION 113-B

<p>Comments: Under the existing provision of the law, a retailer being an individual or association of persons,-</p> <ul style="list-style-type: none"> (a) whose turnover exceeds five million rupees; and (b) who is subject to special procedure for payment of sales tax under chapter III of the Sales Tax Special Procedure Rules, 2006, <p>is required to pay final tax at the certain specified rates that forms part of single stage sales tax .</p> <p>The retailers are not entitled to claim any adjustment of withholding tax collected or deducted under any head during the year. This situation of law was creating hardship for such retailers in cases where their customers have deducted tax under Section 153 of the Ordinance.</p> <p>The proposal seeks to exclude the sale of goods on which tax is either deducted or deductible under Section 153(1)(a) of the Ordinance. The effect of this amendment will be avoidance of double tax on such income.</p>	

SECTION 114(1)(b)

Existing	Proposed Amendment
<p>(b) any person not covered by clause 6[(a), (ab), (ac) or (ad)] who,-</p> <ul style="list-style-type: none"> (i) has been charged to tax in respect of any of the two preceding tax years; (ii) claims a loss carried forward under this Ordinance for a tax year; (iii) owns immovable property with a land area of two hundred and fifty square yards or more or owns any flat located in areas falling within the municipal limits existing immediately before the commencement of Local Government laws in the provinces; or areas in a Cantonment; or the Islamabad Capital Territory.] <p style="text-align: center;">“New Sub-Clauses shall be added”</p>	<p>the “full stop” at the end, a semicolon shall be substituted;</p> <p>after sub-clause (iii), the following new sub-clauses shall be added, namely:-</p> <ul style="list-style-type: none"> (iv) owns immovable property with a land area of five hundred square yards or more located in a rating area; (v) owns a flat having covered area of two thousand square feet or more located in a rating area; (vi) owns a motor vehicle having engine capacity above 1000CC; and (vii) has obtained National Tax Number.”
<p>Comments: As a measure to enhance the tax base in Pakistan, the Bill seeks to make filing of income tax return mandatory for a person, in addition to list of persons already mentioned in the Section, who –</p> <ul style="list-style-type: none"> (1) owns immovable property with a land area of five hundred square yards or more located in a 	

SECTION 114(1)(b)

<p>rating area;</p> <p>(2) owns a flat having covered area of two thousand square feet or more located in a rating area;</p> <p>(3) owns a motor vehicle having engine capacity above 1000CC; or</p> <p>(4) has obtained National Tax Number.</p>

SECTION 114(6)

Existing	Proposed Amendment
<p>Any person who, having furnished a return, discovers any omission or wrong statement therein, may furnish a revised return within five years of the date that the original return was furnished.</p>	<p>Any person who, having furnished a return, discovers any omission or wrong statement therein, without prejudice to any other liability, which he may incur under this Ordinance, may furnish a revised return for that tax year at any time, within five years from the end of the financial year in which original return was filed, subject to the following, namely:-</p> <p>(a) it is accompanied by the revised accounts or revised audited accounts, as the case may be;</p> <p>(b) the reason of revision of return, in writing, duly signed, is filed therewith,; and</p> <p>(c) it is filed before the issuance of the notice for amendment of assessment.”;</p>

Comments: The Bill proposes to disallow filing of revised return of income in cases where the department has issued notice for amendment of assessment. It also proposes to make it mandatory to file the revised accounts or revised audited accounts along with duly signed reasons of revision of return in writing in the cases of revision of return. Under the existing provisions of the law, a taxpayer may revise his return any time if he finds any error or omission therein within five years from the date of filing the return without going in to formalities of filing revised accounts and informing reasons of revision in writing.

Persons not required to furnish a return of income

SECTION 115(1)

Existing	Proposed Amendment
<p>Where the entire income of a taxpayer in a tax year consists of income chargeable under the head “Salary”, Annual Statement of Deduction of Income Tax from Salary, filed by the employer of such taxpayer, in prescribed form, the same shall, for the purposes of this Ordinance, be treated as a return of income furnished by the taxpayer under section 114:</p> <p>Provided that where salary income, for the tax year or the last tax year is five hundred thousand rupees or more, the taxpayer shall file wealth</p>	<p>“Provided that where salary income, for the tax year is five hundred thousand rupees or more, the taxpayer shall file return of income electronically in the prescribed form and it shall be accompanied by the proof of deduction or payment of tax and wealth statement as required under section 116.”;</p>

Persons not required to furnish a return of income

SECTION 115(1)

statement as required under section 116.]

Comments: The proposed amendment seek to require a taxpayer, whose salary income exceeds Rs. 500,000/-, to file his return of income electronically in addition to filing of wealth statement along with wealth reconciliation statement and proof of tax deduction or payment.

Currently, such persons are not required to file a return if they have no other source of income and their employer files an Annual Statement of Tax Deduction from Salary. Nor they are currently required to file wealth reconciliation statement and proof of tax deduction or payment.

Persons not required to furnish a return of income

SECTION 115(4) & (4A)

Existing

Any person who is not obliged to furnish a return for a tax year because all the person’s income is subject to final taxation under sections 5, 6, 7, 15, 113A, 113B, 148, clauses (a), (b) and (d) of sub-section (1) of section 151, section 152, 153, 154, 156, 156A, sub-section (3) of section 233, clause (a) and (b) of sub-section (1) of section 233A] or sub-section (5) of section 234 shall furnish to the Commissioner a statement showing such particulars relating to the person’s income for the tax year in such form and verified in such manner as may be prescribed.

“New Sub-Sections shall be added”

Proposed Amendment

- (i) the figures and commas “148,” and “154,” shall be omitted;
- (ii) after the figure and comma “152,” the word, comma, brackets and figure clauses (a) and (c) of sub-section (1) of section” shall be inserted; and
- (iii) after the figure “234” the words, brackets, figure and letter “or sub-section (3) of section 234A” shall be inserted;

Any person who, having furnished a statement, discovers any omission or wrong statement therein, he may, without prejudice to any other liability which he may incur under this Ordinance, furnish a revised statement for that tax year, at any time within five years from the end of the financial year in which the original statement was furnished.

Comments: Currently, the Ordinance does not contain any provision to revise a wealth or wealth reconciliation statement if a person discovers some errors or omission therein. The proposed addition seeks to allow a person to revise the statements within five years from the end of the financial year in which the original statement will be filed.

Persons not required to furnish a return of income

SECTION 115(4B)

Existing

Proposed Amendment

Every person (other than a company) filing

Persons not required to furnish a return of income

SECTION 115(4B)

<p>“New Sub-Sections shall be added”</p>	<p>statement under sub-section (4), falling under final tax regime (FTR) and has paid tax amounting to twenty thousand rupees or more for the tax year, shall file a wealth statement alongwith reconciliation of wealth statement.”;</p>
<p>Comments: The proposal seeks to make it mandatory to file wealth statement along with reconciliation for persons (excluding companies) whose income will be subject to final tax with payment of tax amounting to Rs. 20,000/- or more for the tax year.</p>	

Wealth Statement

SECTION 116 (1)(c)(d) & (e)

<p>Existing</p>	<p>Proposed Amendment</p>
<p>Any assets transferred by the person to any other person during the period or periods specified in such notice and the consideration for the transfer</p> <p>The total expenditures incurred by the person, and the person’s spouse, minor children, and other dependents during the period or periods specified in the notice and the details of such expenditures.</p>	<p>The word “and”, at the end, shall be omitted;</p> <p>For the “full stop”, at the end, a semicolon and word “; and” shall be substituted and thereafter the following new clause shall be inserted, namely:-</p> <p>“(e) the reconciliation statement of wealth.”;</p>
<p>Comments: The bill seeks to specifically authorize a Commissioner to require any person to submit a reconciliation of his wealth.</p>	

Wealth Statement

SECTION 116 (2)

<p>Existing</p>	<p>Proposed Amendment</p>
<p>Every resident taxpayer filing a return of income for any tax year whose last declared or assessed income or the declared income for the year, is five hundred thousand rupees or more] shall furnish a wealth statement for that year along with such return.</p>	<p>After the word “statement” the words “and wealth reconciliation statement” shall be inserted;</p>
<p>Comments: It has been proposed that resident taxpayer filing a return of income for any tax year whose last declared or assessed income or the declared income for the year is five hundred thousand rupees or more shall furnish a wealth reconciliation statement for that year in addition to wealth statement along with such return.</p>	

Best judgment assessment

SECTION 121(1)(aa)

<p>Existing</p>	<p>Proposed Amendment</p>
<p>“New clause shall be added”</p>	<p>Furnish a statement as required by a notice under sub-section (5) of section 115; or”;</p>

Best judgment assessment

SECTION 121(1)(aa)

Comments: The Bill seeks to empower a Commissioner to make a best judgment assessment also in cases where a person fails to furnish a statement (including wealth or wealth reconciliation statement) required to be filed by notice under Section 115(5) of the Ordinance.

Amendment of assessments

SECTION 122(2) & (4)(a)(b)

Existing

An assessment order shall only be amended under subsection (1) within five years after the Commissioner has issued or is treated as having issued the assessment order on the taxpayer.

Five years after the Commissioner has issued or is treated as having issued the original assessment order to the taxpayer;

One year after the Commissioner has issued or is treated as having issued the amended assessment order to the taxpayer.

Proposed Amendment

No order under sub-section (1) shall be amended by the Commissioner after the expiry of five years from the end of the financial year in which the Commissioner has issued or treated to have issued the assessment order to the taxpayer.”

for the word “after” the words “from the end of the financial year in which” shall be inserted;

for the word “after” the words “from the end of the financial year in which” shall be inserted;

Comments: The proposed amendment seeks to assign uniform timeline of; “with in five years” from the end of the financial year in which original order was issued or treated to have been issued for amendment of order instead of varying timeline of five years from the date of the original order. Similar amendment has been proposed for uniformity of period of one year from the end of financial year in which amended order will be issued or treated to have been issued.

Appeal to the Commissioner (Appeals)

SECTION 127(1)

Existing

Any person dissatisfied with any order passed by a Commissioner or a taxation officer under section 121, 122, 143, 144, 162, 170, 182, 183, 184, 185, 186, 187, 188, or 189, or an order under sub-section (1) of section 161 holding a person to be personally liable to pay an amount of tax, or an order under clause (f) of sub-section (3) of section 172 declaring a person to be the representative of a non-resident person, or an order under section 221 refusing to rectify the mistake, either in full or in part, as claimed by the taxpayer or an order having the effect of enhancing the assessment or reducing a refund or otherwise increasing the liability of the person, may prefer an appeal to the Commissioner (Appeals) against the order.

Proposed Amendment

(i) for the word and figure “or 189” the figures and word “189 or 205” shall be substituted;

(ii) after the word “person”, occurring fourth time, the words “or an order giving effect to any finding or directions in any order made under this Part by the Commissioner (Appeals), Appellate Tribunal, High Court or Supreme Court” shall be inserted;

Appeal to the Commissioner (Appeals)**SECTION 127(1)**

Comments: The proposed amendment seeks to provide right of appeal against order under Section 205 (additional tax) or against an order giving effect to any finding or directions in any order made by the Commissioner (Appeals), Appellate Tribunal, High Court or Supreme Court under the Ordinance.	

Appeal to the Commissioner (Appeals)**SECTION 127 (4)(a)**

Existing	Proposed Amendment
The prescribed fee shall be – (a) in the case of an appeal against an assessment, the lesser of one thousand rupees or ten per cent of the tax assessed;	for the words “the lesser of one thousand rupees or ten per cent of the tax assessed” the words “one thousand rupees” shall be substituted;
Comments: The Bill seeks to fix appeal fee as Rs. 1,000/- in cases of appeal against an assessment order.	

Decision in appeal.**SECTION 129(4)**

Existing	Proposed Amendment
As soon as practicable after deciding an appeal, the Commissioner (Appeals) shall serve his order on the appellant and the Commissioner.	For full stop at the end a colon shall be substituted
“New Explanation shall be added”	“Provided that such order shall be passed not later than one hundred and twenty days from the date of filing of appeal or within an extended period of sixty days, for reasons to be recorded in writing by the Commissioner (Appeals): Provided further that any period during which the hearing of an appeal is adjourned at the request of the appellant or is postponed due to any appeal or proceedings or stay order, remand or alternative dispute resolution proceedings or for any other reason, shall be excluded in the computation of the aforementioned periods.”; and
Comments: The proposed addition seeks to prescribe maximum time to pass an order which will be not later than one hundred and twenty days from the date of filing of appeal or within an extended period of sixty days, for reasons to be recorded in writing by the Commissioner (Appeals). However, it is further proposed that any period during which the hearing of an appeal will be adjourned at the request of the appellant or will be postponed due to any appeal or proceedings or stay order, remand or alternative dispute resolution proceedings or for any other reason, shall be excluded in the computation of the aforementioned periods. Similar changes have also been proposed in case of Sales Tax Act and Federal Excise Duty Act.	

Decision in appeal.**SECTION 129 (5), (6) & (7)**

Existing	Proposed Amendment
Where the Commissioner (Appeals) has not made an order on an appeal before the expiration of four months from the end of the month in	“Shall be Omitted”

Decision in appeal.

SECTION 129 (5), (6) & (7)

which the appeal was lodged, the relief sought by the appellant in the appeal shall be treated as having been given and all the provisions of this Ordinance shall have effect accordingly.

For the purposes of sub-section (5), any period during which the hearing of an appeal is adjourned on the request of the appellant shall be excluded in the computation of the period of four months referred to in that sub-section.

The provisions of sub-section (5) shall not apply unless a notice by the appellant stating that no order under sub-section (1) has been made is personally served by the appellant on the Commissioner (Appeals) not less than thirty days before the expiration of the period of four months.

“Shall be Omitted”

“Shall be Omitted”

Comments: The Bill proposes to delete these sub sections being redundant due to changes proposed in sub section 4 above.

Appointment of the Appellate Tribunal

SECTION 130 (8A) & (8AA)

Existing

“New Sub-Section shall be added”

“New Sub-Section shall be added”

Proposed Amendment

Notwithstanding anything contained in sub-sections (7) and (8), the Chairman may constitute as many benches consisting of a single member as he may deem necessary to hear such cases or class of cases as the Federal Government may by order in writing, specify.

The Chairman or any other member of the Appellate Tribunal authorized, in this behalf by the Chairman may, sitting singly, dispose of any case where the amount of tax or penalty involved does not exceed five million rupees.”

Comments: The Bill seeks to empower Chairman, Appellate Tribunal to constitute as many Single Member Benches as he may deem necessary. The amount of tax or penalty involved in cases to be heard by such single member benches is also proposed not to exceed Rs. 5,000,000/-.

Appeal to the Appellate Tribunal

SECTION 131(3)

Existing

The prescribed fee shall be–
(a) in the case of an appeal in relation to an

Proposed Amendment

The prescribed fee shall be ‘two’ thousand rupees; and

Appeal to the Appellate Tribunal**SECTION 131(3)**

assessment order, the lesser of two thousand five hundred rupees or ten percent of the tax assessed; or
 (b) in any other case –
 (i) where the appellant is a company, two thousand rupees; or
 (ii) where the appellant is not a company, five hundred rupees.

Comments: The proposed amendment seeks to fix the appeal fee at Rs. 2,000/- as fee for cases filed with Appellate Tribunal.

Appeal to the Appellate Tribunal**SECTION 131(5)****Existing**

Notwithstanding that an appeal has been filed under this section, tax shall, unless recovery thereof has been stayed by the Appellate Tribunal, be payable in accordance with the assessment made in the case:
 Provided that where recovery of tax has been stayed by the Appellate Tribunal by an order, such order shall cease to have effect on the expiration of a period of three months following the date on which it is made, unless the appeal is decided, or such order be withdrawn by the Appellate Tribunal earlier: Provided further that the Appellate Tribunal shall not make an order which has the effect of staying the recovery of tax beyond the period of six months in aggregate.]

Proposed Amendment

Provided also that the appellate tribunal shall not stay the recovery of tax without providing an opportunity of being heard to the respondents.

Comments: The proposed insertion seeks to bind Appellate Tribunal not to stay the recovery tax without providing an opportunity of being heard to the respondents.

Alternative Dispute Resolution**SECTION 134A(1), (2), (3), (3A), (4) & (5)****Existing**

Notwithstanding any other provision of this Ordinance, or the rules made thereunder an aggrieved person, in connection with any matter pending before an Appellate Authority, may apply to Board for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application

The Board after examination of the application of

Proposed Amendment

After the word “application”, at the end, the commas and words “except where prosecution proceedings have been initiated or where interpretation of question of law having effect on identical other cases” shall be inserted;

Alternative Dispute Resolution

an aggrieved person, shall appoint a committee consisting of an officer of Income Tax and two persons from a panel comprising of Chartered or Cost Accountants, Advocates, Income Tax Practitioners or reputable taxpayers for the resolution of the hardship or dispute.

The committee constituted under sub-section (2) shall examine the issue and may, if it deems necessary, conduct inquiry, seek expert opinion, direct any officer of Income Tax or any other person to conduct an audit and make recommendations in respect of the resolution of dispute as it may deem fit.

“New Sub-Section shall be added”

The Board may, on the recommendation of the committee, pass such order, as it may deem appropriate.

The aggrieved person may make the payment of income tax and other taxes as determined by the Board in its order under sub-section (4) and all decisions, orders and judgements made or passed shall stand modified to that extent and all proceedings under this Ordinance or the rules made thereunder by any authority shall abate: Provided that an order passed by the Board in the light of recommendations of the committee shall be submitted before that authority, tribunal or the court 6[where the matter is *subjudice* for consideration and orders as deemed appropriate Provided further that if the taxpayer is not satisfied with the said order, he may continue to pursue his remedy before the relevant authority, tribunal or court as if no such order had been made by the Board.

SECTION 134A(1), (2), (3), (3A), (4) & (5)

(b) in sub-section (2), after the word “shall” the words and comma “within sixty days of receipt of such application in the Board, shall be inserted,.

(c) in sub-section (3), after the word “recommendations” the commas and word “within one hundred and eighty days of its constitution,”

If the Committee appointed under sub-section (2) fails to make recommendations within the stipulated period or the extended period under sub-section (3), the Board may dissolve the Committee and appoint a new Committee.”

After the word “appropriate”, a comma and the words “, within 45 days of the receipt of recommendations of the committee” shall be inserted

After the expression “sub-section (4)”, the expression “or under sub-section (4A)” shall be inserted;

Comments: The Bill proposes to limit the power of Alternate Dispute Resolution Committee (ADRC) by excluding from its purview the cases where prosecution proceedings have been initiated or where interpretation of law having effect on other identical cases will be involved. The proposal also seeks to

Alternative Dispute Resolution **SECTION 134A(1), (2), (3), (3A), (4) & (5)**

fix timeline of 60 days for the Board to constitute ADRC.

The Bill also seeks to fix timeline to issue recommendation by ADRC within 180 days from the date of its constitution and empower the Board to dissolve and appoint a new committee if ADRC fails to make recommendations within stipulated time. It also proposes to require the Board to issue an order within 45 days of the receipt of recommendations of the ADRC.

Due date for payment of tax **SECTION 137(1)**

Existing

The tax payable by a taxpayer on the taxable income of the taxpayer including the tax payable under section 113A for a tax year shall be due on the due date for furnishing the taxpayer’s return of income for that year.

Proposed Amendment

After the word “section” the figure and word “113 or” shall be inserted

Comments: The bill proposes to pay the minimum turnover tax u/s 113 with the return of income for that year.

Recovery of tax out of property and through arrest of taxpayer **SECTION 138(2)(aa)**

Existing

“New Clause shall be added”

Proposed Amendment

Require by notice in writing to the taxpayer or to another person to stop removal of any goods manufactured or stored or kept by the said taxpayer or on his behalf by that other person: Provided that this clause shall only be applicable on the outstanding demand payable as confirmed or modified by the Appellate Tribunal.

Comments: The proposed amendment empowers commissioner to require, by notice in writing, a taxpayer or another person to stop removal of any goods manufactured or stored or kept by the said taxpayer or on his behalf by that other person if a tax demand required in a notice is not paid within the allowed time provided that this power will only be applicable on the outstanding demand payable as confirmed or modified by the Appellate Tribunal.

A very harsh section whereby the tax collectors in exercise of their powers can freeze the stock till the payment of the tax demand.

Advance tax paid by the taxpayer **SECTION 147(1)(c)(ca)(d), (2), (4), (4A), (4AAA) & (6A)**

Existing

Income subject to deduction of tax at source under section 149;

Proposed Amendment

For the word “or” the word “and” shall be substituted;

Advance tax paid by the taxpayer

(ca) income chargeable to tax under section 233 and clauses (a) and (b) of sub-section (1) of section 233A;

(d) income from which tax has been collected under Division II or deducted under Division III and for which no tax credit is allowed as a result of sub-section (3) of section 168,

(2) This section does not apply to an individual or association of persons where the individual's association of persons latest assessed taxable income excluding income referred to in clauses (a), (b), 4(ba), (c) and (d) of sub-section (1) is less than 5two hundred thousand rupees.

Where the taxpayer is a company, the amount of advance tax due for a quarter shall be computed according to the following formula, namely:-

$$(A/4) - B$$

Where –

A is the tax assessed to the taxpayer for the latest tax year or latest assessment year under the repealed Ordinance; and

B is the tax paid in the quarter for which a tax credit is allowed under section 168, other than tax deducted under section 149 or 155.

“New Sub-Section shall be added”

(6A) Notwithstanding anything contained in this section, where the taxpayer is a company, advance tax shall be payable by it in the absence of last assessed income also. The taxpayer shall estimate the amount of advance tax payable on the basis of estimated quarterly accounting profit of the company and thereafter pay such amount after making adjustment for the amount (if any)

SECTION 147(1)(c)(ca)(d), (2), (4), (4A), (4AAA) & (6A)

“Shall be omitted”

After the word and figure “Division III” the words and figures “or deducted or collected under Chapter XII” shall be inserted

The words “or association of persons”, occurring twice, shall be omitted;

Where the taxpayer is a company or an association of persons, the amount of advance tax due for a quarter shall be computed according to the following formula, namely:-

(A x B/C) - D

Where –

A is the taxpayer's turnover for the quarter;

B is the tax assessed to the taxpayer for the latest tax year;

C is the taxpayer's turnover for the latest tax year; and

D is the tax paid in the quarter for which a tax credit is allowed under section 168, other than tax deducted under section 155.”

“(4AAA) Tax liability under section 113 shall also be taken into account while working out payment of advance tax liability under this section.”;

“(6A) Notwithstanding anything contained in this section, where the taxpayer is a company or an association of persons, advance tax shall be payable by it in the absence of last assessed income or declared turnover also. The taxpayer shall estimate the amount of advance tax payable

Advance tax paid by the taxpayer

SECTION 147(1)(c)(ca)(d), (2), (4), (4A), (4AAA) & (6A)

<p>already paid.</p>	<p>on the basis of quarterly turnover of the company or an association of persons, as the case may be, and thereafter pay such amount after,- (a) taking into account tax payable under section 113 as provided in sub-section (4AAA); and (b) making adjustment for the amount (if any) already paid.”;</p>
<p>Comments: Certain amendments have been proposed for payment of advance tax by Association of Persons (AOPs) and Companies. Major proposed changes are that AOPs and company would be required to pay the amount of quarterly advance tax installment based on following formula:- $(A \times B/C)-D$ Where – A is the taxpayer’s turnover for the quarter; B is the tax assessed to the taxpayer for the latest tax year; C is the taxpayer’s turnover for the latest tax year; and D is the tax paid in the quarter for which a tax credit is allowed under section 168, other than tax deducted under section 155.</p> <p>The proposed amendment seeks to require consideration of minimum tax liability under Section 113 while working out advance tax liability.</p> <p>The Bill also proposes that where the taxpayer is a company or an association of persons, advance tax shall be payable by it in the absence of last assessed income or declared turnover also. The taxpayer shall estimate the amount of advance tax payable on the basis of quarterly turnover of the company or an association of persons and thereafter pay such amount after taking into account tax payable under section 113 and making adjustment for the amount (if any) already paid.</p>	

Imports

SECTION 148(7)(d) & (8)

Existing	Proposed Amendment
<p>The tax collected under this section shall be a final tax on the income.....</p> <p>(i) have paid-up capital of exceeding Rs.100 million;</p> <p>(iii) own total assets exceeding Rs.100 million at the close of the tax year;</p> <p>The tax collected from a person under this section on the import of edible oil for a tax year shall be final tax.]</p>	<p>For the words “a final” the word “minimum” shall be substituted;</p> <p>For the figure “100” the figure “250” shall be substituted</p> <p>For the figure “100” the figure “350” shall be substituted;</p> <p>After the word “oil” the words “and packing material” shall be inserted; and for the word “final” the word “minimum” shall be substituted;</p>

Imports**SECTION 148(7)(d) & (8)**

Comments: Final Tax Regime applicable for importers has been proposed to be withdrawn. After the proposed amendment, the tax deducted under Section 148 at import stage will be minimum tax on income of importers derived from imports including that of import of packing material. Further, the rate of tax to be deducted under Section 148 has been proposed to be enhanced from 2% to 4% of the value of the goods.

The above provisions of treating the tax deducted on import as minimum tax, excluding tax on import of edible oil and packing material, will not be applicable on import:-

- (a) of raw material, plant, machinery, equipment and parts by an industrial undertaking for its own use;
- (b) of fertilizer by manufacturer of fertilizer; and
- (c) of motor vehicles in CBU condition by manufacturer of motor vehicles.
- (d) by large import houses, who,-
 - (i) have paid-up capital of exceeding Rs.250 million;
 - (ii) have imports exceeding Rs.500 million during the tax year;
 - (iii) own total assets exceeding Rs.350 million at the close of the tax year;
 - (iv) is single object company;
 - (v) maintain computerized records of imports and sale of goods;
 - (vi) maintain a system for issuance of 100% cash receipts on sales;
 - (vii) present accounts for tax audit every year;
 - (viii) is registered with Sales Tax Department; and
 - (ix) make sales of industrial raw material of manufacturer registered for sales tax purposes.

Dividends**SECTION 150**

Existing	Proposed Amendment
Every resident company paying a dividend shall deduct tax from the gross amount of the dividend paid at the rate specified in Division III of Part I of the First Schedule.	For the words "resident company" the word "person" shall be substituted;
Comments: The amendment has been proposed to require each person paying dividend as per the definition given in the Ordinance to withhold tax at the time of payment of dividend. Currently, only resident companies are required to withhold such tax.	

Payments for goods and services**SECTION 153 (6) & (9)**

Existing	Proposed Amendment
Provided that sub-section (6) shall not apply to companies in respect of transactions referred to in clause (b) of sub-section (1)	For the "full stop" at the end, the semicolon and word "; and" shall be substituted and thereafter, the following new sub-clause shall be inserted, namely:- " (iii) the rendering of or providing of services referred to in sub-clause (b) of sub-section (1): Provided that tax deducted under sub-clause (b) of sub-section (1) of section 153 shall be minimum tax."

Payments for goods and services

SECTION 153 (6) & (9)

<p>“New Sub-Clause shall be added”</p>	<p>A non-profit organization.”; (ii) in the expression “manufacturer”, in clause (b), the commas and words “, packing, repacking” shall be omitted;</p>
<p>Comments: A major shift has been proposed for calculation of tax liability of persons (other than a company) rendering or providing services. Under the existing provisions of the law, the tax deducted from payment received on account of rendering of or providing of services is treated as final tax on such income that is now proposed to be minimum tax.</p> <p>Non-profit organizations have been proposed to be included in list of “prescribed person” that is in the list of persons required to withhold tax under Section 153.</p> <p>The Bill also proposes another amendment to exclude packing and repacking from the scope of manufacturing process resulting thereby that a company, other than a listed company, engaged solely in packing and repacking activities would be liable to minimum tax on supply of the goods.</p>	

Exports

SECTION 154(3C) & (4)

<p>Existing</p> <p>“New Sub-Section shall be added”</p>	<p>Proposed Amendment</p>
<p>The tax deducted under this section shall be a final tax on the income arising from the transactions referred to in this section</p>	<p>The Collector of Customs at the time of clearing of goods exported shall collect tax on the gross amount of such goods at the rate specified in Division IV of Part III of the First Schedule.”;</p> <p>For the words “a final” the word “minimum” shall be substituted;</p>
<p>Comments: Final Tax Regime applicable for exporters / indenting commission has been proposed to be withdrawn. After the proposed amendment, the tax deducted under Section 154 will be minimum tax on income of exporters / indenters.</p> <p>The proposal also seeks to authorize Collector of Customs to collect tax at the time of clearing of goods exported @ 1% of the gross amount of such goods.</p>	

Certificate of collection or deduction of tax.-

SECTION 164(1) & (2)

<p>Existing</p>	<p>Proposed Amendment</p>
<p>Every person collecting tax.....has been deducted has been made, a certificate setting out the amount of tax collected or deducted and such other particulars as may be prescribed. (2) A person required to furnish a return of</p>	<p>After the word and comma “made,” the words “copies of the challan of payment or any other equivalent document alongwith” shall be inserted</p> <p>For the words “any certificate” the words “copies</p>

Certificate of collection or deduction of tax.-

SECTION 164(1) & (2)

taxable income for a tax year shall attach to the return any certificate.....	of the challan of payment on the basis of which a certificate is” shall be inserted;
Comments: It is proposed that along with the certificate of deduction of tax copies of the challan as evidence of deposit of tax should also be provided.	

Statements

SECTION 165(1)

<p>Existing</p> (1) Every person collecting tax under Division II of this Part 5[or Chapter XII] or deducting tax from a payment under Division III of this Part 6[or Chapter XII] shall, within two months after the end of the financial year or within such further time as the Commissioner may allow by 7[order] in writing, furnish to the Commissioner a statement in the prescribed form setting out–	<p>Proposed Amendment</p> For the words “within two months after the end of the financial year” the words and comma “in case of a taxpayer, within two months after the end of the tax year of such taxpayer and in all other cases within two months after the end of the financial year” shall be substituted;
Comments: The proposed amendment intent to set the time frame for submission of Annual statements under different cases.	

Credit for tax collected or deducted

SECTION 168(3)

<p>Existing</p> No tax credit shall be allowed for any tax collected or deducted that is a final tax under sub-section (7) of section 148, 3[clauses (a), (b) and (d) of sub-section (1) of section 151, sub-section (1B) of section 152,] 4[sub-section (6)] of section 153, sub-section (4) of section 154, 5[section 155] sub-section (3) of section 156, 6[sub-section (2) of section 156A, section 233, clauses (a) and (b) of sub-section (1) of section 233A] or 7[sub-section (5) of section 234 8[or section 234A <p style="text-align: center;">“New Sub-Section shall be added”</p> <p style="text-align: center;">“New Sub-Section shall be added”</p>	<p>Proposed Amendment</p> The words, figure, brackets and comma “sub-section (7) of section 148,” shall be omitted; the words, brackets, figure and comma “sub-section (4) of section 154,” shall be omitted. <p>Notwithstanding anything contained in any other law or any rules for the time being in force, no amount shall be deducted on account of service charges from the tax withheld or collected by any person under the provisions of this Ordinance.</p> <p>In case any amount is deducted on account of service charges, by the person, the said person will be liable to pay the said amount to the Federal Government and all the provisions of this Ordinance shall apply in so far as they apply to the recovery of tax.”;</p>
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Credit for tax collected or deducted

SECTION 168(3)

Comments: These are consequential amendments since the tax deducted under the omitted sections have been termed as minimum tax, therefore, reference of these sections for the purpose of tax credit is proposed to be omitted.

Tax collected or deducted as a final tax

SECTION 169(1)

Existing	Proposed Amendment
<p>the collection of advance tax is a final tax under sub-section (7) of section 148</p> <p>the deduction of tax is a final tax under 11[clauses (a), (b) and (d) of sub-section (1) of section 151, sub-section (1B) [or sub-section (1BB) of section 152, sub-section (6) of section 153, section 153A, sub-section (4) of section 154,.....</p>	<p>The words, figures and brackets “sub-section (7) of section 148 or” shall be omitted; The word, brackets, figure and comma “sub-section (4) of section 154,” shall be omitted;</p>
<p>Comments: These are consequential amendments since the tax deducted under the omitted sections have been termed as minimum tax, therefore, reference of these sections for the purpose of final tax is proposed to be omitted.</p>	

Refunds

SECTION 170 (4)

Existing	Proposed Amendment
	<p>for the words “forty five” the word “ninety” shall be substituted;</p>
<p>Comments: The proposed amendment seeks to extend time frame for service of refund order from 45 days to 90 days from the date of receipt of refund application by a Commissioner.</p>	

Powers to withhold refund in certain cases

SECTION 170A

Existing	Proposed Amendment
<p style="text-align: center;">“New Section shall be added”</p>	<p>Where an order giving rise to a refund is the subject matter of an appeal or further proceedings under this Ordinance, the Commissioner may, withhold refund till such time as he deems fit.</p> <p>No refund under sub-section (1) shall be withheld unless the taxpayer has been given a reasonable opportunity of being heard.</p> <p>The Commissioner shall make an order, stating the reason for withholding the refund and shall communicate the same to the taxpayer.”</p>
<p>Comments: The Bill proposes insertion of this Section which seeks to empower a Commissioner to withhold refund in cases where the order giving rise to a refund is the subject matter of an appeal or</p>	

Powers to withhold refund in certain cases

SECTION 170A

further proceedings. However, the Commissioner would be required to give a reasonable opportunity of being heard to taxpayer before withholding the refund.

The Commissioner would be required to make an order, stating the reason for withholding the refund and communicating the same to the taxpayer.

Additional payment for delayed refunds

SECTION 171 (1)

Existing

Where a refund due to a taxpayer is not paid within three months of the date on which it becomes due, the Commissioner shall pay to the taxpayer a further amount by way of compensation at the rate of 3[six] per cent per annum of the amount of the refund computed for the period commencing at the end of the three month period and ending on the date on which it was paid.

Proposed Amendment

for the word “six per cent” the words “KIBOR” shall be substituted and for the full stop, at the end, a colon shall be substituted and thereafter the following proviso shall be inserted, namely:-
 “Provided that where there is reason to believe that a person has claimed the refund which is not admissible to him, the provision regarding the payment of such additional amount shall not apply till the investigation of the claim is completed and the claim is either accepted or rejected.”

Comments: At present, taxpayers are entitled to compensation @ 6% p.a. for delayed payment of refund whereas interest rate prevailing in the market has escalated in excess of 10%. The compensation is proposed to be based on KIBOR (Karachi Inter Bank Offered Rate applicable on the first day of each quarter of the financial year).

It has also been proposed that where there would be reason to believe that a person has claimed the refund which is not admissible to him, the provision regarding the payment of such additional amount shall not apply till the investigation of the claim is completed and the claim is either accepted or rejected.

Records

SECTION 174 (3)

Existing

The accounts and documents required to be maintained under this section shall be maintained for five years after the end of the tax year to which they relate.

Proposed Amendment

After the word “relate” the words and commas “or till the final decision in any proceedings including proceedings for assessment, appeal, revision, reference, petition and any proceedings before an Alternative Dispute Resolution Committee” shall be inserted;

Comments: The proposal seeks to require a person to maintain accounts and documents later of; five years from the end of the tax year to which those relate or till the finality of proceedings under the Ordinance.

Notice to obtained information or evidence

SECTION 176(1)(b) & (c)

Existing

to attend at the time and place designated in the

Proposed Amendment

for the full stop, at the end, a semicolon shall be

Notice to obtained information or evidence

SECTION 176(1)(b) & (c)

notice for the purpose of being examined on oath by the Commissioner or an authorized officer concerning the tax affairs of that person or any other person and, for that purpose, the Commissioner or authorized officer may require the person examined to produce any accounts, documents, or computer-stored information in the control of the person.

“New Clause shall be added”

substituted and thereafter the following new clause shall be inserted, namely:-

The firm of chartered accountants, as appointed by the Board, to conduct audit under section 177, for any tax year, with the prior approval of the Commissioner concerned, may obtain any information, require production of any record, or computer on which the required information is stored, impound and retain such computer as long as it is necessary and such firm may also exercise the powers as provided in sub-section (4), if specifically delegated by the Commissioner.”

Comments: The intention of the proposed amendment is to empower a Chartered Accountants’ firm appointed to conduct audit under Section 177 to obtain information / require production of computer containing such information / impound and retain such computer, etc. for the purposes of such audit.

Audit

SECTION 177 (1),(2),(4),(5) & (8)

Existing

The 2[Board], may lay down criteria for selection of any person for an audit of person’s income tax affairs, by the Commissioner.

The Commissioner shall select a person for audit in accordance with the criteria laid down by the 3[Board] under sub-section (1).

The 4[Board] shall keep the criteria confidential.

In addition to the selection referred to in sub-section (2), the Commissioner may also select a person for an audit of the person’s income tax affairs having regard to -

(a)the person’s history of compliance or non-compliance with this Ordinance; (b) the amount of tax payable by the person; (c) the class of business conducted by the person; and (d) any other matter which in the opinion of Commissioner is material for determination of correct income.

Proposed Amendment

After the word “person” the words “or classes of persons” shall be inserted; and after the word “of”, occurring for the second time, the word “such” shall be inserted;

After the word “person” the words “or classes of persons” shall be inserted;

After the word “person” the words “or classes of persons” shall be inserted;

After the word “person” the words “or classes of persons” shall be inserted;

for the words “that person” occurring at the end, the words “such person or classes of persons” shall be substituted;

After the word “person” the words “or classes of persons selected for audit by the Commissioner or by the Board” shall be inserted;

Comments: The proposed amendment seeks to give flexibility to the board for fixing a unique criterion for selection of cases for audit of different classes of persons.

Prosecution for non-compliance with certain statutory obligations

SECTION 191(1)(aa)(cc) & (2)

Existing

Proposed Amendment

Prosecution for non-compliance with certain statutory obligations**SECTION 191(1)(aa)(cc) & (2)**

<p style="text-align: center;">“New Clause shall be added”</p> <p style="text-align: center;">“New Clause shall be added”</p> <p>If a person convicted of an offence under clause (a) of sub-section (1) fails, without reasonable excuse, to furnish the return of income or wealth statement to which the offence relates within the period specified by the Court, the person shall commit a further offence punishable on conviction with a fine or imprisonment for a term not exceeding two years, or both.</p>	<p>furnish a return of income as required under sub-section (2) of section 114 or a statement as required under sub-section (4) of section 115 or a wealth statement as required under section 116 as and when due.”</p> <p>Comply with a notice issued under clause (aa) of sub-section (2) of section 138.”</p> <p>After the word “fine” the words “upto fifty thousand rupees” shall be inserted;</p>
<p>Comments: The Bill proposes that following be treated as statutory obligation in addition to other obligations mentioned in the Section:</p> <ol style="list-style-type: none"> (1) furnishing of a return of income as required under sub-section (2) of section 114 or a statement as required under sub-section (4) of section 115 or a wealth statement as required under section 116 as and when due; and (2) Compliance with a notice issued under clause (aa) of sub-section (2) of section 138. <p>The Bill also proposes that if a person convicted of an offence under Section 191(1)(a) fails, without reasonable excuse, to furnish the return of income or wealth statement to which the offence relates within the period specified by the Court, the person shall commit a further offence punishable on conviction with a fine up to Rs. 50,000/- or imprisonment for a term not exceeding two years, or both.</p>	

Prosecution for false statement in verification**SECTION 192**

<p>Existing</p> <p>Any person who makes a statement in any verification in any return or other document furnished under this Ordinance which is false and which the person knows or believes to be false, or does not believe to be true, the person shall commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding three years, or both.</p>	<p>Proposed Amendment</p> <p>In section 192, after the word “fine” the words “upto hundred thousand rupees” shall be inserted and after section 192 as amended here-above the following new section shall be inserted, namely;-</p>
<p>Comments: The Bill proposes that where any person who makes a statement in any verification in any return or other document furnished under the Ordinance which is false and which the person knows or believes to be false, or does not believe to be true, the person shall commit an offence punishable on conviction with a fine up to Rs. 100,000/- or imprisonment for a term not exceeding three years, or both.</p>	

Prosecution for improper use of National Tax Number 2[Certificate]

SECTION 194

<p>Comments: The proposed amendment seeks to fix fine up to Rs. 50,000/- for a person who knowingly or recklessly uses a false National Tax Number Certificate including the National Tax Number Certificate of another person on a return or other document prescribed or used for the purposes of the Ordinance.</p>	

Prosecution for making false or misleading statements

SECTION 195(1) (b)(i) &(ii)

Existing	Proposed Amendment
<p>Where the statement or omission was made knowingly or recklessly, with a fine or imprisonment for a term not exceeding two years, or both; or</p> <p>In any other case, with a fine.</p>	<p>After the word “fine” the words “upto fifty thousand rupees” shall be inserted;</p> <p>After the word “fine” the words “upto fifty thousand rupees” shall be inserted;</p>
<p>Comments: Penalty for making false or misleading statements has been proposed to be up to Rs. 50,000/- .</p>	

Prosecution for obstructing 2 an income tax authority

SECTION 196

Existing	Proposed Amendment
<p>A person who obstructs 3[an income tax authority] in discharge of functions under this Ordinance shall commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year, or both.</p>	<p>After the word “fine” the words “upto fifty thousand rupees” shall be inserted;</p>
<p>Comments: Penalty for obstructing an income tax authority has been proposed to be up to Rs. 50,000/-.</p>	

Prosecution for disposal of property to prevent attachment

SECTION 197

Existing	Proposed Amendment
<p>Where the owner of any property, or a person acting on the owner’s behalf or claiming under the owner, sells, mortgages, charges, leases or otherwise deals with the property after the receipt of a notice from the Commissioner with a view to preventing the Commissioner from attaching it, shall commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding three years, or both</p>	<p>After the word “fine” the words “upto hundred thousand rupees” shall be inserted;</p>
<p>Comments: Penalty for disposal of property to prevent attachment has been proposed to be up to Rs. 100,000/-.</p>	

Prosecution for unauthorized disclosure of information by a public servant

SECTION 198

<p>Existing</p> <p>A person who discloses any particulars in contravention of section 216 shall commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding six months, or both.</p>	<p>Proposed Amendment</p> <p>After the word “fine” the words “of twenty five thousand rupees” shall be inserted;</p>
<p>Comments: Penalty for un-authorized disclosure of information by a public servant has been proposed to be up to Rs. 25,000/-.</p>	

Institution of prosecution proceedings without prejudice to other action

SECTION 201 (2)

<p>Existing</p> <p style="text-align: center;">“New Sub-section shall be added”</p>	<p>Proposed Amendment</p> <p>As renumbered here-above the following new sub-section shall be inserted, namely;</p> <p>A Law Officer appointed under the Central Law Ordinance, 1970 (VII of 1970), or an advocate authorized by the Board or by an officer subordinate to it, shall be competent to conduct proceedings before a Special Judge under section 203 and to withdraw such proceedings when so required by the Commissioner with the approval of the Federal Government.”;</p>
<p>Comments: The proposal is to provide for appointment of a Law Officer under the Ordinance.</p>	

Power to compound offences

SECTION 202

<p>Existing</p> <p>Where any person has committed any offence under this Part, the Commissioner may both before or after the institution of proceedings, compound such offence and order that such person pay the amount for which the offence may be compounded.</p>	<p>Proposed Amendment</p> <p>The following shall be substituted, namely:-</p> <p>Notwithstanding any provisions of this Ordinance, where any person has committed any offence, the Director General may, with the prior approval of the Board, either before or after the institution of proceedings, compound such offence subject to payment of tax due along with additional tax and penalty as is determined under the provisions of this Ordinance.”</p>
<p>Comments:</p>	

Additional Tax

SECTION 205 (1),(1A),(1B) & (3)

Existing	Proposed Amendment
<p>(1) A person who fails to pay – 1[(a) any tax, excluding the advance tax under section 147 and additional tax under this section;] (b) any penalty; or (c) any amount referred to in section 140 or 141, on or before the due date for payment shall be liable for additional tax at a rate equal to 2[twelve] per cent per annum on the tax, penalty or other amount unpaid computed for the period commencing on the date on which the tax, penalty or other amount was due and ending on the date on which it was paid.</p> <p>A person who fails to pay advance tax under section 147 shall be liable for additional tax at a rate equal to 2[twelve] per cent per annum on the amount of tax unpaid computed for the period commencing on the date on which it was due and ending on the date on which it was paid or date on which the return of income for the relevant tax year was due, whichever is earlier.</p> <p>Where, in respect of any tax year, any taxpayer fails to pay tax under sub-section 4[(4A), or] (6) of section 147 or the tax so paid is less than 5[ninety] per cent of the tax chargeable for the relevant tax year, he shall be liable to pay additional tax at the rate of twelve per cent per annum on the amount of tax so chargeable or the amount by which the tax paid by him falls short of the 6[ninety] per cent, as the case may be; and such additional tax shall be calculated from the first day of April in that year to the date on which assessment is made or the thirtieth day of June of the financial year next following, whichever is the earlier.]</p> <p>A person who fails to 7[collect tax, as required under Division II of Part V of this Chapter or Chapter XII or deduct tax as required under Division III of Part V of this Chapter or Chapter XII or fails to] pay an amount of tax collected or deducted as required under section 160 on or before the due date for payment shall be liable for additional tax at a rate equal to 8[twelve] per cent per annum on the amount unpaid computed for the period commencing on the date the amount was required to be collected or deducted</p>	<p>For the words “twelve per cent per annum”, the letters and words “KIBOR plus three per cent per quarter” shall be substituted;</p> <p>For the words “twelve per cent per annum”, the letters and words “KIBOR plus three per cent per quarter” shall be substituted;</p> <p>For the words “twelve per cent per annum”, the letters and words “KIBOR plus three per cent per quarter” shall be substituted; and</p> <p>For the words “April in that” the words “the last quarter of the relevant tax” shall be substituted;</p> <p>For the words “twelve per cent per annum”, the letters and words “KIBOR plus three per cent per quarter” shall be substituted;</p>

Additional Tax

SECTION 205 (1),(1A),(1B) & (3)

and ending on the date on which it was paid to the Commissioner.

Comments: At present, additional tax is chargeable @ 12% per annum on late payment of tax. The rate being low as compared to prevailing interest rate on bank loan gives temptation for delaying payment of tax. It is therefore, proposed to increase the rate of additional tax to KIBOR+3% per quarter.

It has also been proposed that the calculation of additional tax for delayed payment of advance tax be made from the first day of the last quarter of the relevant tax year.

Jurisdiction of income tax authorities

SECTION 209(5)(b)

Existing

Within the area assigned to him, the Commissioner shall have jurisdiction,-
 (a) in respect of any person carrying on business, if the person's place of business is within such area, or where the business is carried on in more than one place, the person's principal place of business is within such area; or (b) in respect of any other person, if the person resides in such area.

“New Explanation shall be added”

Proposed Amendment

For the full stop, at the end, a colon shall be substituted and thereafter the following shall be inserted, namely:-

“Explanation.- The expression “place of business” as used in this sub-section, means,-
 (a) in the case of listed or unlisted public limited company, the place where the registered office is situated;
 (b) in the case of other companies,- if the company is primarily engaged in manufacture or processing, the place where the factory is situated; if the company is primarily engaged in business other than manufacture or processing, the place where main business activities are actually carried on.”

Comments: The proposed amendment seeks to clarify the term palace of business under different status of the tax payers.

Delegation

SECTION 210 (1B)

Existing

“New sub-section shall be added”

Proposed Amendment

The Commissioner may delegate the powers to a firm of chartered accountants appointed by the Board, to conduct the audit of persons selected for audit under section 177.”

Comments: The Commissioner has been empowered to delegate his powers to a firm of chartered accountants appointed by the Board for audit under section 177.

Condonation of time limit

SECTION 214A

Existing	Proposed Amendment
<p>“New Section shall be added”</p>	<p>Where any time or period has been specified under any of the provisions of the Ordinance or rules made there-under within which any application is to be made or any act or thing is to be done, the Board may, in any case or class of cases, permit such application to be made or such act or thing to be done within such time or period as it may consider appropriate.</p> <p>Provided that the Board may, by notification in the official Gazette, and subject to such limitations or conditions as may be specified therein, empower any Commissioner or Director General under this Ordinance to exercise the powers under this section in any case or class of cases.</p>
<p>Comments: The proposed addition seeks to empower the Board to condone the time limit for making any application or any act or thing under the Ordinance. The Board is also proposed to be empowered to delegate this power to any Commissioner or Director General subject to certain conditions.</p>	

Power of the Board to call for records

SECTION 214B

Existing	Proposed Amendment
<p>“New Section shall be added”</p>	<p>The Board may, of its own motion, call for and examine the record of any departmental proceedings under this Ordinance or the rules made there-under for the purpose of satisfying itself as to the legality or propriety of any decision or order passed therein and may pass such order as it may think fit.</p> <p>Provided that no order imposing or enhancing any tax or penalty than the originally levied shall be passed unless the person affected by such order has been given an opportunity of showing cause and of being heard.</p> <p>No proceeding under this section shall be initiated in a case where an appeal is pending.</p> <p>No order shall be made under this Section after the expiry of three years from the date of original decision or order.”</p>
<p>Comments: The Bill proposes to empower the Board to call for the record for any proceedings under the Ordinance/rules to pass an order etc. provided the person affected by it will be awarded an opportunity of being heard and no order can be called after expiry of three years from the date of original decision or order.</p>	

Directorate General (Intelligence and Investigation of Income Tax**SECTION 229A**

Existing	Proposed Amendment
<p>“New Section shall be added”</p>	<p>The Directorate General (Intelligence and Investigation of Income Tax) shall consist of a Director-General and as many Directors, Additional Directors, Deputy Directors and Assistant Directors and such other officers as the Board, may by notification in the official Gazette, appoint. The Directorate General (Intelligence & Investigation of Income Tax) shall exercise such powers under this Ordinance, as may be assigned to the Directorate by the Board.”</p>
<p>Comments:</p>	

Advance tax on private motor vehicles**SECTION 231B**

Existing	Proposed Amendment
<p>Every person shall pay, at the time of registration of a new motor car or a jeep, advance tax at the rates specified in Division VII of Part IV of the First Schedule:</p> <p>Provided that the provisions of this section shall not be applicable in the case of –</p> <p>(i) the Federal Government; (ii) the Provincial Government; (iii) a foreign diplomat; or (iv) a diplomatic mission in Pakistan.]</p>	<p>Every motor vehicle registering authority of Excise and Taxation Department shall collect advance tax at the time of registration of a new locally manufactured motor vehicle, at the rates specified in Division VII of Part IV of the First Schedule:</p> <p>Provided that the provisions of this section shall not be applicable in the case of –</p> <p>(a) the Federal Government; (b) the Provincial Government; (c) the Local Government; (d) a foreign diplomat; or (e) a diplomatic mission in Pakistan.”</p>
<p>Comments: The scope of advance tax at the time of registration of new motor vehicle is proposed to be restricted only to new locally manufactured motor vehicles. Presently, all new motor cars and jeep including new imported cars and jeeps falls in the purview of such tax.</p>	

Electricity consumption**SECTION 235(4)**

Existing	Proposed Amendment
<p>The tax collected under this section 2[up to bill amount of twenty thousand rupees per month] shall be minimum tax on the income of a person (other than a company). There shall be no refund of the tax collected under this section, unless the tax so collected is in excess of the amount for which the taxpayer is chargeable under this Ordinance in the case of a company.]</p>	<p>In the case of a taxpayer other than a company, tax collected upto bill amount of thirty thousand rupees per month shall be treated as minimum tax on the income of such persons and no refund shall be allowed;</p> <p>In the case of a taxpayer other than a company, tax collected on monthly bill over and above thirty thousand rupees per month shall be adjustable; and</p> <p>In the case of a company, tax collected shall be</p>

Electricity consumption

SECTION 235(4)

	adjustable against tax liability.”
<p>Comments: To remove the hardship caused by treating tax collected on electricity bills as minimum tax without allowing refund of excess over tax liability, the following proposal has been put forward:</p> <p>(a) in the case of a taxpayer other than a company, tax collected up to bill amount of thirty thousand rupees per month shall be treated as minimum tax on the income of such persons and no refund shall be allowed;</p> <p>(b) in the case of a taxpayer other than a company, tax collected on monthly bill over and above thirty thousand rupees per month shall be adjustable; and</p> <p>(c) in the case of a company, tax collected shall be adjustable against tax liability.</p>	

Advance tax at the time of sale by auction

SECTION 236A

Existing	Proposed Amendment
<p>“New Section shall be added”</p>	<p>Any person making sale by public auction, of any property or goods confiscated or attached either belonging to or not belonging to the Government, local Government, any authority, a company, a foreign association declared to be a company under sub-clause (vi) of clause (b) of sub-section (2) of section 80, or a foreign contractor or a consultant or a consortium or Collector of Customs or Commissioner of Income Tax or any other authority, shall collect advance tax, computed on the basis of sale price of such property and at the rate specified in Division VIII of Part IV of the First Schedule, from the person to whom such property or goods are being sold.</p> <p>The credit for the tax collected under sub-section (1) in that tax year shall, subject to the provisions of section 147, 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 section 98B or section 145 applies, the tax year, in which the "said date" as referred to in that section, falls or whichever is later.”;</p> <p><i>Explanation.</i>- For the purposes of this section, sale of any property includes the awarding of any lease to any person, including a lease.....</p>
<p>Comments: The proposed insertion seeks to empower certain authorities to withhold advance tax at the time of auction of confiscated/attached goods or certain property @ 5% of the gross sale price of the property or goods sold (rate specified in Division VIII of Part IV of the First Schedule).</p>	

THE FIRST SCHEDULE**PART I – DIVISION I****RATES OF TAX FOR INDIVIDUALS AND ASSOCIATION OF PERSONS**

Comments: The rates of tax chargeable for the tax year 2010 (corresponding to the income year ending at any time between July, 2009 to June, 2010 have remained unchanged and are as under:

The 1st Schedule for the non-salaried individuals and Association of Persons are summarized as under: **(The basic exemption limit in case of women tax payer will be Rs. 125,000).**

Important: A one time levy to support Internally Displaced Persons of Swat, Buner, etc. has been proposed for the tax year as Internally Displaced Persons Tax (IDPT) which will be treated as income tax. Such tax is proposed to be levied @ 5% of the tax payable on the taxable income of one million rupees or more **for the Tax Year – 2009.**

Taxable Income	Tax Rate	Taxable Income	Tax Rate
Upto Rs.100,000	Nil	Rs.300,001 to Rs.400,000	7.5%
Rs.100,000 to Rs.110,000	0.5%	Rs.400,001 to Rs.500,000	10%
Rs.110,001 to Rs.125,000	1%	Rs.500,001 to Rs.600,000	12.5%
Rs.125,001 to Rs.150,000	2%	Rs.600,001 to Rs.800,000	15%
Rs.150,001 to Rs.175,000	3%	Rs.800,001 to Rs.1,000,000	17.5%
Rs.175,001 to Rs.200,000	4%	Rs.1,000,001 to Rs.1,300,000	21%
Rs.200,001 to Rs.300,000	5%	Above Rs. 1,300,001	25%

The changes in the 1st Schedule for the salaried individuals are summarized as under: (The basic exemption limit of salaried individuals is being enhanced from Rs.180,000 to Rs.200,000 and in case of salaried women the limit is being enhanced from Rs.240,000 to Rs.260,000)

Important: A one time levy to support Internally Displaced Persons of Swat, Buner, etc. has been proposed for the tax year as Internally Displaced Persons Tax (IDPT) which will be treated as income tax. Such tax is proposed to be levied @ 5% of the tax payable on the taxable salary of one million rupees or more, and 30% on the amount of bonus if any received along with salary **for the Tax Year – 2009.**

8S. #	Taxable Income	Tax Rate %	Tax Charge
1	Where taxable income does not exceed Rs.200,000	0%	Nil
2	Where taxable income exceeds Rs.200,000 but does not exceed Rs.250,000	0.5%	1,000 to 1,250
3	Where taxable income exceeds Rs.250,000 but does not exceed Rs.350,000	0.75%	1,875 to 2,625
4	Where taxable income exceeds Rs.350,000 but does not exceed Rs.400,000	1.5%	5,250 to 6,000

5	Where taxable income exceeds Rs.400,000 but does not exceed Rs.450,000	2.5%	10,000 to 11,250
6	Where taxable income exceeds Rs.450,000 but does not exceed Rs.550,000	3.5%	15,750 to 19,250
7	Where taxable income exceeds Rs.550,000 but does not exceed Rs.650,000	4.5%	24,750 to 29,250
8	Where taxable income exceeds Rs.650,000 but does not exceed Rs.750,000	6%	39,000 to 45,000
9	Where taxable income exceeds Rs.750,000 but does not exceed Rs.900,000	7.5%	56,250 to 67,500
10	Where taxable income exceeds Rs.900,000 but does not exceed Rs.1,050,000	9%	81,000 to 94,500
11	Where taxable income exceeds Rs.1,050,000 but does not exceed Rs.1,200,000	10%	105,000 to 120,000
12	Where taxable income exceeds Rs.1,200,000 but does not exceed Rs.1,450,000	11%	132,000 to 159,500
13	Where taxable income exceeds Rs.1,450,000 but does not exceed Rs.1,700,000	12.50%	181,250 to 212,500
14	Where taxable income exceeds Rs.1,700,000 but does not exceed Rs.1,950,000	14%	238,000 to 273,000
15	Where taxable income exceeds Rs.1,950,000 but does not exceed Rs.2,250,000	15%	292,500 to 337,500
16	Where taxable income exceeds Rs.2,250,000 but does not exceed Rs.2,850,000	16%	360,000 to 456,000
17	Where taxable income exceeds Rs.2,850,000 but does not exceed Rs.3,550,000	17.5%	498,750 to 621,250
18	Where taxable income exceeds Rs.3,550,000 but does not exceed Rs.4,550,000	18.5%	656,750 to 841,750
19	Where taxable income exceeds Rs.4,550,000 but does not exceed Rs.8,650,000	19%	864,500 to 1,643,500
20	Where taxable income exceeds Rs.8,650,000	20%	1,730,000

The above tax will be charged without marginal relief

Marginal Relief:

Comments: A concept of marginal relief is being continued with slight amendment in the slab. Details are as under:

TABLE	
Maximum Limit of a slab	Where the total income of a tax payer marginally exceeds the maximum limit of a slab in the table, the income tax payable shall be the tax payable on the maximum of that slab plus an amount equal to
Rs. 550,000/-	20% of the amount exceeding the limit
Rs. 1,050,000/-	30% of the amount exceeding the limit
Rs. 2,250,000/-	40% of the amount exceeding the limit
Rs. 4,550,000/-	50% of the amount exceeding the limit
Above Rs. 4,550,000/-	60% of the amount exceeding the limit

DIVISION II **RATES OF TAX FOR COMPANIES**

Clause (iii)

Comments: It has been proposed to offer the reduced tax rate facility of 20% to all small companies irrespective of their amount of turnover.

DIVISION VI **INCOME FROM PROPERTY**

Comments: The maximum rate of deduction of tax on rent in the case of **individual and AOP's** is proposed to be reduced from 15% to 10%. Details are as under:

S. #	Gross Amount of Rent	Tax Rate %
1	Where the gross amount of rent does not exceed Rs.150,000	0%
2	Where the gross amount of rent exceeds Rs.150,000 but does not exceeds Rs.400,000	5% of the amount exceeding Rs.150,000
3	Where the gross amount of rent exceeds Rs.400,000 but does not exceeds Rs.1,000,000	Rs.12,500 Plus 7.5% of the amount exceeding Rs.400,000
4	Where the gross amount of rent exceeds Rs.1,000,000	Rs.57,500 Plus 10% of the amount exceeding Rs.1,000,000

Comments: The maximum rate of deduction of tax on rent in the case of companies is also being reduced. Details re as under:

S. #	Gross Amount of Rent	Tax Rate %
1	Where the gross amount of rent does not exceed Rs.400,000	5%
2	Where the gross amount of rent exceeds Rs.400,000 but does not exceeds Rs.1,000,000	Rs.20,000 Plus 7.5% of the amount exceeding Rs.400,000
3	Where the gross amount of rent exceeds Rs.1,000,000	Rs.65,000 Plus 10% of the amount exceeding Rs.1,000,000

**PART II
RATES OF ADVANCE TAX**

Comments: The rate of with holding tax on imports is proposed to be increased from 2% to 4%

**PART III
DIVISION III Clause 2 para i
PAYMENTS FOR GOODS OR SERVICES**

Comments: Rate of tax to be deducted from payment for news print media services under Section 153 is being proposed to be fixed at 2%.

**DIVISION IV Clause 1
EXPORTS**

Comments: It is proposed to levy withholding tax @ 1% on exports made without Form-E.

**DIVISION V
INCOME FROM PROPERTY**

Comments: The rate of tax to be deducted u/s 155 will be the same as applicable as per table mentioned in Part – I, Division – VI to the First Schedule.

**PART IV
DIVISION VII
ADVANCE TAX AT THE TIME OF SALE BY AUCTION**

Comments: It is proposed to levy tax @ 5% on gross sale price of any property or goods sold through auction

SECOND SCHEDULE

**PART-I
EXEMPTION FROM TOTAL INCOME**

Clause	Description	Remarks
23A	Exemption limit of receipts from accumulated balance of voluntary pension scheme is proposed to be enhanced from 25% to 50%.	Exemption limit extended
61	Limit of any amount paid as donation in case of company to avail the benefit of this clause is being enhance from 15% to 25% of the taxable income.	Exemption limit extended
92	Any income of any university or other educational institution established solely for educational purposes and not for purposes of	Exemption subject to

	profit is exempt from tax. It is proposed that such educational institutes on or after June 30, 2009 will be required to have prior approval of Director General while existing institutes will be required to obtain approval within 6 months from the date of notification of Finance Act 2009	approval
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PART-II REDUCTION IN TAX RATES

Clause	Description	Remarks
5	This clause proposes to omit reduced rate facility available to an export indenting agent or an export buying house with the effect that now tax deduction on commission received by an export indenting agent or an export buying house shall be at par with other commission agents.	Relaxation withdrawn
13C	The rate of with holding income tax on the local purchase of imported edible oil is proposed to be fixed @ 2% of the purchase price.	Scope enhanced
17	Provision of reduced rate of 7.5% in case of dividends declared or distributed by purchaser of a power project privatized by WAPDA has been proposed to be withdrawn.	Relaxation withdrawn
24A	Reduced rate of 1% with holding tax of the gross amount of payment as tax under Section 153 has been proposed for distributors of cigarette and pharmaceutical products.	Relaxation insert

PART-III REDUCTION IN TAX LIABILITY

Clause	Description	Remarks
1A	Presently senior citizens are allowed 50% relief in tax liability provided the taxable income, in a tax year, does not exceed Rs.500,000/-. In view of inflationary trend, it is proposed to enhance limit of taxable income to Rs.750,000.	Reduction enhanced
2	The tax payable by a full time teacher or a researcher, employed in a non profit education or research institution duly recognized by Higher Education Commission, a Board of Education or a University recognized by the Higher Education Commission, including government training and research institution, is currently being reduced by an amount equal to 75% of tax payable on his income from salary. It has been proposed that such reduction may be reduced to 50%.	Reduction reduced

PART-IV
EXEMPTION FROM SPECIFIC PROVISIONS

Clause	Description	Remarks
11A	<p>Provision of section 113 not to apply to National Investment (Unit) Trust or a collective investment scheme authorized or registered under the Non-banking Finance Companies (Establishment and Regulation) Rules, 2003 or a real estate investment trust approved and authorized under the Real Estate Investment Trust Rules, 2006, or any other company in respect of turnover representing transaction in shares, or securities listed on a registered stock exchange.;</p> <p>Petroleum dealers where petrol pumps are not owned by distribution companies. Hub Power Company Limited Kot Addu Power Company Limited Companies, qualifying for exemption under clause (132) of Part I of this Schedule, in respect of receipts from Sales of Electricity. Provincial Government, Local Government & Other Government Bodies Pakistan Red Crescent Societies Special purpose non-profit companies Non-profit organizations approved under clause (36) of section 2 A taxpayer who qualifies for exemption under clause (133) of Part I of this Schedule A resident person engaged in the business of shipping A venture capital company, capital venture fund and Private Equity and Venture Capital Fund A Modaraba Corporate and Industrial Restructuring Corporation (CIRC) The corporative entities of Pakistan Water and Powered Development Authority A Morabaha bank or a financial institutions ; and WAPDA Firsrt Sukuk Company Limited</p>	Exemption inserted
16	Provision of section 113 not to apply to Agha Khan Development Network	Exemption amended
19	Provision of section 113 not to apply to non resident AOP 's , banking companies etc. on certain transactions	Exemption amended
46B	Individual & AOP being manufacturers of iron and steel are to be covered under PTR regime	Exemption withdrawn
47	Exemption facility to certain taxpayers liable to tax u/s 151 & 155 withdrawn.	Exemption withdrawn
57	Exemption facility to Operating Trading House companies withdrawn..	Exemption amended
66A	The provision of Section 235 (Electricity Consumption) is proposed not to be applicable to cotton ginner and suppliers of lint.	Exemption allowed

**THIRD SCHEDULE
DEPRECIATION**

**PART-II
INITIAL ALLOWANCE AND FIRST YEAR ALLOWANCE**

Clause	Comments
23B	Additional depreciation allowance with the name of Accelerated depreciation which will be available to Alternate Energy Projects is proposed to be introduced.

SEVENTH SCHEDULE

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

Clause	Comments
Rule 1(c)	<p>Last year amendment was made in the Seventh schedule to the Ordinance whereby the banks were deprived of the facility to claim deduction on account of provisions of non-performing loans. This facility is proposed to be restored. However, the same is proposed to be restricted to 1% of the total classified advances. Where actual bad debts will be less than allowed deduction of 1%, actual bad debts will be allowed and difference would not be carried forward to next year.</p> <p>The banking company would be required to present certificate from their auditors to the effect that the provisions against the NPL is in accordance with the Prudential Regulations. The amendment also seeks to disallow portion of provision made for “sub-standard loans”.</p> <p>It has also been proposed that provisions of Section 113 regarding minimum tax shall also apply to a banking company as they apply to any other resident company.</p>

SALES TAX ACT, 1990

The Salient features of the proposed amendments are being discussed in the ensuing paragraphs.



SECTION 2clause(9)

Definitions:

Existing

‘due date’ in relation to the furnishing of a return under section 26 (***) and section 26AA means the 15th day of the month following the end of the tax period, or such other date as the Board may, by notification in the official Gazette, specify;

Proposed Amendment

the words and figure “and section 26AA” shall be omitted; and

Comments: In the wake of deletion of this section through Financial Act, 2008 reference of Section 26AA is being omitted.

Definitions:

SECTION 2Clause(14A)

Existing

“New Clause shall be added”

Proposed Amendment

“KIBOR” means Karachi Inter Bank Offered Rates applicable on the first day of each quarter of the financial year;”;

Comments: The above amendment defines the term KIBOR and accordingly for the purpose of its levy quarterly KIBOR rate will be applicable.

Adjustable input tax

Section 8B (2)

Existing

A registered person, subject to section (1), may be allowed adjustment of input tax not allowed under sub-section (1) subject to the following conditions, namely:–

Proposed Amendment

after the word “adjustment” the words “or refund” shall be inserted;

Comments: The above amendment seeks to rectify drafting anomaly by addition of the words “or refund” in clause 3. this has been used for the purpose of allowing adjustment or refund of input tax on yearly basis.

Assessment of tax

Section 11(4)

Existing

No order under this section shall be made by an officer of Sales Tax unless a notice to show cause

Proposed Amendment

for the words “one hundred and twenty”, occurring for the second time, the word “sixty” shall be

Assessment of tax

Section 11(4)

is given within five years to the person in default specifying the grounds on which it is intended to proceed against him and the officer of Sales Tax shall take into consideration the representation made by such person and provide him with an opportunity of being heard:

Provided that order under this section shall be made within one hundred and twenty days of issuance of show cause notice or within such extended period as the Collector may, for reasons to be recorded in writing, fix provided that such extended period shall in no case exceed one hundred and twenty days.

substituted; and

(b) for the full stop at the end, a colon shall be substituted and thereafter the following new proviso shall be added, namely:–

“Provided further that any period during which the proceedings are adjourned on the request of the taxpayer or are postponed due to any appeal or proceedings or stay order, remand or alternative dispute resolution proceedings or for any other reason, shall be excluded from the computation of the periods specified in the first proviso.”;

Comments: The above section deals with assessment of tax whereby powers have been given to the tax authorities to finalize the assessment and impose penalty etc. within a period of 120 days from the issuance of show cause notice or within an extended period upto 120 days as fixed by the collector. Now it is proposed to reduce this extended period to 60 days.

Furthermore a new proviso is being added whereby if the proceedings are kept in abeyance due to the following reasons the same period shall not be considered for the purpose of computation of the limitation of period as discussed above:

- a. period during which the proceedings were adjourned on the request of the tax payers.
- b. are postpone due to any appeal or proceedings or stay order or remand or alternative dispute resolution proceedings.
- c. Or for any other reason.

Tax Invoices

Section 23(1) Clause(b)

Existing

name, address and registration number of the recipient;

Proposed Amendment

after the word “recipient”, the words and letters “and in case of recipient being unregistered person his NTN or CNIC number” shall be inserted;

Comments: Section 23 deals with the requirements / contents of the sales tax invoices. The proposed amendment now requires the details of NTN or CNIC No. of unregistered persons being recipients to be included in the contents of the invoice. This amendment will further tighten the grip of the tax authorities on the unregistered persons and will also help to discourage the use of flying invoices and incorrect declaration of the turnover by the unregistered persons.

Retention of record and documents for five years

Section 24

Existing

A person who is required to maintain any record or documents under this Act, shall retain the

Proposed Amendment

after the word “relate”, at the end, the words and commas “or till the final decision in any

Retention of record and documents for five years**Section 24**

record and documents for a period of five years after the end of the tax period to which such record or documents relate.

proceedings including proceedings for assessment, appeal, revision, reference, petition and any proceedings before an Alternative Dispute Resolution Committee, whichever is later” shall be inserted;

Comments: The provision of this section requires a person to keep all relevant records for a period of five years after the end of tax period to which such records relate. Now it is proposed to compel the person to maintain the records till five years or till the final decision in connection with assessment, appeal, revision petition and any proceeding before an alternative dispute resolution committee; which ever is later.

This amendment will in most of the cases extend the retention period of the records to more than five years as presently in the higher appellate forums it takes more than five years to resolve the issues.

Directorate General, (Intelligence and Investigation) CBR**Section 30A****Existing**

Directorate General, (Intelligence and Investigation) CBR

Proposed Amendment

in the marginal heading, for the letters “CBR” the letters “FBR” shall be substituted; and for the letters “CBR” the letters “FBR” shall be substituted;

Comments: It is proposed to replace the letter CBR with FBR.

Offences and Penalties**Section 33 serial 12****Existing**

12. Any person who denies or obstructs the access of an authorized officer to the business premises, registered office or to any other place where records are kept, or otherwise refuses access to the stocks, accounts or records or fails to present the same when required under section 25, 38 or 38A.

Proposed Amendment

for the word, figure and letter “or 38A”, the comma, figures and word “, 38A or 40B” shall be substituted; and for the word and figure “and 38A”, the comma, figures and word “, 38A and 40B” shall be substituted;

Comments: The above section deals with the penalties levy able under various sections for offences committed under this Act. For the serial no. 12 the offence relating to denial or obstruction by a person to access the premises, stocks, records or produce the same to an authorized officer has been dealt with, whereby a penalty of 25,000/- rupees or 100% of the tax amount which ever is higher can be levied in addition to imprisonment etc. It is proposed to also include offence committed under section 40B relating to above in connection with posting of sales tax officer to the premises of registered person to monitor production, sales of taxable goods & stock position. Previously no such penalties were imposed for such offence.

Default Surcharge

Section 34(1)(2)(a)(c) explanation

<p>Existing</p> <p>[***] the person liable to pay any amount of tax or charge or the amount of refund erroneously made, shall pay default surcharge at the rate of one and half <i>percent</i> per month, of the amount of tax due or the amount of refund erroneously made; and</p>	<p>Proposed Amendment</p> <p>for the words “one and half per cent per month”, the letters and words “KIBOR plus three per cent per annum” shall be substituted; and for the semicolon and word “; and”, at the end, the full stop shall be substituted; and (ii) clause (c) shall be omitted;</p>
<p>Comments: Under the existing provision if a registered person does not pay the tax due or claims a tax credit, refund or makes an inadmissible adjustment or incorrectly applies the rate zero percent to the supplies made by him, he is required to pay default surcharge. In case of an inadvertent error default surcharge @ 1.5% per month of the amount of tax involve is levied. Now it is proposed to change the default surcharge rate to KIBOR + 3% p.a.</p> <p>Furthermore it is proposed to omit the Clause (C) of this subsection dealing with levy of surcharge on account of tax fraud. In the subsection 2 the Explanation: “for the purpose of this section tax due does not include the amount of penalty” is proposed to be omitted.</p>	

Recovery of tax not levied or short-levied or erroneously refunded

Section 36 proviso

<p>Existing</p> <p>The officer of Sales Tax empowered in this behalf shall, after considering the objections of the person served with a notice to show cause under sub-section (1) or sub-section (2), determine the amount of tax or charge payable by him and such person shall pay the amount so determined.</p> <p>Provided that order under this section shall be made within one hundred and twenty days of issuance of show cause notice or within such extended period as the Collector [***] may, for reasons to be recorded in writing, fix, provided that such extended period shall in no case exceed one hundred and twenty days:</p>	<p>Proposed Amendment</p> <p>the proviso, for the words “one hundred and twenty”, occurring for the second time, the word “sixty” shall be substituted; and (b) after the proviso amended as aforesaid, the following new proviso shall be added, namely:– “Provided further that any period during which the proceedings are adjourned on the request of the taxpayer or are postponed due to any appeal or proceedings or stay order, remand or alternative dispute resolution proceedings or for any other reason, shall be excluded in the computation of periods specified in the first proviso.”</p>
<p>Comments: This section deals with omission or short levy of tax due to any reason whereby officer of sales tax has been empowered to issue a show cause notice requiring a person for payment of the amount specified in the notice. The provisions of this section require such order to be passed within a period of 120 days from the issuance of show cause notice or within an extended period to 120 days as fixed by the collector. Now it is proposed to reduce this extended period to 60 days.</p> <p>Furthermore a new proviso is being added whereby if the proceedings are kept in abeyance due to the following reasons the same period shall not be considered for the purpose of computation of the limitation</p>	

Recovery of tax not levied or short-levied or erroneously refunded

Section 36 proviso

of period as discussed above:

- a. Period during which the proceedings were adjourned on the request of the tax payer.
- b. are postponed due to any appeal or proceedings or stay order, remand or alternative dispute resolution proceedings.
- c. Or for any other reason.

Power of Adjudication

Section 45(1)

Existing

(i) Additional Collector ; Cases falling under sub-section (2) of section 11 and section 36 without any restriction as to the amount of tax involved or amount erroneously refunded.....

Proposed Amendment

(i) Additional Collector ; Cases falling under section 11 and section 36 without any restriction as to the amount of tax involved or amount erroneously refunded.....
 (ii) Deputy Collector; 2.5 million
 (iii) Assistant Collector; 1.million
 (iv) Superintendent / Senior Auditor. 10 thousand

Comments: The above section deals with various powers given to Sales Tax Officers for adjudication in case of various offences. It is proposed to replace the existing provision with the new. As far as, the amount of tax involved is concerned (limiting the power of officers at various levels) amount has not been changed. However for offences under section 11(1) only deputy collector was authorized to adjudicate while for offences under section 11(2) all the remaining officers are given the power to adjudicate. Now it is proposed to give such powers to all the officers for cases following under section 11 as a whole in addition at Serial No. IV the Senior Auditor has also been given the power to adjudicate where the amount of tax involved or the amount erroneously refunded does not exceed 10,000 rupees.

Power of the Board and Collector to call for records

Section 45A (3)

Existing

No order shall be made under this Section after the expiry of five years from the date of original decision or order of the sub-ordinate officer referred to in sub-section (1).

Proposed Amendment

for the word “five”, the word “three” shall be substituted.

Comments: This section deals with the powers of the Board / Collector to call for record of any proceedings in order to satisfy it self and pass such order as it may think fit after fulfilling various conditions laid down in this section. The current provisions define a period of five years within which such order may be passed. Now it is proposed to restrict this period to 3 years in other words the proposed amendment reduces the period in which the case can be re-opened from 5 years to 3 years.

Appeals**Section 45B****Existing**

The Collector of Sales Tax (Appeals) may, after giving both parties to the appeal an opportunity of being heard, pass such order as he thinks fit, confirming, varying, altering, setting aside or annulling the decision or order appealed against:

Provided that such order shall be passed not later than one hundred and twenty days from the date of filing of appeal or within such extended period as the Collector (Appeals) may, for reasons to be recorded in writing fix:

Provided further that such extended period shall, in no case, exceed one hundred and twenty days.

Proposed Amendment

for the words “one hundred and twenty”, the word “sixty” shall be substituted; and

for the full stop, at the end, a colon shall be substituted; and thereafter the following new proviso shall be added; namely:–

“Provided further that any period during which the hearing of an appeal is adjourned at the request of the appellant or is postponed due to any appeal or proceedings or stay order, remand or alternative dispute resolution proceedings or for any other reason, shall be excluded in the computation of the periods specified in the first proviso or, as the case may, the second proviso.”

Comments: This section deals with the procedures to be followed for preferring an appeal to the Collector of Sales Tax (Appeals). The provision of this section requires the Collector of Sales Tax (Appeals) to pass an order within a period of 120 days from the date of filing of appeal or within an extended period of 120 days as fixed by the Collector (Appeals). Now it is proposed to reduce this extended period to 60 days.

Furthermore a new proviso is being added whereby if the proceedings are kept in abeyance due to the following reasons the same period shall not be considered for the purpose of computation of the limitation of period as discussed above:

- a. period during which the proceedings were adjourned on the request of the tax payer.
- b. are postponed due to any appeal or proceedings or stay order, remand or alternative dispute resolution proceedings.
- c. or for any other reason.

Appeals to Appellate Tribunal**Section 46 (2) to (9)****Existing**

The Appellate Tribunal may admit an appeal preferred after the period of limitation specified in sub-section (1) if it is satisfied that there was sufficient cause for not presenting it within the specified period.

“Sub-sections shall be omitted”

Proposed Amendment

The Appellate Tribunal may admit, hear and dispose of the appeal as per procedure laid down in sections 194A, 194B and 194C of the Customs Act, 1969 (IV of 1969), and rules made there under.”

sub-sections (3), (4), (5), (6), (7), (8) and (9) shall be omitted;

Comments: It is proposed to amend the above section whereby the procedure for admittance, hearing & disposing of the appeal in the Appellate Tribunal is brought in conformity with the relevant provisions of Customs Act.

Alternative dispute resolution

Section 47A(3) proviso(3A)(4)(5)

<p>Existing</p> <p>(3) The committee constituted under sub-section (2) shall examine the issue and may, if it deems necessary, conduct inquiry, seek expert opinion, direct any officer of sales tax or any other person to conduct an audit and make recommendations within sixty days of its constitution, in respect of the resolution of the dispute as it may deem fit:</p> <p>Provided that the Board may extend the period of sixty days stipulated for making the recommendations for another sixty days on specific request of the committee.</p>	<p>Proposed Amendment</p> <p>for the word “sixty”, the words “one hundred and eighty” shall be substituted;</p> <p>for the colon, at the end, the full stop shall be substituted;</p> <p>the proviso shall be omitted;</p>
<p>Comments: This section deals with the procedure & functioning of Alternate Dispute Resolution and its committee. Among other things sub section 3 of this section requires the committee to complete its task and make recommendations within 60 days of its constitution in respect of the resolution of the dispute. Now it is recommended to extend this period to 180 days. Consequently the proviso containing the powers to extend the period for another 60 days is being omitted. Further a new sub section 3A is being proposed whereby the board has been given the power to dissolve the committee and appoint a new committee if it fails to make recommendations within the stipulated period. In the sub section 4 it is also proposed to fix a time period of 45 days for passing of the order by the Board from the receipt of the recommendation of the committee. Finally in sub section 5 the words under section 4A are being added to broaden its scope, whereby any rectified order by the Chairman of the committee will also qualify for submission before the forum, tribunal or the court where the matter is subjudice for consideration of orders.</p>	

Delayed refund

Section 67

<p>Existing</p> <p>Where a refund due under section 10 is not made within the time specified in this behalf, there shall be paid to the claimant in addition to the amount of refund due to him, a further sum equal to six per cent per annum of the amount of refund due, from the date following the expiry of the time specified as aforesaid, to the day preceding the day of payment of refund.</p>	<p>Proposed Amendment</p> <p>for the word “six per cent”, the letters “KIBOR” shall be substituted;</p>
<p>Comments: Presently, the compensation @ 6% is paid to the registered person in case of delayed refund. Now it is proposed to pay the compensation as per KIBOR.</p>	

**THE SIXTH SCHEDULE
EXEMPTIONS U/S 13 (1)**

TABLE 1 – (Imports or Supplies)

S. No.	Description	Remarks
13	Edible, vegetables including roots and tubers , except ware potato & onion whether fresh or frozen or other wise preserved (e.g. in cold storage) but excluding those bottled a caned.	After the word tubers ; the words “except for potato & onion” are proposed to be inserted. The code for Potatoes fresh or chilled (0701.9000) and Onion or shallots (0703.1000) have been omitted. Hence tax exemption on the import of these items has been withdrawn.
14	Pulses	The Code (0713.2000) is proposed to be substituted by codes (0713.2010) Gram Split, (0713.2020) Grams Dry hole & (0713.2090) Others
19	Cereals and product of milling industry	The code (1006.1000) is proposed to be substituted by codes (1006.1010) seed for suing and (1006.1090) others
23	Sugarcane	The code (1212.9900) is substituted by (1212.9990) others
32	Newspaper, Journals, periodicals, books but excluding directories.	The codes (4902.1010) , (4902.1090), (4902.9010) and (4902.9090) are proposed to be substituted by codes (4902.1000) Newspaper and (4902.9000) Others
69	Tractor, bulldozer and combined harvester; CKD thereof imported by recognized local manufacturer as per their approved deletion program subject to the same condition as are envisaged for the purpose of exemption under the Custom Act, 1969.	The definition of item availing tax exemption are proposed to be further elaborated by modifying these as under: “Tractor, bulldozer and combined harvester; and component including sub component assemblies and sub assemblies but exclude consumable”

TABLE 2 – Local Supplies Only

S. No.	Description	Remarks
11	Supply of ware potato & onion	The Codes (0701.9000) Potato and (0703.1000) Onion have been inserted in this table whereby tax exemption will be available on local purchase of these items.

SRO's Summary – under Sales Tax Act**SRO 471(I)/2009**

Vide SRO 509(I)/2007 classification of zero rated items for the purpose of levy of sales tax on their imports or supplies was made. Now it is proposed to exclude the following items included at serial number 2 i.e. **Textile and articles thereof** from the list of zero rated items:

Details are as under:

- monofilament, sun shedding, Nylon fishing net, other fishing net nope & poly ethylene, rope of nylon & tyre fabric cord.

Furthermore item code 3808.9200 has been substituted with item code 3808.9220 in serial number 87.

SRO 472(I)/2009

Vide SRO 549(I)/2008 classification of zero percent items for the purpose of levy of sales tax was made subject to specific conditions & restrictions specified in column 3 of the said SRO.

Now it is proposed to withdraw the following items under term plant & machinery from zero percent rate.

LIST OF TARIFF HEADINGS NOT COVERED UNDER SERIAL NUMBER 3

Chapter 1 to 83 of the First Schedule to the Custom Act, 1969

All types of plants machinery & equipments

Chapter 84 of the first schedule to the Custom Act, 1969

Code	Items
8407	All item of Spark-ignition reciprocating or rotary internal combustion piston engines except for Aircraft engines, outboard, motors. Others
8408	Compression-ignition internal combustion piston engines except for Marine propulsion engines, other engine.
8413.2000	-Hand pumps,
8414.2000	Hand- or foot-operated air pumps
8414.6000	-Hoods having a maximum horizontal side not exceeding 120 cm
8418	Refrigerators, freezers and other refrigerating or freezing equipment, electric except for heat pumps air conditioning machines of refrigerator-freezers, fitted with separate Refrigerators, Compression- Other
8419.1100	- - Instantaneous gas water heaters
8422.1100	-Dish washing machines household type
8423.1000	-Personal weighing machines
8443.3100	- - Machines which perform two or more of the functions of printing, copying or facsimile transmission
8452.4000	-Furniture, bases and covers for sewing machines and parts thereof
8469.0000	Typewriters other than printers
8470.0000	Calculating machines and pocket-size data recording, reproducing and displaying machines with calculating functions; accounting machines, postage-franking machines, ticket-issuing machines and similar machines, incorporating a calculating device; cash registers.
8471.0000	Automatic data processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data, not elsewhere specified or included.
8472.0000	Other office machines (for example, hectograph or stencil duplicating machines, addressing machines, automatic banknote dispensers, coinsorting machines, coin-counting or wrapping machines, pencilsharpening machines, perforating or stapling machines).
8473.0000	Parts and accessories (other than covers, carrying cases and the like) suitable for use solely or principally with machines of headings

8476.000	Automatic goods-vending machines (for example, postage stamp, cigarette, food or beverage machines), including money-changing machines.
8481.0000	Taps, cocks, valves and similar appliances for pipes, boiler shells, tanks, vats or the like, including pressure-reducing valves and thermostatically controlled valves.
8482.0000	Ball or roller bearings.
8483.0000	Transmission shafts (including cam shafts and crank shafts) and cranks; bearing housings and plain shaft bearings; gears and gearing; ball or roller screws; gear boxes and other speed changers, including torque converters; flywheels and pulleys, including pulley blocks; clutches and shaft couplings (including universal joints)
8484.0000	Gaskets and similar joints of metal sheeting combined with other material or of two or more layers of metal; sets or assortments of gaskets and similar joints, dissimilar in composition, put up in pouches, envelopes or similar packings; mechanical seals
8487.0000	Machinery parts, not containing electrical connectors, insulators, coils, contacts or other electrical features, not specified or included elsewhere in this Chapter.

Chapter 85 of the first schedule to the custom Act, 1969

Code	Items
8501.1000	Motors of an output not exceeding 37.5 W
8504.1000	Ballasts for discharge lamps or tubes
8504.4010	- - Un-interrupted power supply (UPS) of power rating upto 1.5 kVA
8504.4020	- - - Battery chargers
8506.0000	Primary cells and primary batteries.
8507.0000	Electric accumulators, including separators therefor, whether or not Rectangular
8508.0000	Vacuum cleaners.
8508.6010	- - - Industrial vacuum cleaner
8509.0000	Electro-mechanical domestic appliances, with self-contained electric motor, other than vacuum cleaners
8510.0000	Shavers, hair clippers and hair-removing appliances, with self-contained electric motor.
8511.0000	Electrical ignition or starting equipment of a kind used for spark-ignition or compression-ignition internal combustion engines (for example, ignition magnetos, magneto-dynamos, ignition coils, sparking plugs and glow plugs, starter motors); generators (for example, dynamos, alternators) and cut-outs of a kind used in conjunction with such engines

8512.0000	Electrical lighting or signalling equipment (excluding articles of heading 85.39), windscreen wipers, defrosters and demisters, of a kind used for cycles or motor vehicles.
8513.0000	Portable electric lamps designed to function by their own source of energy (for example, dry batteries, accumulators, magnetos), other than lighting equipment
8516.0000	Electric instantaneous or storage water heaters and immersion heaters; electric space heating apparatus and soil heating apparatus; electrothermic hair-dressing apparatus (for example, hair dryers, hair curlers, curling tong heaters) and hand dryers; electric smoothing irons; other electro-thermic appliances of a kind used for domestic purposes; electric heating resistors, other than
8517.0000	Telephone sets, including telephones for cellular networks or for other wireless networks; other apparatus for the transmission or reception of voice, images or other data, including apparatus for communication in a wired or wireless network (such as a local or wide area network), other than transmission or reception apparatus
8517.6230	- - - High bit rate digital hierarchy system (SDH)
8517.6240	- - - Digital loop carrier system (DLC)
8517.6250	- - - Synchronous digital hierarchy system (SDH)
8517.6260	- - - Multiplexers, statistical multiplexers
8517.6910	- - - ISDN system
8518.0000	Microphones and stands therefor; loudspeakers, whether or not mounted in their enclosures; headphones and earphones, whether or not combined with a microphone, and sets consisting of a microphone and one or more loudspeakers; audio- frequency electric amplifiers; electric sound amplifier sets.
8519.0000	Sound recording or reproducing apparatus
8521.0000	Video recording or reproducing apparatus, whether or not incorporating a video tuner.
8522.0000	Parts and accessories suitable for use solely or principally with the apparatus
8523.0000	Discs, tapes, solid-state non-volatile storage devices, "smart cards" and other media for the recording of sound or of other phenomena, whether or not recorded, including matrices and masters for the production of discs,
8525.0000	Transmission apparatus for radio-broadcasting or television, whether or not incorporating reception apparatus or sound recording or reproducing apparatus; television cameras, digital cameras and video camera recorders.
8527.0000	Reception apparatus for radio-broadcasting, whether or not combined, in the same housing, with sound recording or reproducing apparatus or a clock.
8528.0000	Monitors and projectors, not incorporating television reception apparatus; reception apparatus for television, whether or not incorporating radiobroadcast receivers or sound

	or video recording or reproducing apparatus.
8529.0000	Parts suitable for use solely or principally with the apparatus
8531.0000	Electric sound or visual signalling apparatus (for example, bells, sirens, indicator panels, burglar or fire alarms), other
8534.0000	Printed circuits.
8536.0000	Electrical apparatus for switching or protecting electrical circuits, or for making connections to or in electrical circuits (for example, switches, relays, fuses, surge suppressors, plugs, sockets, lamp-holders and other connectors, junction boxes), for a voltage not exceeding 1,000 volts; connectors for optical fibres, optical fibre bundles or cables.
8537.0000	Boards, panels, consoles, desks, cabinets and other bases, equipped with two or more apparatus of heading 85.35 or 85.36, for electric control or the distribution of electricity, including those incorporating instruments or apparatus of Chapter 90, and numerical control apparatus, other than switching apparatus
8537.2000	-For a voltage exceeding 1,000 V
8538.0000	Parts suitable for use solely or principally with the apparatus of heading
8539.0000	Electric filament or discharge lamps, including sealed beam lamp units and ultra-violet or infra-red lamps;
8540.0000	Thermionic, cold cathode or photo-cathode valves and tubes (for example, vacuum or vapour or gas filled valves and tubes, mercury arc rectifying valves and tubes, cathode-ray tubes, television camera tubes).
8541.0000	Diodes, transistors and similar semi-conductor devices; photosensitive semiconductor devices, including photovoltaic cells whether or not assembled in modules or made up into panels; light emitting diodes; mounted piezo-electric crystals.
8542.0000	Electronic integrated circuits.
8543.7010	Remote control
8544.0000	Insulated (including enamelled or anodised) wire, cable (including co-axial cable) and other insulated electric conductors, whether or not fitted with connectors; optical fibre cables, made up of individually sheathed fibres, whether or not assembled with electric conductors or fitted with connectors.
8546.0000	Electrical insulators of any material
8547.0000	Insulating fittings for electrical machines, appliances or equipment, being fittings wholly of insulating material apart from any minor components of metal (for example, threaded sockets) incorporated during moulding solely for purposes of assembly, other than

	insulators of heading 85.46; electrical conduit tubing and joints therefor, of base metal lined with insulating material.
8548.0000	Waste and scrap of primary cells, primary batteries and electric accumulators; spent primary cells, spent primary batteries and spent electric accumulators; electrical parts of machinery or apparatus, not specified or included elsewhere in this Chapter.

Chapter 86 to 89 of the First Schedule to the Custom Act, 1969

All types of plants machinery & equipments

Chapter 90 of the first schedule to the custom Act, 1969

Code	Items
9001	Optical fibres and optical fibre bundles; optical fibre cables other than those of heading 85.44; sheets and plates of polarising material; lenses (including contact lenses), prisms, mirrors and other optical elements, of any material, unmounted, other than such elements of glass not optically worked.
9002	Lenses, prisms, mirrors and other optical elements, of any material, mounted, being parts of or fittings for instruments or apparatus, other than such elements of glass not optically worked.
9003	Frames and mountings for spectacles, goggles or the like, and parts thereof.
9004	Spectacles, goggles and the like, corrective, protective or other.
9005	Binoculars, monoculars, other optical telescopes, and mountings therefor; other astronomical instruments and mountings therefor, but not including instruments for radio-astronomy.
9006	Photographic (other than cinematographic) cameras; photographic flashlight apparatus and flashbulbs other than discharge lamps
9006.3000	-Cameras specially designed for underwater use, for aerial survey or for medical or surgical examination of internal organs; comparison cameras for forensic or criminological purposes
9007	Cinematographic cameras and projectors, whether or not incorporating sound recording or reproducing apparatus.
9008	Image projectors, other than cinematographic; photographic (other than cinematographic) enlargers and reducers.
9010	Apparatus and equipment for photographic (including cinematographic) laboratories, not specified or included elsewhere in this Chapter; negatoscopes; projection screens.
9010.1000	-Apparatus and equipment for automatically developing photographic (including

	cinematographic) film or paper in rolls or for automatically exposing developed film to rolls of photographic paper
9011	Compound optical microscopes, including those for photomicrography, cinephotomicrography or microprojection.
9012	Microscopes other than optical microscopes; diffraction apparatus.
9016	Balances of a sensitivity of 5 cg or better, with or without weights.
9017	Drawing, marking-out or mathematical calculating instruments (for example, drafting machines, pantographs, protractors, drawing sets, slide rules, disc calculators); instruments for measuring length, for use in the hand (for example, measuring rods and tapes, micrometers, callipers), not specified or included elsewhere in this Chapter.
9017.1010	- - - Plotters and other machines for designing textile garments, having CAD/CAM/CIM system
9019	Mechano-therapy appliances; massage apparatus; psychological aptitudetesting apparatus; ozone therapy, oxygen therapy, aerosol therapy, artificial respiration or other therapeutic respiration apparatus.
9018.1100	- - Electro-cardiographs
9018.1200	- - Ultrasonic scanning apparatus
9018.1300	- - Magnetic resonance imaging apparatus
9018.1400	- - Scintigraphic apparatus
9018.1900	- Other
9018.2000	-Ultra-violet or infra-red ray apparatus
9018.4100	- - Dental drill engines, whether or not combined on a single base with other dental equipment
9018.4900	- - Other
9018.5000	-Other ophthalmic instruments and appliances
9018.9010	- - - Anesthesia apparatus
9018.9050	- - - Sphygmomano-meter
9018.9060	- - - Infant incubators
9021.2100	- Artificial teeth

9021.2900	-- Other
9023.0000	Instruments, apparatus and models, designed for demonstrational purposes (for example, in education or exhibitions), unsuitable for other uses.
9025.1110	- - - Thermometers, clinical
9028	Gas, liquid or electricity supply or production meters, including calibrating meters therefor.
9029	Revolution counters, production counters, taximeters, mileometers, pedometers and the like; speed indicators and tachometers, other than those of heading 90.14 or 90.15; stroboscopes.
9032	Automatic regulating or controlling instruments and apparatus.
9033	Parts and accessories (not specified or included elsewhere in this Chapter) for machines, appliances, instruments or apparatus of Chapter 90.

Furthermore clause no (xxxix), (xxxix) & (xxxix) of the SRO no. 549(I)/2008 has been re lettered as sub clause (a),(b)&(c) of clause (xxx) respectively. After that clause no (xxxiv), (xxxv), (xxxvi) & (xxxvii) have been renumbered as clauses (xxxix), (xxxix)(xxxix) & (xxxiv).

Further the specification of zero rated for raw material. Components sub-components & parts is further elaborated by inserting the text “and in case of imported component, sub-component & parts all the conditions, restrictions limitations & procedures as are imposed by notification under section 19 of the Custom Act, 1969 shall apply.”

Finally after serial 8 a new serial no is added for zero rated.

Wheel Chair

8713.1000 & 8713.9000

SRO 473(I)/2009

The SRO describes the amendment in earlier SRO no. 551(I)/2008 which was issued to exempt the good from sales tax for specific items covered in column 2 of the said SRO. In is proposed to add cinematographic film scoped & developed at a new serial no. 19 in the said SRO by granting exemption.

FEDERAL EXCISE ACT, 2005



Section 2(8a)	<p>Due date It is proposed to amend this sub-section whereby the power to specify the due date in relation to the furnishing a return under section 4 is transferred to the “Board”. These powers are presently with the “Federal Government”.</p>
Section 2(15a)	<p>KIBOR defined As proposed in the other laws a bench mark of KIBOR rate is being introduced by insertion of this clause. KIBOR has been defined to mean Karachi Inter Bank Offered Rates applicable on the first day of each quarter of the financial year.</p>
Section 3(5)(d) proviso	<p>Duties specified in the First Schedule to be levied This section deals with the levy of the duty and its procedure along with the manner it will be recovered. The sub section 5 of this section specifies the liability of person to pay the duty under different circumstances. The proposed amendment seeks to insert a new proviso whereby the Board is being empowered to specify the goods or services in respect of which the liability to pay tax may be entrusted of any other person as may be notified subject to the terms and conditions as may be specified.</p>
Section 4A.	<p>Assessment of Duty This is a new section proposed to be inserted similar in spirit to that of section 11 of the Sales Tax Act whereby the officer of Federal Excise have been empowered to determine the minimum liability in case of any default by the registered person. The proposed section read as under:</p> <p style="padding-left: 40px;">Where a registered person fails to file a return, by the due date, an officer of Federal Excise, not below the rank of Assistant Collector, shall determine the minimum liability of duty of the registered person, in the same manner as prescribed under the Sales Tax Act, 1990:</p> <p style="padding-left: 40px;">Provided that where a person required to file a return files a return after the due date and pays the amount of duty payable in accordance with the return along with default surcharge and penalty, the notice for payment of minimum amount of duty shall abate.”;</p>
Section 8.	<p>Default Surcharge Presently incase of any default in the payment of duty a default surcharge @ 1.5% per month is levied. Now it is proposed to change the rate with KIBOR plus 3% presumably per annum as the proposed amendment does not specify any period.</p>

Section 17(1)	<p>Records</p> <p>According to the existing provisions of the law a registered person is required to keep the record up to a period of 5 years now it is proposed to the extend the retention period till the final decision in any proceedings including proceedings for assessment, appeal, revision, reference, petition and any proceedings before an Alternative Dispute Resolution Committee is made. A similar amendment is also proposed to be made in case of Sales Tax Act.</p>
Section 18(1)(b)	<p>Invoices</p> <p>This section deals with the requirement of invoices. It is proposed to amend sub-section 1(b) so that in case of unregistered person being buyer either his NTN or CNIC number will also be required to be mentioned in the invoice.</p>
Section 19(9)	<p>Offences, penalties, fines and allied matters</p> <p>This section deals with various penal actions in case of any offence committed under the law. By virtue of the proposed amendment in sub section 9 it is proposed that incase of cigarettes, if retail price, health warning and name of the manufacturer is not mentioned then the same will be considered as default and would be liable to penal action under the law.</p>

Section 31(1)(ii)(iii)(iv)	<p>Power of adjudication</p> <p>The proposed amendment aimed to re-define the adjudication limit of Deputy Collector, Assistant Collector and adds Senior Auditor has adjudicating officer. The details of new limits are given hereunder:</p>			
	S.No.	Designation	Existing Limit	Proposed Limit
	(i)	Additional Collector	Any amount	Any amount
	(ii)	Deputy Collector	Principal amount of evasion not less then Rs. 1 million and not greater than Rs. 2.5 million	Principal amount of evasion not greater than Rs. 2.5 million
	(iii)	Assistant Collector	Principal amount of evasion not less then Rs. 10,000 and not greater than Rs. 1 million	Principal amount of evasion not greater than Rs. 1 million
	(iv)	Superintendent or Principal Appraiser or <i>(Senior Auditor)added</i>	Up to Rs. 10,000	Up to Rs. 10,000

<p>Section 31(3) Proviso</p>	<p>Power of adjudication (Contd.)</p> <p>Further more according to the provision of sub section 3 Federal Excise Officer has been empowered to decide the case within a period of 90 days of issuance of a show cause notice or such extended period not to exceed 90 days . Now it is proposed to reduce this extended period to 60 days.</p> <p>Furthermore a new proviso is being added whereby if the proceedings are kept in abeyance due to following reason the same period shall not be considered for the purpose of computation of the limitation of period as discussed above.</p> <ol style="list-style-type: none"> a. period during which the proceeding were adjourned on the request of the tax payer. b. are postponed due to any appeal or proceedings or injunction order, remand or alternative dispute resolution proceedings. c. for any other reason.
<p>Section 33(2) Proviso</p>	<p>Appeals to Collector (Appeals)</p> <p>This section deals with the appeal procedure to be followed for preferring an appeal to the Collector of Federal Excise (Appeals). The provision of this section requires the Collector of Federal Excise (Appeals) to pass an order within period of 90 days from the date of fixed of appeal or within extended period to 90 days as fixed by the Collector of Federal Excise (Appeals). Now it is proposed to reduce this extended period to 60 days.</p> <p>Furthermore a new proviso is being added whereby if the proceedings are kept in abeyance due to the following reasons the same period shall not be considered for the purpose of computation of the limitation period as discussed above.</p> <ol style="list-style-type: none"> i. period during which the proceeding were adjourned on the request of the appellant. ii. is postponed due to any appeal or proceedings or stay order, remand or alternative dispute resolution proceedings. iii. for any other reason.
<p>Section 34(2) to (13)</p>	<p>Appeal to the Appellate Tribunal and Reference to the High Court</p> <p>It is proposed that the provisions regarding the appeals to Appellate Tribunal in Federal Excise Act, 2005 to be harmonized and brought in conformity with Customs Act, 1969 so that a uniformity in the three laws i. e. Federal Excise Act, 2005, Sales Tax Act, 1990 and the Customs Act, 1969 is achieved.</p>
<p>Section 35(3)</p>	<p>Power of Board or Collector to pass certain orders</p> <p>Under the current provisions no record of any proceedings relating to any decision or order passed by any Federal Excise Officer can be called for or examined after expiry of two years from the date of such decision. Now it is proposed to increase this period to three years.</p>

<p>Section 38(3)(3A)) (4) (5)</p>	<p>Alternate dispute resolution</p> <p>This section deals with the procedure & function of alternate dispute resolution and its committee. Among other things sub section 3 of this section requires the committee to complete its proceedings and make recommendations within 60 days of its constitution in respect of the resolution of the dispute. Now it is recommended to extend this period to 180 days. Consequently, the proviso extending the powers to extend the period of 60 days for another 60 days is being omitted. Further a new sub section 3A is being proposed whereby the board has been given the power to dissolve a committee and appoint a new committee if it fails to make recommendation within the stipulated period. In the sub section 4 it is also proposed to fix a time period of 45 days for passing of the order by the board from the receipt of the recommendation of the committee. Finally in sub section 5 the words under section 4A are being added to broaden its scope, whereby any rectified order by the chairman will also qualify for submission before the forum, tribunal or the court where the matter is sub judice for consideration of orders.</p>
<p>Section 44A.</p>	<p>Delayed refund</p> <p>It seeks to insert a new section 44A to provide for payment of compensation in case of delayed refund at the rate equal to KIBOR per annum of the amount of refund due. Presently the compensation @ 6% is paid to the registered person in case of delayed refund. Provided further that in doubtful cases the provision regarding the payment of additional amount shall not apply till the investigation of the claim is completed and the claim is either accepted or rejected.</p> <p>In the First Schedule to the Act the following changes have been proposed:</p>

FIRST SCHEDULE

{See Section 3}

TABLE I

(EXCISABLE GOODS)			Existing	New
S. No.	Description of goods	Heading / sub-heading No.	Rate of duty	Rate of duty
(1)	(2)	(3)	(4)	(4)
8	Cigar, cheroots, cigarillos and cigarettes	24.02	sixty three percent of the retail price	sixty four percent of the retail price
Comments: It seeks to enhance the rate of duty on imported cigars, cigarettes, etc. to sixty four per cent from the existing rates of sixty three percent.				

	Existing	New		Existing	New
S. No.	Description of goods	Description of goods	Heading / sub-heading No.	Rate of duty	Rate of duty
(1)	(2)	(2)	(3)	(4)	(4)

9.	Locally produced cigarettes if their retail price exceeds fifteen rupees per ten cigarettes.	Locally produced cigarettes if their retail price exceeds nineteen rupees and fifty paise per ten cigarettes.	24.02	sixty three percent of the retail price	sixty four percent of the retail price
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Comments: It seeks to provide for enhanced rates of duty on locally produced cigarettes. This amendment is proposed to be effective from 14th June, 2009

10.	Locally produced cigarettes if their retail price exceeds six rupees and fifty seven paise per ten cigarettes but does not exceed fifteen rupees per ten cigarettes.	Locally produced cigarettes if their retail price exceeds ten rupees per ten cigarettes but does not exceed nineteen rupees and fifty paise per ten cigarettes.	24.02	Two rupees and eighty paise per ten cigarettes plus sixty nine percent incremental rupee or part thereof.	Four rupees and seventy-five paise per ten cigarettes plus seventy percent incremental rupee or part thereof.
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Comments: It seeks to provide for enhanced rates of duty on locally produced cigarettes This amendment is proposed to be effective from 14th June, 2009					
11.	Locally produced cigarettes if their retail price does not exceed six rupees and fifty seven paisas per ten cigarettes.	Locally produced cigarettes if their retail price does not exceed ten rupees per ten cigarettes.	24.02	Two rupees and eighty paisa per ten cigarettes seventy percent incremental rupee or part thereof.	Four rupees and seventy-five paisa per ten cigarettes.
Comments: It seeks to provide for enhanced rates of duty on locally produced cigarettes. This amendment is proposed to be effective from 14th June, 2009					

	Existing		Existing	New
S. No.	Description of goods	Heading / sub-heading No.	Rate of duty	Rate of duty
(1)	(2)	(3)	(4)	(4)
12.	Cigarettes manufactured by a manufacturer who remain engaged on and after 10th June 1994 either directly or through any other arrangement, in the manufacture of any brand of cigarettes in non-tariff areas.	24.02	Sixty three percent of retail price	Sixty four percent of retail price
Comments: It seeks to enhance the rate of duty on cigarettes manufactured in non-tariff area to sixty four per cent from the existing rates of sixty three percent.				

13.	Portland cement, aluminous cement, slag cement, super sulphate cement, and similar hydraulic cement, whether or not coloured or in the form of clickers	25.23	Nine hundred per metric ton	Seven hundred per metric ton
Comments: It seeks to substitute the words “seven hundred” for “nine hundred” in respect of rate of duty on cement Reduction of Federal Excise Duty on cement from Rs. 900 / PMT to Rs. 700/ PMT. Reduction of Federal Excise Duty on cement is aimed at providing cement at cheaper rate which will encourage				

construction activities in the country. Enforced through amendment in Table I of First Schedule to the Federal Excise Act, 2005, effective from the 14th June, 2009.

TABLE II
(EXCISABLE SERVICES)

	Existing		Existing	New
S. No.	Description of goods	Heading / sub-heading No.	Rate of duty	Rate of duty
(1)	(2)	(3)	(4)	(4)
2A.	Advertisements in newspapers and periodicals and on holding boards, pole signs, sign boards and shop boards	9802.4000 and 9802.9000	-	Sixteen percent of the charges

Comments: This new entry “2A” is proposed to be inserted to impose sixteen per cent FED on VAT mode on advertisement in newspapers, periodicals, hoarding boards, pole signs, sign board and shop boards. It is aimed to generate additional revenue. It is proposed to be effective from 1st July, 2009.

6.	Telecommunication services	98.12	Twenty one percent of the charges	Nineteen percent of the charges
(i)	Telephone services	98.12.1000	Twenty one percent of the charges	Nineteen percent of the charges
(ii)	Fixed line voice telephone services	98.12.1100	Twenty one percent of the charges	Nineteen percent of the charges
(iii)	Wireless telephones	98.12.1200	Twenty one percent of the charges	Nineteen percent of the charges
(iv)	Cellular telephones	98.12.1210	Twenty one percent of the charges	Nineteen percent of the charges
(v)	Wireless Local Loop telephones	98.12.1220	Twenty one percent of the charges	Nineteen percent of the charges
(vi)	Video telephones	98.12.1300	Twenty one percent of the charges	Nineteen percent of the charges

	Existing		Existing	New
S. No.	Description of goods	Heading / sub-heading No.	Rate of duty	Rate of duty
(1)	(2)	(3)	(4)	(4)
(xi)	Short Message Service (SMS)	98.12.1710	Twenty one percent of the charges	Nineteen percent of the charges
(xii)	Multimedia Message Service (MMS)	98.12.1720	Twenty one percent of the charges	Nineteen percent of the charges
(xiii)	Band width services {used for voice and video telecommunication services}	98.12.2000	Twenty one percent of the charges	Nineteen percent of the charges
(a)	Copper lined based	98.12.2000	Twenty one percent of the charges	Nineteen percent of the charges
(b)	Fiber-optic based	98.12.2200	Twenty one percent of the charges	Nineteen percent of the charges
(c)	Co-axial cable based	98.12.2300	Twenty one percent of the charges	Nineteen percent of the charges
(d)	Microwave based	98.12.2400	Twenty one percent of the charges	Nineteen percent of the charges
(e)	Satellite based	98.12.2500	Twenty one percent of the charges	Nineteen percent of the charges
(xiv)	Telegraph	98.12.3000	Twenty one percent of the charges	Nineteen percent of the charges
(xv)	Telex	98.12.4000	Twenty one percent of the charges	Nineteen percent of the charges
(xvi)	Telefax	98.12.5000	Twenty one percent of the charges	Nineteen percent of the charges
(xvii)	Store and forward fax services	98.12.5010	Twenty one percent of the charges	Nineteen percent of the charges
(xviii)	Audiotext services	98.12.9000	Twenty one percent of the charges	Nineteen percent of the charges
(xix)	Teletext services	98.12.9100	Twenty one percent of the charges	Nineteen percent of the charges

	Existing		Existing	New
S. No.	Description of goods	Heading / sub-heading No.	Rate of duty	Rate of duty
(1)	(2)	(3)	(4)	(4)
(xxiv)	Vehicle tracking services	98.12.9490	Twenty one percent of the charges	Nineteen percent of the charges
(xxv)	Bugler alarm services	98.12.9500	Twenty one percent of the charges	Nineteen percent of the charges
<p>Comments: It seeks to reduce excise duty on telecommunication services from twenty one percent to nineteen percent which is aimed at reducing the cost of the service. It is proposed to be effective from 1st July, 2009.</p>				

6A.	Short Message Service (SMS)	98.12.1710	-	Paisas twenty per SMS in addition to rate specified at serial number 6.
<p>Comments: It seeks to levy of excise duty at the rate of twenty paisa per SMS in addition to the rate specified for telecommunication services It is an attempt to increase revenue. It is proposed to be effective from 1st July, 2009.</p>				

7	Services provided or rendered in respect of insurance to a policy holder by an insurer, including a re- insurer	98.13.1000		
(i)	Goods insurance	98.13.1100	ten percent of the gross premium paid	Sixteen percent of the gross premium paid
(ii)	Fire insurance	98.13.1200	ten percent of the gross premium paid	Sixteen percent of the gross premium paid
(iii)	Theft insurance	98.13.1300	ten percent of the gross premium paid	Sixteen percent of the gross premium paid
(iv)	Marine insurance	98.13.1400	ten percent of the gross premium paid	Sixteen percent of the gross premium paid
(v)	Other insurance	98.13.1500	ten percent of the gross premium paid	Sixteen percent of the gross premium paid
<p>Comments: The proposal is for levying sixteen percent excise duty in VAT mode on insurance services instead of ten per cent, aimed at widening tax net.</p>				

	Existing	New		Existing	New
S. No.	Description of goods	Description of goods	Heading / sub-heading No.	Rate of duty	Rate of duty
(1)	(2)	(2)	(3)	(4)	(4)
8.	Non-fund services provided by the banking companies and non-banking financial companies	Services provided by the banking companies and non-banking financial companies	98.13	Ten percent of the charges	Sixteen percent of the charges
<p>Comments: The FED @ 16% in VAT mode has been proposed to be levied on fund / non-fund services provided by banking companies and non-banking financial companies to widen the tax net.</p>					

13	Services provided or rendered by stockbrokers	98.19.1000	-	Sixteen percent of the charges
14	Services provided or rendered by port or terminal operators in relation to imports excluding stevedoring services	98.19.9090	-	Sixteen percent of the charges
<p>Comments: The proposal is for levying sixteen percent excise duty in VAT mode on services provided by stockbrokers and by the port and terminal operators including wharfage in respect of imports to widen tax net.</p>				

SROS' SUMMARY - FEDERAL EXCISE

1. SRO. 474(I)/2009 dated 13.06.2009

Effective 14th June, 2009 the whole of the excise duty has been withdrawn on the following items;

- Motor cars and other motor vehicles principally designed for the transport of persons including station wagons and racing cars of cylinder exceeding 850cc.
- Viscose staple fiber
- Services provided or rendered by banking companies and non banking financial companies in respect of Hajj and Umrah , cheque book, insurance, musharika and modaraba financing and utility bills collection.

2. S.R.O. 475(I)/2009 dated 13.06.2009.**The following amendments have been proposed in the FEDERAL EXCISE RULES, 2005.**

In Rule 2 a new clause (Oa) is being inserted to define “**Port Operator**” as to include Karachi Port Trust or any other person or organization managing the operations of any customs-port as declared u/s 9 of the Customs Act, 1969.

In Rule 2 a new clause (q) is being inserted to define “**Terminal Operator**” as to include Karachi International Container Terminal (KICT), Pakistan International Container Terminal (PICT) and Qasim International Container Terminal (QICT).

In Rule 40 exemption from levy of excise duty is also being provided on services rendered by Insurance companies in respect of health insurance, crop insurance and marine insurance for export.

In Rule 40 A

(3) in rule 40A,--

(a) in the marginal heading, the word “non-fund” shall be omitted;

(b) in sub-rule (2),--

(i) the word “non-fund” shall be omitted;

(ii) for the words “and cheque return”, the words and commas “, cheque return, Musharika and Modaraba Financing” shall be substituted; and

(c) in sub-rule (4), after the word “customers”, the words and comma “, excluding mark-up or interest” shall be inserted;

In Rule 43 following new (single) Form is being substituted for the existing Form-I, Form-II and Form-III:

MONTHLY STATEMENT FOR TELECOM SERVICES

RENDERED BY M/S. _____
DURING THE TAX PERIOD _____

S. No.	Description.	Value.	Federal Excise Duty/Sales tax paid
1.		Pre-paid mobile services (cards sold / easy load / top-up etc).	
2.	Post-paid mobile service.		
3.	Activation charges.		
4.	SMS Nos. _____		
5.	Other telecom services provided.		
6.	Other taxable services/ supplies.		
7.	Input Tax adjustable.		
8.	Net FED/ Sales Tax paid on the return.		

A new Rule 43B (Special procedure for services provided Port Operator and Terminal Operator in relation to imports) is being inserted as under:

(1) All import related services provided by a Port Operator and Terminal Operator, shall be leviable to duty, namely:--

- (i) Piloting and mooring;
- (ii) Delivery charges;
- (iii) Storage in port area including demurrage;
- (iv) Wharfage; and
- (v) Other import related services provided in port area.

(2) Value of excisable services for the purpose of levy of duty shall be the gross amount charged for the services.

(3) The Port Operator and Terminal Operator shall maintain such records as stipulated in section 17 of the Act in such manner as will enable distinct ascertainment of payment of duty due.

Similarly a new Rule 43C (Special procedure for services provided by stockbrokers) is being inserted as under

(1) Value of excisable services for the purpose of levy of duty shall be the gross commission charged from clients in respect of purchase or sale of shares in a Stock Exchange.

(2) The Stock brokers shall maintain records as stipulated in section 17 of the Act in such manner as will enable distinct ascertainment of payment of duty due.”;

3. For the Annex referred to in sub-rule (6A) of rule 40A, the following Revised Annex shall be substituted, namely:--

“ANNEX

[See rule 40A(6A)]

**Quarterly reconciliation of Federal Excise Services provided by the
Banking & Non-Banking Financial Companies under rule 40A of the Federal Excise
Rules, 2005.**

Name of the Bank / Non-Banking Financial Companies

Federal Excise Registration No.

Quarter ended _____

S No. Particulars Value of Services as per Return (in Rs)

Month 1	Month 2	Month 3	Total
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- (a) L/C commission;
- (b) guarantee commission;
- (c) brokerage commission;
- (d) issuance of pay order and demand drafts;
- (e) Bill of exchange charge;
- (f) transfer of money including telegraphic

transfer, mail transfer and electronic transfer;

- (g) providing bank guarantees;
- (h) Bill discounting commission;
- (i) safe deposit lockers fee;
- (j) safe vaults;
- (k) credit and debit card issuance, processing, operation charges; and
- (l) commission and brokerage on foreign exchange dealings;

- (m) advances & loans
- (n) financial Leasing
- (o) commodity or equipment leasing
- (p) hire-purchase leasing
- (q) other leasing
- (r) Services provided as a banker to an issue

- (s) Others.

Total:

RECONCILIATION (in Rs)

Value of services as above	FED paid@ 16%	Input tax adjustment claimed	Net FED paid
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Month 1

Month 2

Month 3

Total:

Amount of Services as per published accounts: _____

Difference if any: - _____

SRO. 476(I)/2009 dated 13.06.2009

The activation charges of cellular phones are being reduced from Rs. 500 to Rs. 250 with effect from the 14th June, 2009, aimed at reducing the cost of new connection of mobile phones.

S.R.O. 478(I)/2009 dated 13.06.2009

The following services are being brought under tax on which excise duty shall be levied and collected as if it were a tax payable under section 3 of the Sales Tax Act, 1990

- Advertisements.
- Services provided or rendered in respect of travel by air of passengers within territorial limits of Pakistan.
- Carriage of goods by air.
- Shipping agents.
- Telecommunication services.
- Services provided or rendered by banking companies and non-banking financial companies
- Services provided by insurance companies.
- Services provided or rendered by stockbrokers.
- Services provided or rendered by port and terminal operators

CUSTOM ACT, 1969 (IV OF 1969)**PROPOSED AMENDMENTS****CUSTOMS ACT**

Sections	Comments	Remarks
1c	The proposal seeks to introduce Karachi Inter Bank Offered Rate (<i>KIBOR</i>) as the default interest rate for surcharges payable under the Act.	Added
2s(ii)	The proposal seeks to enhance the monetary value of gold or silver or platinum or palladium or radium or precious stones from fifty thousand rupees to two hundred thousand rupees for the definition of smuggled goods. The above step may discourage the smuggling of above mentioned items.	Deleted
15	The proposal seeks to identify the officer of custom for the adjudication of offences relating to the violation of import or export of intellectual property rights.	Added
21A	The proposal seeks to introduce <i>KIBOR</i> plus three per cent per annum as the default interest rate for surcharges payable on deferment of customs-duties allowed by FBR.	Replaced
25A	The proposal seeks to enhance the power of Director of Customs Valuation to determine the customs value of any goods or category of goods on his own motion or on a reference made to him by any person or an officer of the customs.	Added
25D	The proposal seeks to limit the time period for review application of the custom value determined by Collector of Customs or Director of Valuation to thirty days. The above change will speed up the process of administrative work.	Added
31A	The proposal seeks to enhance the scope of effective rate of duty. Now beside the requirement of section 18, the requirements of section 18A, 18C and 18D shall also be consider while determine the rate of duty applicable to any goods.	Added
32	The proposal seeks to include the error in submitting any declaration electronically through automated clearance in the scope of errors in connection with any matter of customs. This seems to be right move as errors are also expected in electronic environment.	Added
32A (1)(C)	The proposal seeks to clarify that fraud shall include any matter of customs including assessment and classification of goods filed electronically.	Added

Sections	Comments	Remarks
33(1)	The proposal seeks to clarify that no refund shall be allowed under this act, if the sanctioning authority is satisfied that incidence of customs duty and other levies has been passed on to the buyer or consumer.	Added
44	The proposal seeks to clarify that import manifest shall either be filed twenty-four hours before arrival or within twenty-four hours after the arrival of imported goods. The proposal further seeks clarification that the said import manifest shall either be deliver physically or can be filed electronically.	Added
83(2)	The proposal seeks to introduce KIBOR plus three per cent per annum as the default interest rate instead of fourteen per cent per annum for surcharges payable on failure to pay import duty and other charges, within ten days from the date on which the value of such duty and other surcharges has been assessed under section 80 only.	Added & Deleted
86(1)(b)	The proposal seeks to introduce KIBOR plus three per cent per annum as the default interest rate instead of one per cent per month for surcharges specified in a notice of demand in respect of goods imported.	Added
139	<p>The proposal seeks that a passenger availing green channel facility for clearance of baggage shall be deemed to have made a declaration that no dutiable or contraband goods are contained in the baggage of such passenger.</p> <p>This step will, to some extent, reduce the chances of avoiding custom duty.</p>	Added
155F	The proposal seeks to give administrative power to Collector of Customs regarding passing an order confirming suspension of use of Unique user identifier to access to documents in Customs computerized system.	Deleted & Added
179(1)	<p>The proposal seeks to give adjudication power to principal appraiser or superintendent for confiscation of goods or imposition of penalty where the value taxes involved not exceed fifty thousand rupees.</p> <p>The proposal also seeks to reduce the extended time period for deciding the case from ninety days to sixty days. However, the time period taken by way of any appeal or proceeding of stay order, remand or alternative dispute resolution proceedings or for any other reason, shall be excluded from the computation of these period.</p> <p>These are administrative steps that will enhance the work efficiency of the Custom department.</p>	Added

Sections	Comments	Remarks
193-A	<p>The proposal seeks to extend the time period of ninety days to one hundred and twenty days for passing order by commission appeal. However, the extended time period allowable during proceeding proposes to be reducing from ninety to sixty days.</p> <p>The proposal seeks to clarify that time period taken by way of any adjournment or postponed due to any appeal or proceeding or stay order, remand or alternative dispute resolution proceedings or for any other reason, shall be excluded from the computation of the aforementioned period.</p>	Replaced
194-B(1)	<p>The proposal seeks to specify the time period of ninety days for extended time period for decision to be made by Appellate Tribunal against appeal filed.</p> <p>The proposal also seeks to specify that Appellate Tribunal shall not pass any order to suspend recovery of any amount of duty and taxes without providing opportunity of being heard to the respondents and the period of the stay shall not exceed one hundred and eighty days in aggregate.</p>	Added
194-C(3)	<p>The proposal seeks to specify that for the constitution of Special Bench constituted by the Chairman, the case shall involve duty, tax, penalty or fine exceeding ten million rupees instead of five million rupees.</p> <p>This is an administrative step aim to improve the efficient time utilization by appellate tribunal.</p>	Replaced & Deleted
195(2)	<p>The proposal seeks to increase the retention period of two years to three years for record to be kept for any proceedings relating to any decision or order passed by an officer of customs.</p> <p>Again this is an administrative move to bring improvement in current customs system.</p>	Replaced

Sections	Comments	Remarks
195C(2) & 195C(3)	The proposal seeks to increase the time period of thirty days to sixty days for the constitution of Alternative Dispute Resolution Committee (the committee).	Replaced, Deleted & Added
195C(4)	<p>The proposal seeks to increase the time period of sixty days to one hundred and eighty for the report of Alternative Dispute Resolution Committee specifying the recommendation in respect of the resolution of dispute as it may deem fit. If the committee fails to make recommendation within the stipulated period, the Board may dissolve the committee and constitute a new committee.</p> <p>The proposal also seeks to specify the time period of forty five days after the receipt of recommendation report from the committee for order to be passed by the board.</p>	
202A	The proposal seeks to introduce KIBOR plus three per cent per annum as the default interest rate instead of one and half percent per month for failure to pay the arrears within the prescribed time period.	Replaced
211(2)	<p>The proposal seeks to clarify that the retention period for the record regarding the case not settled yet shall be the date of final decision in any proceedings including proceedings for assessment, appeal, revision, reference, petition and any proceedings before an Alternative Dispute Resolution Committee, whichever is later</p> <p>This clarification is to be very obvious and realistic.</p>	Replaced