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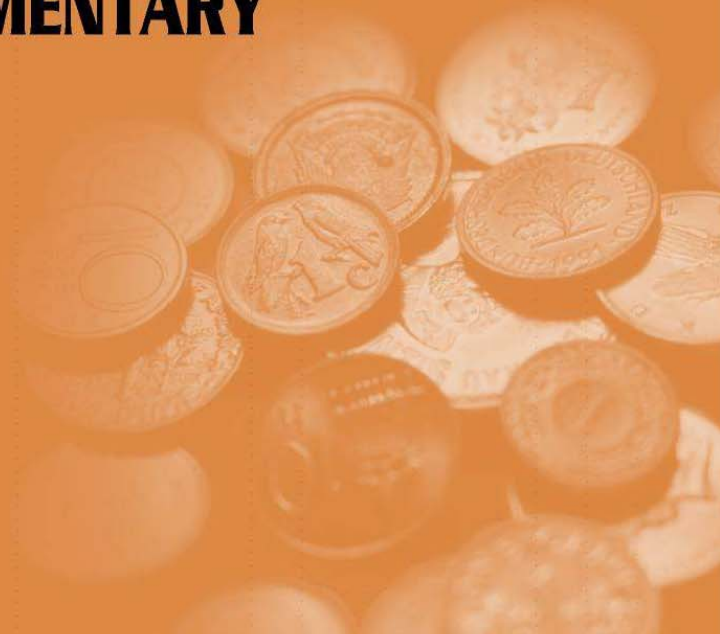
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TAX

2007

COMMENTARY

RIAZ AHMAD
SAQIB
GOHAR
Chartered Accountants



VISION AND MISSION

THE PROFESSION LEADERS to deliver unique professional services to our clients with complete independence and integrity rendered by a well groomed, professionally trained, committed & motivated team

ENVIRONMENT conducive to creativity, job security, personal & professional growth and development of team members with adherence to ethical practices

TRAINING FACILITIES with dedication to groom the professionals with an aim to make them leaders in the chosen disciplines

Notice:

RASG is also pleased to notify its valued clients, friends and associates that our website, www.rasgco.com has been uploaded with a specific interactive section of the Tax Commentary, 2007 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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Preamble

Al hamdulillah!

RIAZ AHMAD, SAQIB, GOHAR & CO. IRASG is pleased to present the 'highlights, comparison & comments' on this year's budget to its clients, friends and associates. While developing this document every endeavor has been made to keep the presentation simple, with a view to help our readers understand the amendments in the various statues through the Finance Bill, 2007.

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

The year 2007 has also proved to be a very special year for IRASG as we plant a new sibling in the form of our forth office at Rawalpindi/Islamabad. This has been possible only due to the blessings of the Almighty Allah, untiring efforts by the IRASG'S team to achieve the highest professional standard and continued support by the ever increasing number of clients at all offices.

Gohar Manzoor


RIAZ AHMAD, SAQIB, GOHAR & CO.
Chartered Accountants

Karachi: 9 June, 2007

FEDERAL BUDGET - 2007

Highlights

INCOME TAX

- The tax benefits have been proposed to be extended to amalgamation of companies engaged in providing services, and not engaged in trading.
- The maximum turnover for classification as Small Company has been enhanced to Rs. 250 million and further condition of maximum number of employees has been imposed at 250 employees in a year.
- The benefits of set-off and carry forward of business loss would be available to a company operating hotels and registered in Pakistan or AJK against its income in Pakistan or AJK.
- Only assessed losses of the amalgamating companies, other than brought forward and capital loss, would be available for set-off after amalgamation.
- An irrevocable option to be taxed as single unit will be granted to 100% owned group.
- A subsidiary would be able to surrender its loss for a year to its holding or other subsidiary company subject to certain conditions.
- The maximum cost of investment for tax credit would be deemed to be Rs. 300,000 instead of Rs. 200,000.
- Tax liability of an AOP of professional would be taxed in the same way as other AOPs.
- Disposal of assets from one company to another company will be a non taxable event, if such disposal will be effected through a Scheme of Arrangement and Reconstruction under the provisions of the Companies Ordinance, 1984 or the Banking Companies Ordinance, 1962.
- New rules for computation of taxable income of banking companies have been laid down in replaced Seventh Schedule.
- Retailer with turnover less than Rs. 5 million would not be allowed to claim adjustment of tax deductions. Their tax rate has been reduced to 0.5% from 0.75%.
- Different rate depending upon turnover has been prescribed for retailers with turnover in excess of Rs. 5 million.
- Advance tax in the first year of the business of a company on the basis of its estimated quarterly accounting profit will also be required to be paid.
- A large importer has been defined and its income would be taxable under normal law.
- Employers have been allowed to adjust tax credits admissible while calculating tax to be deducted at source.

- Income of organizations providing services of stitching, dying, printing, embroidery, washing, sizing, and weaving to exporters or export houses would be chargeable under normal law.
- Payments received on account of (1) advertisement services, by owners of newspapers and magazines; and (2) sales of goods and execution of contract by a listed company will be taxable under normal law.
- Manufacturers or authorized dealers of motor cars would be required to collect advance tax at the time of sale of a car @ 5% of the gross amount.
- Income of CNG stations would be subject to final taxation @ 6% of the amount of gas bill.
- Tax collected on the amount of electricity bills will be minimum tax on the income of a person (other than a company).
- Rate of tax on dividend is now 10% for all the persons.
- Rate of tax at import stage has been reduced to 5% of the value of goods including polyester filament yarn.
- A reduced rate of 2% on transport services has been proposed for collection under the Section 153 i.e. withholding tax on payment of goods ad services..
- The rate of tax under Section 154 i.e. with holding tax on exports will be 1% for all types of goods.
- Profits and gains accruing to a person on sale of immovable property to a Real Estate Investment Trust up to June 30, 2010 will be exempted from tax.
- The profits and gains derived between July 1, 2000 and June 30, 2014 by Private Equity and Venture Capital Fund will be exempt.
- Exemption on capital gains has been extended till 2008.

SALES TAX

- The time of supply for tax purposes would be actual time of delivery.
- Input tax in excess of 90% of out put tax for that tax period shall not be allowed. The residual portion of input tax will allowed upon furnishing the statement along with the audited accounts duly certified by the auditors showing value addition less the limit prescribed on yearly basis in the 2nd month following the end of financial year.
- Input tax related to acquisition of fixed assets shall be allowed for adjustment in 12 equal monthly installments after the start of production of new unit.
- CBR has been required to process the refund claim within 45 days of the lodging of the refund claim.
- Registered persons whose accounts are subject to audit under the Companies Ordinance, 1984, will be required to submit a certificate by the auditors certifying the payment of due tax along with a copy of the annual audited accounts.

- Retention period of sales tax records has been increased from three years to five years.
- Procedure for alternate dispute resolution has been amended.
- An amnesty scheme is offered through SRO 463(1)/2007 providing that on the payment of principal amount of sales tax relating to any past period by the June 30, 2007 the whole of default, surcharge and penalty will be waived.
- Various items relating to food, paper, plastic and chemical industry shall be charged @ 20% whether imported or supplied (SRO 466(1)/2007).
- 10% value addition at import stage for the commercial importers shall be withdrawn with immediate effect and they will be required to pay sales tax on supply of imported goods on the basis of actual value addition (SRO 468(1)/2007).

CUSTOMS

- Where the cumulative amount of all duties and taxes on a Goods Declaration is equal to, or less than, one hundred rupees, the same shall not be demanded.
- Deferment surcharge on collection of custom duties has been reduced to 14% from 15%.
- Directorate General of Valuation has been empowered to determine and notify from time to time the rate of customs-duties leviable on different goods.
- Value determined by the DG Valuation would not be challengeable.
- Scope of Alternative Dispute Resolution has been proposed to be limited to specific cases.
- Minimum period to keep the books and record has been extended from three years to five years.

FEDERAL EXCISE

- Cigarettes will be charged to duty on following rates:

Locally produced cigarettes if their retail price exceeds fifteen rupees per ten cigarettes.	Duty @ Sixty three per cent of retail price
Locally produced cigarettes if their retail price exceeds six rupees and fifty seven paisas per ten cigarettes but does not exceed fifteen rupees per ten cigarettes.	Duty @ Two rupees and eighty paisas per ten cigarettes plus sixty nine per cent per incremental rupee or part thereof
Locally produced cigarettes if their retail price does not exceed six rupees and fifty seven paisas per ten cigarettes	Duty @ Two rupees and eighty paisas per ten cigarettes.

- Duty on motor spirit, aviation spirit, spirit type jet fuel, JP1 and other jet fuels and on Petroleum bitumen (Bitumen and Asphalt) including bituminous mixtures have been proposed to be abolished.
- The bill proposes to impose condition for reduced rate of 2% on lubricating oil manufactured from reclaimed oils or sludge or sediment that if it will be sold in retail packing or under brand names the words manufactured from reclaimed oil or sludge or sediment must be clearly printed on the back.
- The bill proposes to levy 5% duty on amount of charges or non-fund services provided by banking companies or NBFCs.

- It has been proposed to abolish the duty on Service provided or rendered by a foreign exchange broker including any authorized dealer of foreign exchange to a customer and that provided by cable TV operators. It has been also proposed by a notification (S.R.O. 467(I)/2007) that the services provided cable TV operators for period July 1, 2006 to June 30, 2007 be exempt from levy of the duty.
- Conditional exemption from duty granted to non-aerated beverages concentrates have been proposed to be withdrawn.
- The bill proposes to allow exemption from duty to Life Insurance and Health Insurance.

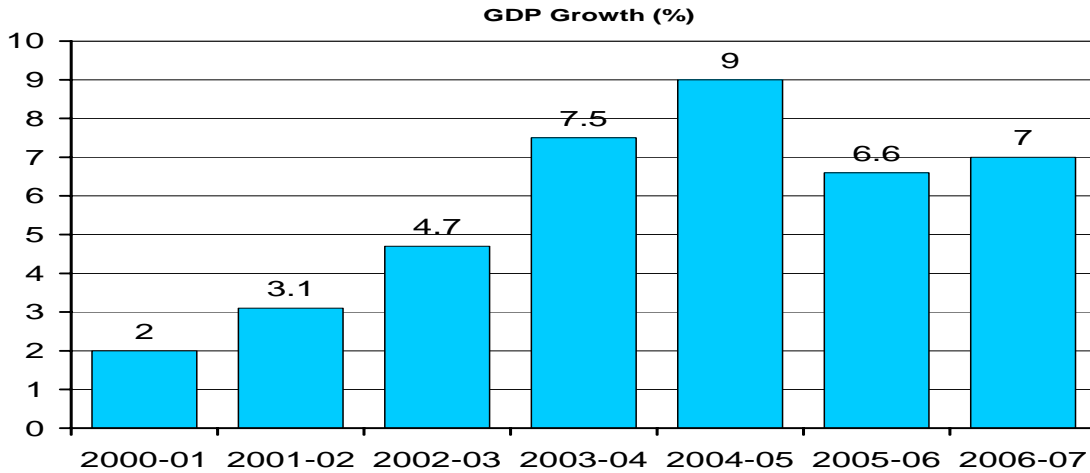
PAKISTAN'S MACRO ECONOMIC PERFORMANCE: 2006-2007

A. SALIENT FEATURES

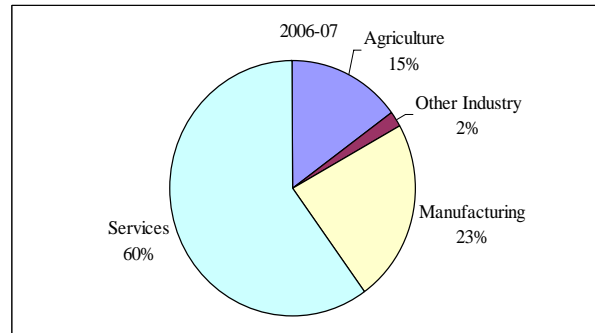
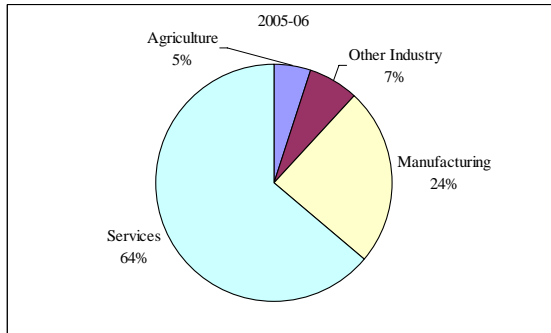
Pakistan's economy continues to maintain its strong growth momentum for the fifth year in a row in the fiscal year 2006-07. With economic growth at 7.0 percent in the current fiscal year, Pakistan's economy has grown at an average rate of almost 7.0 percent per annum during the last five years.

1. GDP

Real GDP grew at 7.0 percent in 2006-07 as against the revised estimates of 6.6 percent for last year and 7.0 percent growth target for the year.



CONTRIBUTION TO REAL GDP GROWTH



2. AGRICULTURE

The performance of agriculture remained weak during 2005-06 because its crops sector particularly major crops could not perform up to the expectations. Growth in the agriculture sector registered a sharp recovery in 2006-07 and grew by 5.0 percent. Major crops posted strong recovery from negative 4.1

percent last year to positive 7.6 percent, mainly due to higher production of wheat and sugarcane. Wheat production of 23.5 million tons is highest ever in the country's history. Sugarcane production likewise improved by 22.6 percent over last year to 54.8 million tons.

3. MANUFACTURING

Overall manufacturing recorded growth of 8.45 percent, against last year's growth of 9.9 percent. Large-scale manufacturing, accounting for 69.5 percent of overall manufacturing registered growth of 8.75 percent in the current fiscal year 2006-07 against last year's achievement of 10.68 percent. There has been a slight decline in growth in the manufacturing sector due to multiple reasons.

Performance of public sector industries (excluding Pak Steel) (July-June) (Rs. in Million)			
	2005-2006	2006-2007 (Expected)	Increase/Decrease %
Production Value*	3,879	3,998	3.07
Net Sales	4,825	5,358	11.05
Pre-tax profit	9	-5	-155.56
Taxes and duties	360	355	-1.39
No. of employees**	5,491***	5,032	-8.36

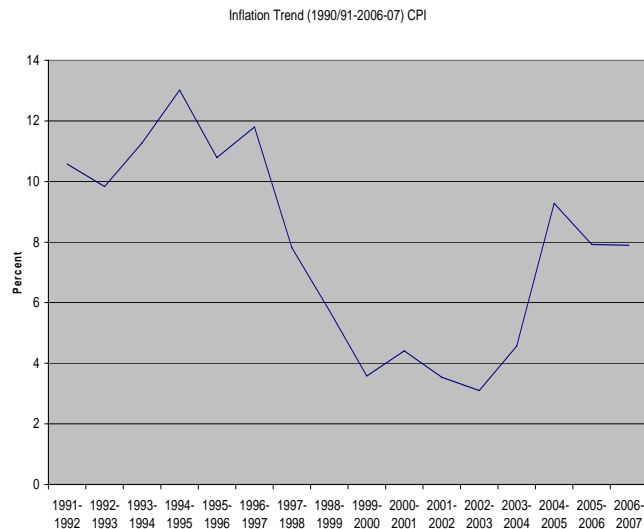
*Production value of PACo is at current prices. NFC & SEC are at constant prices of 1999-2000 and 1992-93 respectively
 **Including daily wagers
 ***Excluding holding corporations

4. INVESTMENT

The investment rate is on the rise since 2004-05, reaching as high as 23 percent of GDP in 2006-07. The composition of investment between private and public sector has changed considerably during the last three years. The overall foreign investment during the first ten months (July-April) of the current fiscal year has touched \$ 6 billion

5. INFLATION

During the first ten months of the current year 2006-07 (July—April) averaged at 7.9 percent. This is a slight improvement over last fiscal year where 2005-06 (July—April) inflation stood at 8.0 percent. Unlike previous years, the inflation in the current year was primarily driven by food prices. Food inflation in turn, was principally based on increase in prices of a few items such as rice, edible oil, meat, pulses, tea, milk, fresh vegetables and fruits.



6. STOCK MARKET

Pakistan’s capital and stock markets have witnessed impressive growth over the last several years. The KSE-100 index (Pakistan’s benchmarked stock market) has increased from 1521 points in June 2000 to 12370 points in April 2007 – a rise of over 10,800 points or an increase of 713 percent. Similarly aggregate market capitalization has increased from Rs 392 billion (\$7.6 billion) in June 2000 to Rs 3604 billion (\$ 59.4 billion) in April 2007, showing a rise of over Rs 3200 billion (\$ 53 billion) or an increase of 819 percent.

7. PER CAPITA INCOME

Pakistan’s per capita real GDP has risen at a faster pace during the last four years (5.5% per annum on average in rupee terms). The main factor responsible for the sharp rise in per capita income include acceleration in real GDP growth, stable exchange rate and four fold increase in the inflows of workers’ remittances.

8. TRADE DEFICIT

The slower growth in imports is likely to improve trade deficit from 9.5 percent of GDP last year to 9.0 percent this year.

9. FOREIGN DIRECT INVESTMENTS (FDI)

Almost 78 percent of FDI has come from five countries, namely, the UAE, US, China, UK and Netherlands. If we look at sectoral breakup, the communication sector (including telecom) spearheaded the FDI inflows followed by financial business, energy including oil gas and power and food, beverages and tobacco.

10. FOREIGN EXCHANGE RESERVES

Pakistan’s total liquid foreign exchange reserves stood at \$ 13,738 million.

11. EXTERNAL DEBT

Pakistan has reduced its public debt burden (including Rupees debt and foreign currency debt) from 100.3 percent of GDP in end-FY99 to 53.4 percent of GDP by end-March FY07.

12. REMITTANCES

Workers' remittances, the third largest source of foreign exchange inflows after exports and foreign investment, continue to maintain its rising trend. Workers' remittances totaled \$ 4.45 billion in the first ten months (July-April) of the fiscal year as against \$ 3.6 billion in the same period last year, depicting an increase of 22.6 percent.

13. CURRENT ACCOUNT DEFICIT

Current account deficit is expected to be around 5.0 percent of GDP as against 4.4 percent last year. The strong inflows in capital account will more than offset the current account deficit and add to the stock of foreign exchange reserves.

14. PRIVATIZATION

During the period July 2006 to February 2007, the privatization commission completed five transactions that fetched an amount of Rs. 67.664 billion. OGDCL's 10 percent listing and domestic offering was over subscribed yielding a total of \$811 million.

Assets Privatized During FY 07	
Assets	Value
OGDCL (GDR & domestic offering)	Rs. 46.963 billion
Pak American Fertilizers (shares)	Rs. 15.949 billion
Javedan Cement Limited	Rs. 4.316 billion
Lyallpur Chemical & Fertilizers	Rs. 0.280 billion
Lasbella Textile Mills	Rs. 0.156 billion

Source : Privatization Commission

15. BALANCE OF PAYMENTS

Pakistan's balance of payments shows a record increase in capital flows that has substantially offset a gradual widening of the current account deficit. The magnitude of the inflows has overwhelmed the State Bank of Pakistan and complicated monetary policy. Pakistan's current account deficit further widened to \$ 6.2 billion (4.3% of GDP) in the first nine months (July-March) of the current fiscal year from \$ 4.6 billion (3.6% of GDP) in the same period last year.

B. COMMENTS

- It has been stated that hydel electricity (dams) cost over 4.5 cents per unit while the thermal electricity cost over 12.5 cents to 14 cents per unit; but cost of the time-frame for dams versus thermal units and the cost of land that is already under cultivation and becomes useless due to salinity may also be considered.
- It is stated that per capita income has increased in dollar terms, at an average rate of 13% during last five years. Furthermore, as stated, main factor responsible for sharp rise in per capita income, amongst other things, is a fourfold increase in the inflow of worker's remittances. This gives rise to the question that the income of the local masses may have remained constant or even decreased

but it is the remittances of the lucky few who are abroad and sending their earnings to Pakistan. This is painting a misleading rosy picture of per capita income increase of the poverty stricken masses.

- Sugarcane production last year is stated to be highest in the history of the country whereas sugar prices could not fall back anywhere near the Rs. 19 per kg prices from where the sugar crisis took it to the highest in the history of the country. The complete picture of sugar production rise fall rise is given below:

1. 1998-99	54 million tons
2. 2000-01	44 million tons
3. 2003-04	53 million tons
4. 2005-06	45 million tons
5. 2006-07	55 million tons
- Wheat production of 23.5 million tons is said to be highest ever in the history of the country whereas wheat flour per 10 kg bag (Ashrafi brand), today, stands at an all time high of Rs.165/=
- The constant load shedding in the country is one of the enormous speed breakers for the progress and prosperity of the manufacturing sector but in the economic survey – in the relevant section, it has not been highlighted as a major reason for lower production.

C. RECOMMENDATIONS

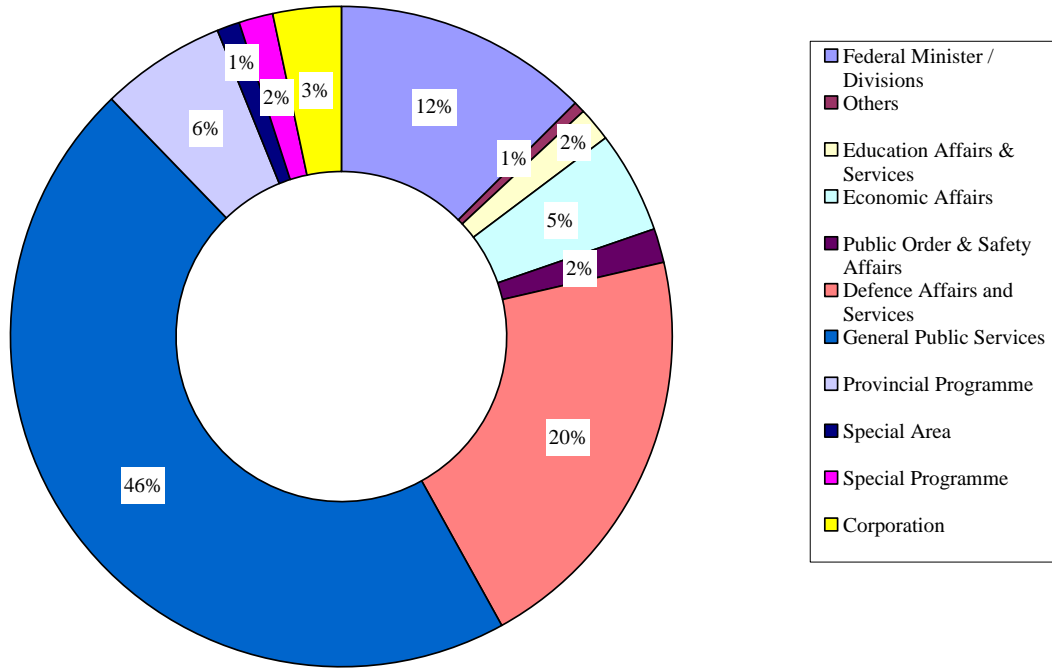
The theory of balanced growth states that there should be simultaneous and homogeneous development of different sectors of the economy so that all sectors grow in union.

According to Nurks, the vicious circles of poverty are at work in underdeveloped countries which retard economic development. If, however, the vicious circles are broken, economic development will follow.

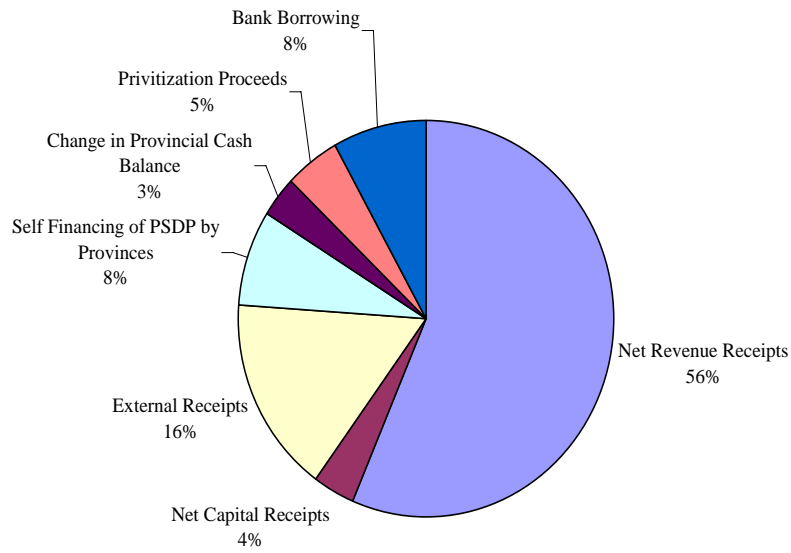
The vicious circles of poverty can be broken by simultaneous investment in a large number of industries with balanced growth. The doctrine of balanced growth requires a balance between investment in agriculture and industry, as both are complimentary. If employment increases in the industrial sector, it will lead to an increase in demand of foodstuff which will require, in turn, the expansion of agriculture output.

It is important that the agriculture sector must develop and progress along with the industrial sector, otherwise inflation will set in. A balance is also required between the domestic and foreign sector. The need of the time is also to see as to where the proceeds of privatization, being capital in nature, are utilized. i.e. whether the sale of assets – being capital assets are used to retire long term debts or are spent away in contingency expenditure.

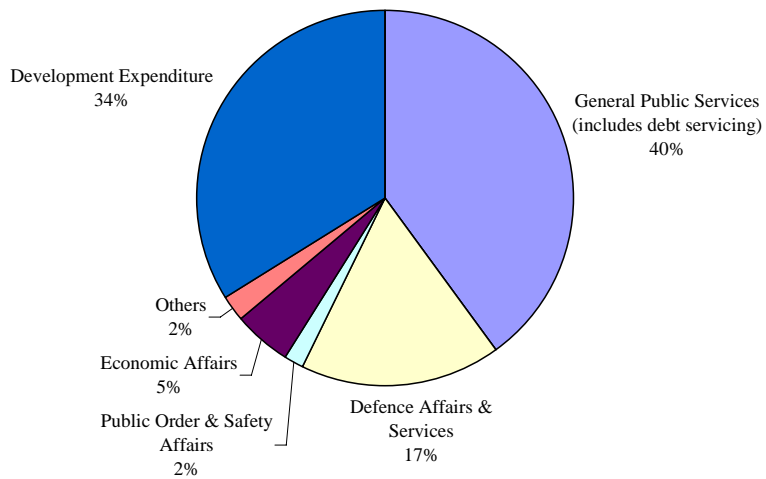
Federal Budget 2005-06



Resources 2007-08



Expenditure 2007-08



THE FEDERAL BOARD OF REVENUE ACT, 2007

Central Board of Revenue Act, 1924 is proposed to be repealed by the Federal Board of Revenue Act, 2007. The name of Central Board of Revenue (CBR) will be changed to Federal Board of Revenue (FBR) and all the functions and powers of CBR will be taken over by FBR on the effective date. Salient feature of the Federal Board of Revenue Act, 2007 are:

- (1) The FBR shall consist of not less than seven members to be appointed by the Federal Government.
- (2) FBR shall exercise all the powers of CBR and shall exercise such other powers and all functions that are necessary to achieve its objective which includes: implementation of tax administration reforms, promotion of voluntary tax compliance, adoption of modern tax administration methods, implementation of human resource management policies, etc.
- (3) The Federal Government shall constitute the Cabinet Committee for FBR and also nominate and notify its members. The Committee shall be headed by the Minister for Finance and Revenue or the Advisor to PM on Finance and Revenue.
- (4) Any person aggrieved by any action done or taken for the enforcement of the fiscal laws or any notification issued by the Federal Government or due to any act of maladministration, corruption and misbehaviour by any officer or employee of the Board or any unnecessary delay or hardship caused due to any administrative process may prefer representation to the Chairman of the Board for redressal of his grievance.
- (5) The board may delegate any of its functions and powers to any Government agency, chairman or any member or employee duly appointed.
- (6) The Board shall, in respect of each financial year, prepare its accounts of the receipts and payments and budget estimates and submit the same to the Finance Division for further process.
- (7) The Board shall prepare an annual report of its activities and present it to the Prime Minister.
- (8) The board shall create and maintain a data bank containing information from third parties necessary to perform the its objects and purposes.
- (9) All orders, made, proceedings taken, acts done and agreement entered into by the CBR shall continue to be in force unless later modified by FBR.
- (10) Reference to CBR wherever occurring in any law or the rules, regulations, orders, statutory rules and order or notifications, etc, for the time being in force shall be read as a reference to FBR.

INCOME TAX ORDINANCE, 2001

Definitions

SECTION 2(1A)

Existing
<p>“Amalgamation” means the merger of one or more banking companies or non-banking financial institutions, or insurance companies, or companies owning and managing industrial <u>undertakings</u> in either case at least one of them being a public company, or a company incorporated under any law, other than Companies Ordinance, 1984 (XLVII of 1984), for the time being in force, (the company or companies which so merge being referred to as the “amalgamating company” or companies and the company with which they merge or which is formed as a result of merger, as the “amalgamated company”) in such manner that –</p>

Proposed Amendment
<p>After the word “undertakings” the words “<u>or companies engaged in providing services and not being a trading company or companies</u>” shall be inserted;</p>

Comments: The proposed amendment seeks to include in the definition of amalgamation and consequently extend benefits of amalgamation to companies engaged in providing services not being a trading company. Such benefits are currently only available to following companies or undertakings:

- (i) Banking companies;
- (ii) Non-banking financial institutions;
- (iii) Insurance companies; and
- (iv) Companies owning and managing industrial undertakings.

Definitions

SECTION 2(19A)

Existing
<p>“Eligible Person”, for the purpose of Voluntary Pension System Rules, 2005, means an individual Pakistani who <u>has obtained</u> a valid National Tax <u>Number</u>.</p>

Proposed Amendment
<p>(i) For the words “has obtained” the word “<u>holds</u>” shall be substituted; and</p> <p>(ii) After the word “Number” the words “<u>or Computerized National Identity Card</u>” shall be inserted;</p>

Comments: As a result of the proposed amendment a person who holds a Computerized National Identity Card shall be considered as an ‘Eligible Person’ for the purposes of Voluntary Pension System Rules, 2005 , in addition to a person holding a valid NTN.

Definitions

SECTION 2(45A) & (45B)

Existing
<p>“New Sub Section”</p>

Proposed Amendment
<p>“Private Equity and Venture Capital Fund” means a fund registered with the Securities and Exchange Commission of Pakistan under the Private Equity and Venture Capital Fund Rules,</p>

Definitions

SECTION 2(45A) & (45B)

“New Sub Section”

2007;
“Private Equity and Venture Capital Fund Management Company” means a company licensed by the Securities and Exchange Commission of Pakistan under the Private Equity and Venture Capital Fund Rules, 2007;”;

Comments: The Finance Bill, 2007 seeks to introduce two new concepts viz. (1) ‘Private Equity and Venture Capital Fund’ and (2) ‘Private Equity and Venture Capital Fund Management Company’. Both of these concepts will be defined as per their definitions given in the Private Equity and Venture Capital Fund Rules, 2007 issued by the Securities and Exchange Commission of Pakistan.

Definitions

SECTION 59(A)

Existing
Small Company.....

(i) has paid up capital plus undistributed reserves not exceeding twenty-five million rupees;

“New Proviso shall be added”

(ii) has annual turnover not exceeding two hundred million rupees; and

Proposed Amendment
After paragraph (i), the following new paragraph shall be inserted, namely,-

“(ia) has employees not exceeding two hundred and fifty any time during the year;”; and

(ii) in paragraph (ii), after the word “hundred” the words “and fifty” shall be inserted;

Comments: The amendment proposes to change the criteria for classification of a company as a “Small Company” (to reap the benefits of lower rate of tax of t20%). After the proposed amendments (1) the condition for maximum annual turnover would be relaxed by increasing the amount from Rs. 200 million to Rs. 250 million, and (2) a new condition regarding maximum number of employees, i.e. not exceeding two hundred and fifty (250) any time during the year, is being introduced. The other conditions to qualify as a “Small Company” are that the company:

- (i) Should have paid capital plus undistributed reserves not exceeding Rs. 25 million; and
- (ii) is not formed by the splitting up or the reconstitution of company already in existence.

Income From Business

SECTION 18(4)

Existing
Any amount received by a banking company or a non-banking finance company, where such amount represents distribution by a mutual fund out of its income from profit on debt, shall be chargeable to tax under the head “Income from Business” and not under the head “Income from Other Sources”.

Proposed Amendment
After the word “fund” the words “or a Private Equity and Venture Capital Fund” shall be inserted;

Income From Business**SECTION 18(4)**

Comments: After the proposed amendment, any amount received by a banking company or a NBFC representing distribution by a Private Equity and Venture Capital Fund out of its income from Profit on Debt shall be chargeable to tax under the head “Income from Business”. Currently, such condition only applies to an amount representing distribution by a mutual fund out of Profit on Debt.

Federal and Provincial Government, and Local Authority**SECTION 49(3)**

Existing	Proposed Amendment
<p>Subject to sub-section (2), any payment received by the Federal Government, a Provincial Government or a local authority shall not be liable to any collection or deduction of advance tax.</p> <p style="text-align: center;">“New Proviso shall be added”</p>	<p>For the full stop, at the end, a colon shall be substituted and thereafter the following new proviso shall be added, namely:-</p> <p>Provided that exemption under this section shall not be available in the case of a corporation, company, a regulatory authority, a development authority or other body or institution established by or under a Federal law or a Provincial law or an existing law or a corporation, company or other body or institution set up, owned and controlled, either directly or indirectly, by the Federal Government or a Provincial Government, regardless of the ultimate destination of such income, as laid down in Article 165A of the Constitution of the Islamic Republic of Pakistan.”;</p>

Comments: The proposed proviso proposes to clarify that the exemption from income will not be available in the case of a corporation, company, a regulatory or development authority or any other body or institution established by or under a Federal or a Provincial Law or any such entities setup, owned and controlled, either directly or indirectly, by the Federal government or a Provincial Government. This exemption only applies to payments received by Federal Government, a Provincial Government or local authority, except for business income derived by a provincial government or a local authority outside their jurisdictional area.

Set Off Of Losses Of Companies Operating Hotels**SECTION 56A**

Existing	Proposed Amendment
<p style="text-align: center;">“New Section shall be added”</p>	<p>Subject to sections 56 and 57, where a company registered in Pakistan or Azad Jammu and Kashmir (AJ&K), operating hotels in Pakistan or AJ&K, sustains a loss in Pakistan or AJ&K for any tax year under the head “income from business” shall be entitled to have the amount of the loss set off against the company’s income in Pakistan or AJ&K, as the case may be, for the year.”;</p>

Set Off Of Losses Of Companies Operating Hotels

SECTION 56A

Comments: After the insertion of this new section, the benefits of set-off and carry forward of business loss would be available to a company registered in Pakistan or Azad Jammu and Kashmir (AJK), operating hotels in Pakistan or AJK, on reciprocal basis in respect of a business loss, sustained in any tax year, for set-off against its income in Pakistan or AJK, as the case may be.

Set Off of Business Loss Consequent to Amalgamation

SECTION 57A(1)

Existing

The accumulated loss under the head “Income from Business” (not being a loss to which section 58 applies) of an amalgamating company or companies shall be set off or carried forward against the business profits and gains of the amalgamated company and *vice versa*, up to a period of six tax years immediately succeeding the tax year in which the loss was first computed in the case of amalgamated company or amalgamating company or companies.

Proposed Amendment

The assessed loss for the tax year, other than brought forward and capital loss, of the amalgamating company or companies shall be set off against business profits and gains of the amalgamated company, and vice versa, in the year of amalgamation and where the loss is not adjusted against the profits and gains for the tax year the unadjusted loss shall be carried forward for adjustment up to a period of six tax years succeeding the year of amalgamation.”.

Comments: The proposed amendment seeks to limit the set-off of business loss consequent to amalgamation of a company. Currently, all the accumulated business loss of amalgamating company or companies, except for speculative business, can be set-off or carried forward against business profits of amalgamated company. Now, by the proposed amendment, the bill seeks to only allow, to an amalgamated company, assessed loss for a **tax year**, other than brought forward and capital loss, of the amalgamating company or companies in the year of amalgamation. Where such loss would not be set-off in the year of amalgamation, it may be carried forward and set-off within succeeding six years.

Group Taxation

SECTION 59AA

Existing

“New Section shall be added”

Proposed Amendment

- (1) Holding companies and subsidiary companies of 100% owned group may opt to be taxed as one fiscal unit. In such cases, besides consolidated group accounts as required under the Companies Ordinance, 1984 (XLVII of 1984), computation of income and tax payable shall be made for tax purposes.
- (2) The companies in the group shall give irrevocable option for taxation under this section as one fiscal unit.
- (3) The group taxation shall be restricted to companies locally incorporated under the Companies Ordinance, 1984 (XLVII of 1984).

Group Taxation

SECTION 59AA

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- (4) The relief under group taxation would not be available to losses prior to the formation of the group.
- (5) Accounts of the group companies shall be prepared and audited by a Chartered Accountant as prescribed for listed companies under the Companies Ordinance, 1984 (XLVII of 1984).
- (6) Group taxation may be regulated through rules as may be made by the CBR.”

Comments: This proposed amendment introduces the concept of Group Taxation and seeks to allow holding and subsidiary companies of a 100% owned group to be taxed as a single unit. The option of being taxed as single fiscal unit shall be irrevocable and it will only be available to companies incorporated under the Companies Ordinance, 1984 whose accounts are audited by Chartered Accountant. The relief under group taxation would not be available to losses suffered prior to formation of the group. The proposed group relief will be governed by rules to be issued in this regard. The group shall be required to submit consolidated financial statements and computation of income and tax payable for tax purposes.

Group Relief

SECTION 59B

Existing

- (1) Subject to sub-section (2), any company, being a subsidiary of a public company listed on a registered stock exchange in Pakistan, owning and managing an industrial undertaking ¹[or an undertaking engaged in providing services], may surrender its assessed loss for the tax year other than brought forward losses, in favour of its holding company provided such holding company owns or acquires seventy-five per cent or more of the share capital of the subsidiary company.
- (2) The loss surrendered by the subsidiary company may be claimed by the holding company for set off against its income under the head “income from Business” in the tax year and the following two tax years subject to the following conditions, namely:-
 - (a) there is continued ownership of share

Proposed Amendment

- (1) Subject to sub-section (2), any company, being a subsidiary of a holding company, may surrender its assessed loss (excluding capital loss) for the tax year (other than brought forward losses and capital losses), in favour of its holding company or between subsidiaries of the holding company: Provided that such holding company being a public company listed on a registered stock exchange in Pakistan, directly acquires fifty-five percent or more of the share capital of the subsidiary company. Where none of the companies in the group is a listed company, the holding company shall acquire seventy-five per cent or more of the share capital of the subsidiary company.
- (2) The loss surrendered by the subsidiary company may be claimed by the holding company or a subsidiary company for set off against its income under the head “income from Business” in the tax year and the

Group Relief

capital of the subsidiary company to the extent of seventy-five per cent or more for five years; and

- (b) the subsidiary company continues the same business during the said period of five years.
- (3) The subsidiary company shall not be allowed to surrender its assessed losses for set off against income of the holding company for more than three tax years.
- (4) Where the losses surrendered by a subsidiary company are not adjusted against income of the holding company in the said three tax years, the subsidiary company shall carry forward the unadjusted losses in accordance with the provision of section 57.
- (5) If there has been any disposal of shares by the holding company during the aforesaid period of five years to bring the ownership of the holding company to less than seventy-five per cent, the holding company shall, in the year of disposal, offer the amount of profit on which taxes have not been paid due to set off of losses surrendered by the subsidiary company.

SECTION 59B

following two tax years subject to the following conditions, namely:-

- (a) there is continued ownership for five years, of share capital of the subsidiary company to the extent of fifty-five per cent in the case of a listed company, or seventy-five per cent or more, in the case of other companies;
 - (b) none of the group companies is engaged in the business of trading;
 - (c) holding company, being a private limited company with seventy-five per cent of ownership of share capital gets itself listed within three years from the year in which loss is claimed;
 - (d) the group companies are locally incorporated companies under the Companies Ordinance, 1984 (XLVII of 1984);
 - (e) the loss surrendered and loss claimed under this section shall have approval of the Board of Directors of the respective companies;
 - (f) the subsidiary company continues the same business during the said period of three years;
 - (g) accounts of the group companies are prepared and audited by a Chartered Accountant as prescribed for listed companies under the Companies Ordinance, 1984 (XLVII of 1984); and
 - (h) the group companies observe Code of Corporate governance as provided in the Companies Ordinance, 1984 (XLVII of 1984).
- (3) The subsidiary company shall not be allowed to surrender its assessed losses for set off against income of the holding company for more than three tax years.

Group Relief

SECTION 59B

(4) Where the losses surrendered by a subsidiary company are not adjusted against income of the holding company in the said three tax years, the subsidiary company shall carry forward the unadjusted losses in accordance with section 57.

(5) If there has been any disposal of shares by the holding company during the aforesaid period of five years to bring the ownership of the holding company to less than fifty-five per cent or seventy-five per cent, as the case may be, the holding company shall, in the year of disposal, offer the amount of profit on which taxes have not been paid due to set off of losses surrendered by the subsidiary company.

(6) Loss claiming company may, with the approval of the Board of Directors, transfer cash to the loss surrendering company equal to the amount of tax payable on the profits to be set off against the acquired loss. The transfer of cash would not be taken as a taxable event in the case of either of the two companies.

(7) The transfer of shares between companies and the share holders, in one direction, would not be taken as a taxable event provided the transfer is to acquire share capital for formation of the group and approval of the Security and Exchange Commission of Pakistan or State Bank of Pakistan, as the case may be, has been obtained in this effect. Sale and purchase from third party would be taken as taxable event.”;

Comments: The bill seeks to replace the existing Section 59B on group relief with a new section.

The main feature of group relief under this section are summarized here under:

- (i) A subsidiary would be able to surrender its assessed loss for a tax year, excluding brought forward losses and capital losses, in favour of its holding company or between subsidiaries of its holding company subject to condition that the holding company if listed on a registered stock exchange in Pakistan would be required to acquire at least 55% or more of the share capital of the subsidiary, or at least 75% or more of the share capital of the subsidiary, if it is not a public listed company.
- (ii) The loss surrender would be set-off against business income of the holding or the subsidiary company in the year of surrender and subsequent two years if:
 - the ownership of share capital of the subsidiary company to the extent of 55% or 75% is continued for five years;

Group Relief**SECTION 59B**

<ul style="list-style-type: none"> - the companies in the group are not engaged in trading; - the holding company, if a private limited company, will get itself listed within three years from the year in which loss is claimed; - the group would be incorporated under the Companies Ordinance, 1984; - the surrender and the claim of loss will be on the approval of the Board of Directors of the respective companies; - the subsidiary will need to continue the same business during the above referred period of three years; - the account of the group companies are prepared and audited by a Chartered Accountants in the same way as are prescribed for listed companies; and - the group companies observe the Code of Corporate Governance as provided in the Companies Ordinance, 1984. <p>(iii) Any loss surrendered but not adjusted during the period of three year will be carried forward by the subsidiary company in accordance with the provisions of Section 57 i.e. for a total of six years from the year in the loss was first computed.</p> <p>(iv) If in any year during the period of five years, the holding company reduces its holding below the minimum required holding, the holding company would be required to offer the amount of profit on which tax has not been paid due to set-off of losses surrendered.</p> <p>(v) The loss claimant would be able to transfer cash to loss surrendering company equal to its tax saving after the approval of its board of directors and such cash transfer would not be treated as taxable event.</p>

Investment in Shares**SECTION 62(2)**

Existing	Proposed Amendment
two hundred thousand rupees.	In paragraph C, in clause (c), for the word “two” the word “ <u>three</u> ” shall be substituted;
<p>Comments: A person, other than a company, is entitled to tax credit in respect of the cost of acquiring the new shares offered by a listed company if the person is the original allottee or have acquired the shares from Privatization Commission of Pakistan. Such credit is allowed by restricting cost of investment to maximum of Rs. 200,000. The proposed amendment seeks to enhance the maximum limit of cost of investment in shares for tax credit purposes from Rs. 200,000 to Rs. 300,000.</p>	

Principles Of Taxation Of Associations Of Persons**SECTION 92(1)**

Existing	Proposed Amendment
Subject to sub-section (2), an association of persons shall be liable to tax separately from the members of the association and 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.	The words, brackets, figure and comma “Subject to sub-section (2),” shall be omitted; and
<p>Comments: The is a consequential amendment due to change in the method of assessment of AOP’s formed by Professional who are prohibited from incorporating by any law or the rules of the body</p>	

Principles Of Taxation Of Associations Of Persons

SECTION 92(1)

regulating the profession.

SECTION 92(2),(3),(4) &(5)

Existing

Sub-section (1) shall not apply to an association of persons that is a professional firm prohibited from incorporating by any law or the rules of the body regulating the profession.]

An association of persons to which subsection (2) applies shall not be liable to tax and the income of the association shall be taxed to the members in accordance with section 93.

An association of persons referred to in sub-section (3) shall furnish a return of total income for each tax year.

Sections 114, 118 and 119 shall apply to a return of total income required to be furnished under sub-section (4).

Proposed Amendment

“Shall be Omitted”

Comments: The proposed amendments relating to Section 92 and 93 seeks to done away with the different tax treatment for an association of persons (AOP) formed by professionals who are prohibited from incorporating by any law or the rules of the body regulating the profession. Until now, such professional firms were not taxed separately instead the members were chargeable to tax on his respective share of profit in such AOPs. After the proposed amendment, all AOPs will be taxed on the same pattern without any distinction.

Taxation Of Members Of An Association Of Persons

SECTION 93

Existing

Where sub-section (3) of section 92 applies, the income of a member of an association of persons chargeable under the head “Income from Business” for a tax year shall include –

.....

Proposed Amendment

“Shall be Omitted”

Comments: The is a consequential amendment due to change in the method of assessment of AOP’s formed by Professional who are prohibited from incorporating by any law or the rules of the body regulating the profession.

Disposal Of Business By Individual To Wholly-Owned Company

SECTION 95(2)

Existing	Proposed Amendment
In the case of stock-in-trade valued for tax purposes under sub-section (4) of section 35 at fair market value, that value; or	In clause (b), in sub-clause (ii), the words “at fair market value” shall be omitted;
Comments: It is an editorial amendment as a consequence of change in other section.	

Disposal Of Business By Association Of Persons To Wholly-Owned Company

SECTION 96(2)

Existing	Proposed Amendment
In the case of stock-in-trade valued for tax purposes under sub-section (4) of section 35 at fair market value, that value; or	in clause (b), in sub-clause (ii), the words “at fair market value” shall be omitted;
Comments: It is an editorial amendment as a consequence of change in other section.	

Disposal Of Asset Between Wholly-Owned Companies

SECTION 97(2)

Existing	Proposed Amendment
In the case of stock-in-trade valued for tax purposes under sub-section (4) of section 35 at fair market value, that value; or	In clause (b), in sub-clause (ii), the words “at fair market value” shall be omitted;
Comments: It is an editorial amendment as a consequence of change in other section.	

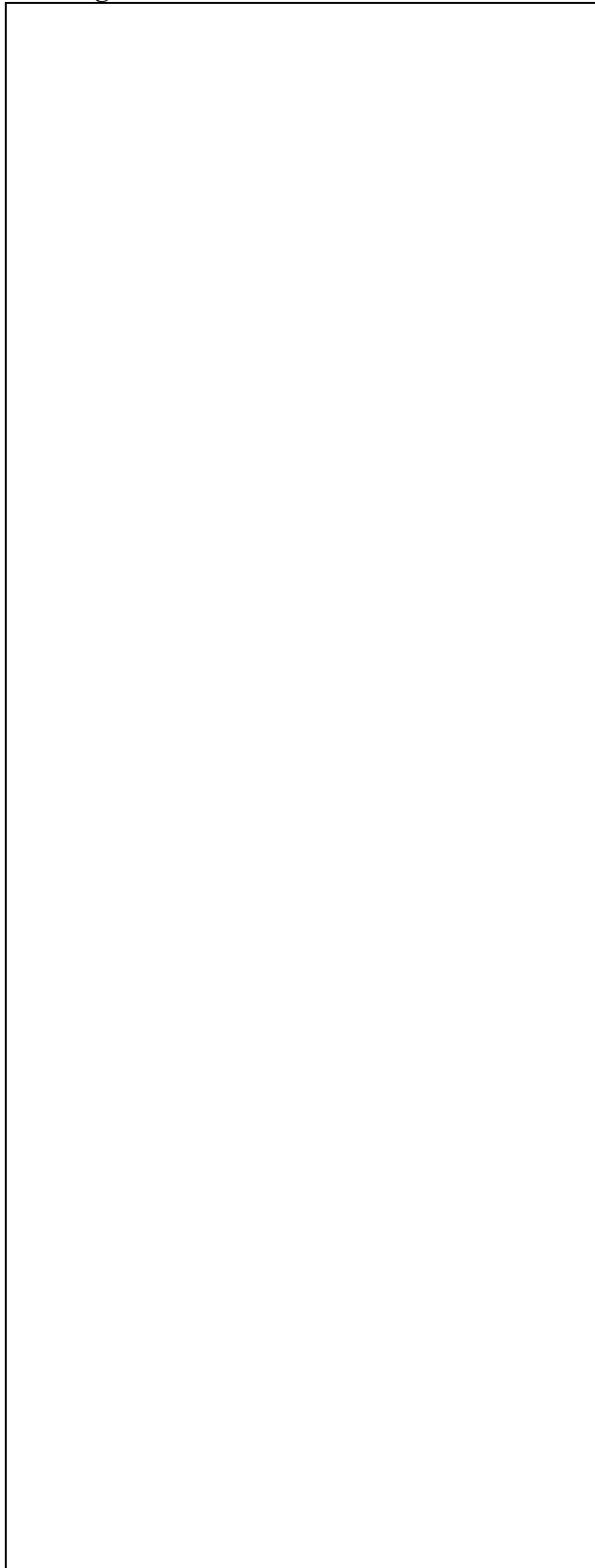
Disposal Of Asset Under A Scheme Of Arrangement And Reconstruction

SECTION 97A

Existing	Proposed Amendment
<p style="text-align: center;">“New Section shall be added”</p>	<p>(1) No gain or loss shall be taken to arise on disposal of asset from one company (hereinafter referred to as the “transferor”) to another company (hereinafter referred to as the “transferee”) by virtue of operation of a Scheme of Arrangement and Reconstruction under sections 282L and 284 to 287 of the Companies Ordinance, 1984 (XLVII of 1984) or section 48 of the Banking Companies Ordinance, 1962 (LVII of 1962), if the following conditions are satisfied, namely:-</p> <p>(a) the transferee must undertake to discharge any liability in respect of the asset acquired;</p> <p>(b) any liability in respect of the asset must not exceed the transferor’s cost of the asset at the time of the disposal;</p>

Disposal Of Asset Under A Scheme Of Arrangement And Reconstruction

SECTION 97A



- (c) the transferee must not be exempt from tax for the tax year in which the disposal takes place; and
 - (d) scheme is approved by the High Court, State Bank of Pakistan or Securities and Exchange Commission of Pakistan, as the case may be, on or after first day of July, 2007.
- (2) No gain or loss shall be taken to arise on issue, cancellation, exchange or receipt of shares as a result of scheme of arrangement and reconstruction under sections 282L and 284 to 287 of the companies Ordinance, 1984 (XLVII of 1984) or section 48 of the Banking Companies Ordinance, 1962 (LVII of 1962) and approved by:
- (i) the High Court;
 - (ii) State Bank of Pakistan; or
 - (iii) Securities and Exchange Commission of Pakistan, as the case may be, on or after first day of July, 2007.
- (3) Where sub-section (1) applies –
- (a) the asset acquired by the transferee shall be treated as having the same character as it had in the hands of the transferor;
 - (b) the transferee's cost in respect of acquisition of the asset shall be-
 - (i) in the case of a depreciable asset or amortised intangible, the written down value of the asset or intangible immediately before the disposal;
 - (ii) in the case of stock-in-trade valued for tax purposes under sub-section (4) of section 35 that value; or
 - (iii) in any other case, the transferor's cost at the time of the disposal;
 - (c) If, immediately before the disposal, the transferor has deductions allowed under sections 22, 23 and 24 in respect of the asset

Disposal Of Asset Under A Scheme Of Arrangement And Reconstruction

SECTION 97A

transferred which have not been set off against the transferor's income, the amount not set off shall be added to the deduction allowed under those sections to the transferee in the tax year in which the transfer is made.

(4) In determining whether the transferor's deductions under sections 22, 23 or 24 in respect of the asset transferred have been set off against income for the purposes of clause (c) of sub-section (2), those deductions shall be taken into account last.

(5) Where sub-section (2) applies and the shares issued vested by virtue of the Scheme of Arrangement and Reconstruction under sections 282L and 284 to 287 of the Companies Ordinance, 1984 (XLVII of 1984) or section 48 of the Banking Companies Ordinance, 1962 (LVII of 1962) and approved by the Court or State Bank of Pakistan or Securities and Exchange Commission of Pakistan as the case may be, are disposed of, the cost of shares shall be the cost prior to the operation of the said scheme.”;

Comments: This proposed new section seeks to make disposal of assets from one company to another company a non taxable event, if such disposal will be effected through a Scheme of Arrangement and Reconstruction under the provisions of the Companies Ordinance, 1984 or the Banking Companies Ordinance, 1962. The section also proposes following conditions for the disposal to be non-taxable event:

- (i) the transferee must undertake to discharge liabilities (not exceeding transferor's cost of the asset), if any, in respect of the asset;
- (ii) the transferee must not be exempt from tax for the tax year in which the disposal takes place; and
- (iii) the scheme must be approved by the High Court, State Bank or SECP, as the case may be, on or after July 1, 2007.

It may be noted that the amendment proposes that the asset will retain its character in the hand of the transferee and it will have same value for tax purposes as it had in the hand of transferor.

The proposed section also seeks to render issue, cancellation, exchange or receipt of shares as a result of the Scheme of Arrangement and Reconstruction as non-taxable event if the scheme is be approved by the High Court, SBP or SECP, as the case may be, on or after July 1, 2007. If the shares are subsequently disposed of, the cost of shares will be the cost prior to operation of the scheme.

Existing	Proposed Amendment
<p>“New Section shall be added”</p>	<p>(1) Subject to sub-section (2), the income, profits and gains of any banking company as defined in clause (7) of section 2 and tax payable thereon shall be computed in accordance with the rules in the Seventh Schedule.</p> <p>(2) Sub-section (1) shall apply to the profits and gains of the banking companies relevant to tax year 2008 and onwards.”;</p>
<p>Comments: The amendment proposes to lay down separate rules in a new Schedule (replaced Seventh Schedule) for computation of profits and gains of banking companies which would be applicable from tax year 2008 onwards. Salient features of the proposed new Seventh Schedule to the Income Tax Ordinance, 2001 are:</p> <ul style="list-style-type: none"> (i) The banking company will be entitled to depreciation, initial, allowance, and amortization in accordance with Section 22, 23 and 24. (ii) Provisions for classified advances and off balance sheet items shall be allowed, if claimed in accounts and certified by the external auditors that they are in line with Prudential Regulations (PR). (iii) The amount claimed as expense on account of ‘irrecoverable debts’ classified as “sub-standard” under PR would not be allowed. Whereas, if such deductions will be later reclassified as ‘doubtful’ or ‘loss’ under the PR or reclassified as ‘recoverable’ than the deduction would be allowed later. (iv) Any adjustment in accounts to comply with IAS 39 and 40 will be excluded during the computation of income. (v) If any liability for expenditures allowed is not be paid within three years from the date of its allowance, the unpaid liability will be chargeable to tax in the first year after the three years. However, on subsequent payment of such liability, these will be allowed. (vi) Loss on sale of shares of listed companies will only be adjusted against gain on sales of share of listed companies. (vii) Any special treatment for ‘Shariah Compliant Banking’ approved by SBP will not be provided for any reduction or addition to the income and income under normal accounting principles will be taken for calculation of chargeable income. (viii) Head Office Expenditure will be allowed in proportion of gross receipts in Pakistan to world gross receipts, only if these are charged in the accounts. (ix) The banking companies will pay advance tax in twelve equal installments which will be due on 15th of every month. (x) Provisions of withholding tax would not be applicable to the banking companies. (xi) Tax rate for business income would be 35% while for dividends and capital gains the rate would be 10%. However, if shares are disposed of within one year of their acquisition then these gains will be taxed at 35%. (xii) Provisions of Section 113 for minimum tax will be applicable to the banking companies. (xiii) Exemptions and concessions under Second Schedule will not apply to a banking company. (xiv) The provisions of group relief laid down in Section 59B will only apply if the holding 	

Special Provisions Relating To Banking Business.-

SECTION 100A

	and subsidiaries companies are banking companies.
(xv)	The banking companies will be able to avail benefits of Section 59AA after approval of SBP.

Tax On Income Of Certain Persons

SECTION 113A(3)

Existing	Proposed Amendment
The tax paid under this section shall be a final tax on the income arising from the turnover as specified in sub-section (2).]	For the brackets and figure “(2)”, the brackets and figure “(1)”, shall be substituted and after full stop, the words “The retailer shall not be entitled to claim any adjustment of withholding tax collected or deducted under any head during the year.” shall be inserted;
<p>Comments: A retailer, being an individual or an AOP, with annual turnover up to Rs. 5 million may opt for payment of tax as final tax under this section. Until now the Retailers were allowed adjustment of withholding tax from their final tax liability. The bill seeks to disallow any claim for adjustment of withholding tax collected or deducted under any head during the year while computing his final tax liability under the Section. The bill also seeks to reduce tax rate from 0.75% of the turnover to 0.50% of the turnover.</p>	

Tax On Income Of Certain Retailers

SECTION 113B

Existing		
Subject to this Ordinance, a retailer being an individual or association of persons,-		
(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,		
Shall pay final tax at the rate of one per cent of turnover for a tax year which shall form part of single stage sales tax at the rate of three per cent of the declared turnover as envisaged in the aforesaid rules.		
Proposed Amendment		
(i) for the words “rate of one per cent of turnover for a tax year”, the words “following rates” shall be substituted;		
(ii) the words “at the rate of three per cent of the declared turnover”, shall be omitted; and		
(iii) for the full stop at the end, a colon shall be substituted.		
S.No.	Amount of turnover	Rate of tax
1.	Where turnover exceeds Rs.5,000,000	Rs.25,000 plus 0.5% of the

Tax On Income Of Certain Retailers**SECTION 113B**

	but does not exceed	turnover exceeding
2.	Rs.10,000,000 Where turnover exceeds Rs.10,000,000 Rs.10,000,000.	Rs.5,000,000 Rs. 50,000 plus 0.75% of the turnover exceeding
(iv)	The retailer shall not be entitled to claim any adjustment of withholding tax collected or deducted under any head during the year”	
Comments: A retailer, an individual or an AOP, with annual turnover in excess of Rs. 5 million and who is subject to special procedures for payment of sales tax under Chapter III of the Special Procedures Rules, 2006 are, until now, required to pay 1% of the turnover as final income tax which forms part of single stage sales tax . The proposed amendment seeks to prescribe different slab rates, depending upon his annual turnover, for final tax against 1% of the turnover. The retailer would not be able to claim any adjustment for withholding tax collected or deducted under any head during the year while computing his final tax liability under this Section.		

Return of Income**SECTION 114(2A)**

Existing	Proposed Amendment
A return of income filed electronically on the web or any magnetic media or any other computer readable media as may be specified by the Board shall also be deemed to be a return for the purpose of sub-section (1); and the Board may, by notification in the official Gazette, make rules for determining eligibility of the data of such returns and e-intermediaries who will digitise the data of such returns and transmit the same electronically to the Income Tax Department under their digital <u>signatures</u> .	After the word “signatures”, the words and comma “and other matters relating to electronic filing of returns, statements or documents etc.” shall be inserted;
Comments: The amendment is procedural in nature and seeks to broaden the applicability .	

Wealth Statement**SECTION 116 (1) & (2)**

Existing	Proposed Amendment
(1) <u>Subject to subsection (2)</u> , the Commissioner may, by notice in writing, require any person to furnish, on the date specified in the notice, a statement (hereinafter referred to as the "wealth statement") in the prescribed form and verified in the prescribed manner giving particulars of – (a) the person’s total assets and liabilities as on the date or dates specified in such notice;	For the words, brackets, figure, comma and word “subject to sub-section (2), the” the word “ <u>The</u> ” shall be substituted; and After the word “income” occurring for the second time, the words “ <u>or the declared income for the year</u> ” shall be inserted;

Wealth Statement**SECTION 116 (1) & (2)**

- (b) the total assets and liabilities of the person's spouse, minor children, and other dependents as on the date or dates specified in such notice;
- (c) 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; and
- (d) 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.
- (2) Every resident taxpayer filing a return of income for any tax year whose last declared or assessed income, is five hundred thousand rupees or more shall furnish a wealth statement for that year along with such return.

Comments:**Appointment of the Appellate Tribunal****SECTION 130(4)****Existing**

A person may be appointed as an accountant member of the Appellate Tribunal if the person is an officer of the Income Tax Group equivalent in rank to that of a Regional Commissioner² [].

Proposed Amendment

After the word "Commissioner" the words "or Commissioner of Income Tax or Commissioner of Income Tax (Appeals) having at least five years experience as a Commissioner" shall be inserted;

Comments: After the proposed amendment, an officer of income tax group of the rank of commissioner or commissioner of income tax (appeals) will, in addition to Regional Commissioner, be eligible to be appointed as accountant member of ITAT.

Advance Tax Paid By The Taxpayer**SECTION 147(4A)****Existing**

"New Sub-Section shall be added"

Proposed Amendment

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

Comments: This proposed new sub-section seeks to clarify that minimum tax paid under Section 113 needs to be taken into account while estimating advance tax liability.

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Imports

SECTION 148(2)

Existing	Proposed Amendment
<p>This section shall not apply to –</p> <p>(a) the re-importation of re-usable containers for re- export qualifying for customs-duty and sales tax exemption on temporary import under the Customs Notification No. S.R.O. 344(1)/95, dated the 25th day of April, 1995; or</p> <p>(b) the importation of the following petroleum products – “Motor Spirit (MS), Furnace Oil (FO), JP-1 and MTBE”</p>	<p>Nothing contained in sub-section (1) shall apply to any goods or class of goods or persons or class of persons importing such goods or class of goods as may be specified by the Central Board of Revenue.”;</p>
<p>Comments: The amendment proposes to allow Central Board of Revenue to specify goods or class of goods or persons or class of persons importing such goods or class of goods to which Section 148 will not be applicable. The provisions of this section currently do not apply to (1) re-importation of re-usable containers for re-export, and (2) importation of certain petroleum products.</p>	

Imports

SECTION 148 (3) & (4)

Existing	Proposed Amendment
<p>Where a manufacturer imports raw materials (other than edible oils) exclusively for the manufacturer’s own use, the Commissioner may certify a reduction (of up to ³[seventy five] per cent) of the rate of advance tax applicable under this section if the aggregate of tax paid or collected in a tax year equals the amount of tax paid by the manufacturer in the immediately preceding year.</p> <p>Notwithstanding the provisions of sub-section (3), a person being a manufacturer who is liable to pay advance tax under section 147, imports raw materials (other than edible oils) exclusively for his, or as the case may be, its own use, the Commissioner shall upon application in writing by such person, issue an exemption certificate effective from the date on which the certificate is issued to the 30th day of June next falling:</p>	<p>“Shall be omitted”</p>

Imports**SECTION 148 (3) & (4)**

Provided that where the person to whom an exemption certificate has been issued fails to pay any installment due, the Commissioner may cancel the certificate.]

Comments: The proposed amendment seeks to remove the powers of Commissioner to allow certificate of reduction in tax rate for the purposes of Section 148 and exemption certificate from the operation of this section to manufacturers who is importing raw material for his own use and either has paid tax aggregating to his tax liability in the preceding year or is liable to pay advance tax and is paying the tax on due dates.

Imports**SECTION 148(4A)****Existing**

Where, in the case of a person being a manufacturer importing raw materials (other than edible oils) exclusively for his or, as the case may be, its own use, the Commissioner is satisfied that the income of the person during the tax year is exempt from tax or such person is not likely to pay any tax (other than tax under section 113) on account of depreciation ⁴[] or brought forward loss, the Commissioner shall, upon application in writing made by such person, issue the person certificate of exemption from the tax collectable under section 148] ⁵[.]

Proposed Amendment

“Where, in the case of a person (other than covered by PTR), the Commissioner is satisfied that such person is not likely to pay any tax (other than tax under section 113), the Commissioner shall, upon application in writing made by such person, issue the person certificate of exemption from the tax collectable under section 148;

Comments: The bill seeks to replace this sub-section, after which the Commissioner will have the power to grant exemption from provisions of Section 148 to any person (who is not covered under PTR/FTR) if he is satisfied that the said person would not be liable to tax other than minimum tax under Section 113.

Imports**SECTION 148(7) (c) & (d)****Existing**

Cars in CBU condition by manufacturer of cars.]

Proposed Amendment

for the word “car” occurring twice, the words “motor vehicles” shall be substituted; and

large import houses, who-

- (i) have paid-up capital of exceeding Rs.100 million;
- (ii) have imports exceeding Rs.500 million during the tax year;
- (iii) own total assets exceeding Rs.100 million at

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

<p>“New Sub Clause shall be added”</p>	<p>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) made sales to only Sales Tax registered persons.”; and</p>
<p>Comments: This proposed new clause seeks to exclude large import houses from Final Tax Regime. The large import houses would be those who:</p> <ul style="list-style-type: none"> (i) have paid-up capital in excess of Rs. 100 million; (ii) have imports exceeding Rs.500 million during the tax year; (iii) own total assets exceeding Rs. 100 million at close of the tax year; (iv) a single object company; (v) maintaining computerized records of imports and sale of goods; (vi) maintaining a system for issuance of 100% cash receipts on sales; (vii) presenting accounts for tax audit every year; (viii) registered with Sales Tax Department; and (ix) make sales to only sales tax registered persons. 	

Imports**SECTION 148(9)**

<p>Existing</p> <p>“value of goods” means the value of the goods as determined under section 25 of the Customs Act, 1969 (IV of 1969), as if the goods were subject to <i>ad valorem</i> duty increased by the customs-duty and sales tax, if any, payable in respect of the import of the goods ⁶[; and]</p>	<p>Proposed Amendment</p> <p>An the definition of “value of goods” after the words “customs-duty”, the comma and the words “, Federal Excise Duty”, shall be inserted and shall be deemed always to have been so inserted and shall have effect accordingly;</p>
<p>Comments: The proposed amendment seeks to enhance the scope of value of goods to include Federal Excises Duty for the purposes of tax collection at the time of import of goods.</p>	

Salary**SECTION 149(1)**

<p>Existing</p> <p>Every employer paying salary to an employee shall, at the time of payment, deduct tax from the amount paid at the employee’s average rate of tax computed at the rates specified in Division I of Part I of the First Schedule on the estimated</p>	<p>Proposed Amendment</p> <p>(a) For the words “such adjustment” the words “adjustment of tax withheld from employee under other heads and tax credit admissible under sections 61, 62, 63 and 64 during the tax year after obtaining documentary evidence”</p>
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Salary**SECTION 149(1)**

income of the employee chargeable under the head “Salary” for the tax year in which the payment is made after making such adjustment, as may be necessary, for any excess deduction or deficiency arising out of any previous deduction or failure to make a deduction during the year.

- shall be substituted;
- (b) after the word “for”, occurring for the second time, a colon shall be inserted; and
- (c) for the words “any excess deduction or deficiency arising out of any previous deduction or failure to make a deduction during the year” the following shall be substituted, namely:-
- (i) tax withheld from the employee under this Ordinance during the tax year;
 - (ii) any excess deduction or deficiency arising out of any previous deduction; or
 - (iii) failure to make deduction during the year;”;

Comments: The bill seeks to authorize employer to adjust tax credits admissible under the Income Tax Ordinance, 2001 in addition to tax withheld from employee under other heads while computing tax to be deducted at source from salary.

Payments For Goods And Services**SECTION 153(1A)****Existing**

Every exporter or an export house making a payment in full or part including a payment by way of advance to a resident person or permanent establishment in Pakistan of a non-resident person for the rendering of or providing of services of stitching, dying, printing, embroidery, washing, sizing and weaving, shall at the time of making the payment, deduct tax from the gross amount payable at the rate specified in Division IV of Part III of the First Schedule.]

Proposed Amendment

“Shall be omitted”

Comments: The amendment seeks to remove this sub-section which charges tax under Final Tax Regime the income of organizations providing services of stitching, dying, printing, embroidery, washing, sizing, and weaving to exporters or export houses.

Payments For Goods And Services**SECTION 153(4)****Existing**

The Commissioner may, on application made by the recipient of a payment referred to in sub-section (1) or (3) and after making such enquiry as the Commissioner thinks fit, allow, by order in writing, any person to make the payment without deduction of tax.

Proposed Amendment

“Shall be omitted”

Payments For Goods And Services

SECTION 153(4)

Comments: The power of the Commissioner to issue exemption certificate under this section has been with drawn.

Payments For Goods And Services

SECTION 153(5bb)

Existing

“New Sub Clause shall e added”

Proposed Amendment
“A cotton ginner who deposits in the Government Treasury, an amount equal to the amount of tax deductible on the payment being made to him, and evidence to this effect is provided to the “prescribed person;”;

Comments: After the proposed new clause, provisions of Section 153 for collection of tax while making payments for goods will not apply to a cotton ginner depositing an amount equal to tax deductible on the payment being mad to him.

Payments For Goods And Services

SECTION 153(6)

Existing
The tax deducted under this section shall be a final tax on the income of a resident person arising from transactions referred to in sub-section (1) or (1A):

Provided that sub-section (6) shall not apply to companies in respect of transactions referred to in clause (b) of sub-section (1).]

Proposed Amendment
In the proviso, 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 this sub-section shall not apply to payments received on account of-
(i) advertisement services, by owners of newspapers and magazines;
(ii) sale of goods and execution of contracts by a public company listed on a registered stock exchange in Pakistan.”;

Comments: The proposed proviso will result into exclusion from final tax regime of payments received on account of (1) advertisement services, by owners of newspapers and magazines; and (2) sales of goods and execution of contract by a listed company.

Payments For Goods And Services

SECTION 153(6B)

Existing

“New Sub-Section shall be added”

Proposed Amendment
“The provisions of sub-section (6) in so far as they relate to payments on account of sale of goods from which tax is deductible under this section shall apply on account of an individual and AOP. This sub-section shall be applicable from tax year 2007”; and

Comments:

Payments For Goods And Services**SECTION 153(8A)****Existing**

Every person from whom tax is being collected under this section shall disclose his National Tax Number to the withholding agent. In case of there being no National Tax Number (NTN), Computerized National Identity Card Number (CNIC) shall be provided. Where a person fails to disclose his NTN or CNIC number, as the case may be, at the time of collection or deduction of tax, the rate of withholding tax shall be two per cent over and above the rates specified in Division III of Part III of the First Schedule;

Proposed Amendment

“Shall be omitted”

Comments: The proposed amendment seeks withdrawal of 2% withholding tax over and above the prescribed rate for tax collection under Section 153 if a person receiving the payment does not provide his NTN or CNIC number.

Exports**SECTION 154(4)****Existing**

The tax deducted under this section shall be a final tax on the income arising from the export or sale to an exporter.

Proposed Amendment

For the words “export or sale to an exporter” the words “transactions referred to in this section” shall be substituted;

Comments: This amendment seeks to broaden the scope of this section and includes all transactions referred to in this section subject to tax deduction.

Tax Collected Or Deducted As A Final Tax**SECTION 169(3)****Existing**

Where all the income derived by a person in a tax year is subject to final taxation under the provisions referred to in sub-section (1) or under sections 5, 6 and 7, ⁷[an assessment shall be treated to have been made under section 120 and] the person shall not be required to furnish a return of income under section 114 for the year.

Proposed Amendment

After the figure “5”, the brackets, words, figure and letter “(other than inter-corporate dividend within group companies as referred in section 59B)” shall be inserted;

Comments: The bill proposes to exclude inter-corporate dividends within group companies from the final tax regime.

National Tax Number [Certificate]**SECTION 181(3)****Existing**

The Commissioner having jurisdiction over an applicant under sub-section (1) may after examination of all relevant documents and evidence, and after satisfying himself of the genuineness of the application, may direct issuance of the National Tax Number [Certificate] for a period prescribed by Commissioner.

Proposed Amendment

For the full stop, at the end, a colon shall be substituted and thereafter the following proviso shall be added, namely:- “Provided that the Board may in the case of individuals allow use of Computerized National Identity Card in place of National Tax Number.”;

Comments: The amendment seeks to allow individuals to use their CNIC number in place of their National Tax Number.

Purchase Of Motor Cars**SECTION 231B****Existing**

“New Section shall be added”

Proposed Amendment

Every manufacturer or authorized dealer of motor cars shall at the time of sale of a motor car, collect advance tax at the rate specified in Division VIII of Part IV, of the First Schedule.

Comments: Through the proposed insertion of this section, the bill seeks to require manufacturers or authorized dealers of motor cars to collect advance tax at the time of sale of a car @ 5% of the gross amount. Such advance tax would not be collectible from Federal Government, or a Provincial Government, or a foreign diplomat or diplomatic mission in Pakistan.

CNG Stations**SECTION 234A****Existing**

“New Section shall be added”

Proposed Amendment

There shall be collected advance tax at the rate specified in Division VII of Part IV of the First Schedule on the amount of gas bill of a Compressed Natural Gas station.

Comments: This new section proposes to collect tax as final tax on the income of CNG stations. The rate of tax would be 6% of the amount of gas bill.

Electricity Consumption**SECTION 235(4)****Existing**

“New Sub-Section shall be added”

Proposed Amendment

“The tax collected under this section 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

Electricity Consumption**SECTION 235(4)**

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collected is in excess of the amount for which the taxpayer is chargeable under this Ordinance in the case of a company.”;

Comments: The bill seeks to insert this new sub-section which proposes that the tax collected on the amount of electricity bills will be minimum tax on the income of a person (other than a company) and seeks to disallow refund of tax collected under Section 235 unless the tax collected is in excess of the amount for which the taxpayer is chargeable under the Ordinance, if such person is a company.

Transition to Federal Board of Revenue**SECTION 239A**

Existing
“New Section shall be added”

Proposed Amendment
Any reference to the Central Board of Revenue, wherever occurring, in this Ordinance and the rules made thereunder and Notifications, Orders, or any other instrument issued thereunder shall be construed as a reference to the Federal Board of Revenue on the commencement of the Federal Board of Revenue Act, 2007.”;

Comments: The proposed amendment seeks to give effect to the provisions of Federal Board of Revenue Act, 2007.

**THE FIRST SCHEDULE
PART I****Rate Of Tax On Certain Persons****Division 1A**

Proposed Amendment
In Division IA, for the figure and sign “0.75%” the figure and sign “0.50%” shall be substituted;
Comments: Minimum tax livable on retailers reduced to 0.5% of the turnover.

Rate of Tax for Companies**Division II Clause (i)**

Proposed Amendment
The rate of tax imposed on the taxable income of a company for the tax year 2007 and onward shall be 35%”;
Comments: Corporate tax rate fixed at 35%

Rate of Dividend Tax**Division III**

Proposed Amendment
After the words “shall be”, the figure, sign and full stop “10%.” shall be inserted; and clauses (a) and (b) shall be omitted;
Comments: Rate of tax on dividend is now fixed @ 10% for all persons

PART II

Rate of Advance Tax

Proposed Amendment
For the figure “6” the figure “5” shall be substituted; and after the word “good”, the words “including polyester filament yarn” shall be added;
Comments: Rate of tax at import stage has been reduced to 5% of the value of goods including polyester filament yarn.

PART III

Payment for Goods or Services	Division (iii) Clause (2)
Proposed Amendment	
The rate of tax to be deducted from a payment referred to in clause (b) of sub-section (1) of section 153 shall be – (i) in the case of transport services, two per cent of the gross amount payable; or (ii) in any other case, six per cent of the gross amount payable.	
Comments: A reduced rate of 2% on transport services has been proposed for collection under the Section 153.	

Exports	Division (iv) Clause (1)
Proposed Amendment	
The rate of tax to be deducted under sub-section (1), (3), (3A) or (3B) of section 154 shall be 1% of the proceeds of the export.”;	
Comments: The rate of with holding tax under Section 154 is being fixed @ 1% for all types of goods.	

CNG Station	Division (VIB)
Proposed Amendment	
The rate of tax to be collected under section 234A in the case of a Compressed Natural Gas station shall be six per cent of the gas consumption charges.”;	
Comments: CNG stations would be liable to 6% advance tax.	

Purchase of Motor Cars	Division (VIII)
Proposed Amendment	
The rate of tax to be collected under section 231B shall be 5 per cent of the gross amount payable for the purchase of motor vehicle.”;	
Comments: 5% advance tax would be payable at the time of purchase of cars.	

THE SECOND SCHEDULE – Exemptions and Tax Concessions

PART I

	Clause 57 Sub-Clause(2)
Proposed Amendment	
After the word “trust” occurring for the first time, the words “or Private Equity and Venture Capital	

Fund” shall be inserted;

Comments: Income of Private Equity and Venture Capital Fund would be exempt from tax if it will distribute 90% of its income to its unit-holders.

Clause 66 Sub-Clause (xviii)

Proposed Amendment

Micro Finance Banks for a period of five years starting from first day of July 2007

Comments: Income of Micro Finance Banks for a period of five years starting from July 1, 2007 would be exempt from tax, if these banks will not be distributing dividends to their shareholders during the period and their profits will be utilized for their operations.

Clause 99

Proposed Amendment

After the word “income” occurring for the first time the words “except income arising from Continuous Funding System (CFS)” shall be inserted; and

Comments: The income arising from Continuous Funding System (CFS) by mutual fund excluded from the preview of exempt income.

Clause 99A

Proposed Amendment

Profits and gains accruing to a person on sale of immovable property to a Real Estate Investment Trust upto thirtieth day of June, 2010.”;

Comments: Profits and gains accruing to a person on sale of immovable property to a Real Estate Investment Trust up to June 30, 2010 will be exempt from tax.

Clause 101

Proposed Amendment

After the figure “2000” occurring for the second time, the words “and a Private Equity and Venture Capital Fund” shall be added;

Comments: The profits and gains derived between July 1, 2000 and June 30, 2014 by a Private Equity and Venture Capital Fund will be exempt.

Clause 103

Proposed Amendment

After the figures “2003” the words “or a Private Equity and Venture Capital Fund” shall be inserted;

Comments: Any distribution received by a tax payer from a Private Equity and Venture Capital Fund on which tax has already been paid will be exempt from tax.

Clause 110

Proposed Amendment

For the figures “2007”, the figures “2008” shall be substituted;

Comments: Capital gains on modaraba certificates or any investment o redeemable capital as defined in the Companies Ordinance, shares of public limited companies listed on any Stock Exchange in

Pakistan or shares a public company and PTCL Vouchers issued by government of Pakistan will be exempt up to tax year 2008.

Clause 110A & 110B

Proposed Amendment

Any gain on transfer of a capital asset of the existing stock exchanges to new corporatized stock exchange, in the course of corporatization of an existing stock exchange.

Any gain on transfer of a capital asset, being a membership right held by a member of an existing stock exchange, for acquisition of shares and trading or clearing rights acquired by such member in new corporatized stock exchange in the course of corporatization of an existing stock exchange.”;

Comments: These new provisions seek to cater for the gain in the event of corporatization of exchanges. All such gains will be exempt from tax.

Clause 132

Proposed Amendment

After second proviso amended as aforesaid, the following new proviso shall be added, namely:-
“Provided further that the exemption under this clause shall be available to companies registered in Pakistan or Azad Jammu and Kashmir owning and managing Hydel Power Projects, set up in Azad Jammu and Kashmir or Pakistan.”;

Comments: Income of Companies registered in Azad Jammu and Kashmir or Pakistan engage in Hydel Power Projects will be exempt.

Clause 133A

Proposed Amendment

For the figures “2007” the figures “2008” shall be substituted;

Comments: Exemption for conversion to corporate member by the individual members has been extended to 2008.

IN PART II

REDUCTION IN TAX RATE

Clause 3A

Proposed Amendment

The tax in respect of income from construction contracts out side Pakistan shall be charged at the rate of one per cent of the gross receipts provided that such income is brought into Pakistan in foreign exchange through normal banking channel.”;

Clause 5A & 5B

Proposed Amendment

The rate of withholding tax in respect of payments for profit on debt payable to a non-resident person, having no permanent establishment in Pakistan, shall be the rate as provided in Avoidance of Double Taxation Treaty of the respective country of the non-resident.

The tax in respect of capital gains derived by a person from the sale of shares or assets by a private limited company to Private Equity and Venture Capital Fund shall be charged at the rate of ten per cent of such gains.”;

Clause 13**Proposed Amendment**

Tax under section 148 shall be collected at the rate of 1% on imports of capital goods and raw material (other than polyester filament yarn) imported exclusively for its own use by a manufacturer registered with Sales Tax Department.”;

Clause 13H (iv)**Proposed Amendment**

after the word “duty” comma and words “Federal Excise Duty” shall be inserted; and edible oils including crude oil imported as raw material for manufacture of ghee or cooking oil;

PART IV**Clause 11(ii)****Proposed Amendment**

After the “fund” the word “and Private Equity and Venture Capital Fund” shall be inserted;

Comments: The provisions of Section 113 regarding minimum tax would not be applicable to above referred fund.

Clause 33**Proposed Amendment**

After the figure “2006” occurring for the last time, the words “or a Private Equity and Venture Capital Fund” shall be added;

Comments: The provisions of Section 151 (Profit on Debt) and Section 233 (Brokerage & Commission) regarding the collection / deduction of tax at source would not be applicable to a Private Equity and Venture Capital Fund.

Clause 41B**Proposed Amendment**

The provisions of sub-section (2) of section 152 shall not apply in respect of payments to foreign news agencies, syndicate services and non-resident contributors, who have no permanent establishment in Pakistan.

Comments: Self –explanatory.

Clause 43A**Proposed Amendment**

After the word “person” appearing for the first time, the words “including Permanent Establishment of Non-resident Petroleum Exploration and Production (E&P) Companies” shall be inserted;

Comments: The provisions of Section 153 (1) shall not be applicable to a Permanent Establishment of Non-resident Petroleum Exploration and Production (E&P) Companies regarding collection of tax from payments for goods.

Clause 43B**Proposed Amendment**

“The provisions of clause (a) sub-section (1) of section 153 shall not apply to payments received on sale of air tickets by traveling agents who have paid withholding tax on their commission income.”;

Comments: Self –explanatory.

Clause 47B

Proposed Amendment

After the figures “2006” the words “or a Private Equity and Venture Capital Fund” shall be added;

Comments: The provisions of Section 150, 151 and 233 shall not apply to above-referred fund.

Clause 56(xxii) (xxiii) (xxiv) & (xxv)

Proposed Amendment

“Capital goods and raw material imported by manufacturer exporter registered with Sales Tax Department as a manufacturer Petroleum (E&P) companies covered under SRO.678(I)2004 dated 07.08.2004 except motor vehicles imported by such Companies importing high speed diesel oil, light diesel oil, high octane blending component or motor spirit, furnace oil, JP-1, MTBE, kerosene oil, crude oil for refining and chemical use in refining thereof in respect of such goods; and The re-importation of re-usable containers for re-export qualifying for customs-duty and sales tax exemption on temporary import under the customs Notification No. S.R.O. 344(I)/95 dated the 25th day of April, 1995.”;

Comments: The provisions of Section 148 regarding tax at the time of imports will not be applicable to above referred items.

Clause 57A

Proposed Amendment

The provisions of section 153 and 169 shall not apply to large import houses:
Provided that the exemption under this clause shall not be available if any of the conditions provided in section 148 are not fulfilled for a tax year;

Comments: Self – explanatory.

SALES TAX ACT, 1990

Definitions

Cottage Industry

SECTION 2(5AB)

Existing	Proposed Amendment
<p>“New Clause Shall be Added”</p>	<p>“Cottage industry” means a manufacturer whose annual turnover from taxable supplies made in any tax period during the last twelve months ending any tax period does not exceed five million rupees or whose annual utility (electricity, gas and telephone) bills during the last twelve months ending any tax period do not exceed six hundred thousand rupees;”.</p>
<p>Comments: The small industry is define as cottage industry whose annual turnover in any tax period is less than Rs.5,000,000 or utility expenses of the same period is less than Rs.600,000.</p>	

Input tax

SECTION 2(14)(e)

Existing	Proposed Amendment
<p>“New Sub-Clause Shall be Added”</p>	<p>Levied under the Punjab Sales Tax Ordinance, 2000 (Pb. Ord II of 2000), North West Frontier Province Sales Tax Ordinance, 2000 (III of 2000), Sindh Sales Tax Ordinance, 2000 (VIII of 2000), Balochistan Sales Tax Ordinance, 2000 (I of 2000) and Islamabad Capital Territory (Tax on Services) Ordinance, 2000 (XLII of 2000);”;</p>
<p>Comments: The proposed amendment seeks to further elaborate the definition of input tax to cover the tax charged under provincial ordinances.</p>	

Output tax

SECTION 2(20)(i)(ii) & (iii)

Existing	Proposed Amendment
<p>In relation to any registered person means the tax charged under this Act in respect of a supply of goods made by that person and shall include duties of excise chargeable under section 3 of the Central Excises Act, 1944 (I of 1944) on such excisable goods or services as are notified by the Federal Government under the third proviso to sub-section (1) thereof and on which such duties are charged, levied and paid as if it were a tax payable under section 3 of this Act;</p>	<p>In relation to any registered person means–</p> <ul style="list-style-type: none"> (i) the tax charged under this Act in respect of a supply of goods made by that person; (ii) duties of excise chargeable under section 3 of the Federal Excise Act, 2005, on such excisable goods or services as are mentioned in the Second Schedule or services as are specified by the Federal Government under section 7 thereof and on which such duties are charged, levied and paid as it were a tax payable under section 3 of this Act ; and (iii) the tax levied under the Punjab Sales Tax Ordinance, 2000 (Pb. Ord II of 2000), North West Frontier Province Sales Tax Ordinance, 2000 (N.W.F.P. Ord III of 2000), Sindh Sales

Output tax**SECTION 2(20)(i)(ii) & (iii)**

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Tax Ordinance, 2000 (Sindh Ord. VIII of 2000), Balochistan Sales Tax Ordinance, 2000 (Bal. Ord. I of 2000) and Islamabad Capital Territory (Tax on Services) Ordinance, 2000 (XLII of 2000);”;
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Comments: The proposed amendment seeks to refer the duties of excise chargeable under section 3 of Federal Excise Act, 2005 instead of Section 3 of Central Excise Act, 1944.
Further elaborating the definition of output tax to cover the tax charged under provincial ordinances.

Tax fraud**SECTION 2(37)(iii)**

Existing
Falsifying the sales tax invoices,

Proposed Amendment
In item (iii), after the word “falsifying”, the words “or causing falsification” shall be inserted;

Comments: The proposed amendment seeks to further elaborate the definition of the term “Tax Fraud”.

Time of supply**SECTION 2(44)**

Existing
Means a supply shall be deemed to have taken place at the earlier of the time of delivery of goods or the time when any payment is received by the supplier in respect of that supply:
Provided further that –
(a) where any goods are supplied by a registered person to an associated person and the goods are not to be removed, the time of supply shall be the time at which these goods are made available to the recipient; and
(b) where the goods are supplied under hire purchase agreement, the time of supply shall be the time at which the agreement is entered into;

Proposed Amendment
A supply shall be deemed to have taken place at the time of delivery of goods by the supplier:
Provided that –
(a) where any goods are supplied by a registered person to an associated person and the goods are not to be removed, the time of supply shall be the time at which these goods are made available to the recipient; and
(b) where the goods are supplied under hire purchase agreement, the time of supply shall be the time at which the agreement is entered into”;

Comments: Currently, the time of supply for tax levy is taken to be earlier of actual time of delivery and receipt of advance against the supply. The amendment proposes to deem the time of supply to be the actual time of delivery

Zero rating**SECTION 4(d)**

Existing

Proposed Amendment
Such other goods as may be specified by the

Zero rating**SECTION 4(d)**

“New Sub-Clause Shall be Added”

Federal Board of Revenue through a general order as are supplied to a registered person or class of registered persons engaged in the manufacture and supply of zero-rated goods.”;

Comments: The proposed amendment seeks to amend section 4 to empower the Central Board of Revenue to zero rate export related supplies through a General Order.

Tax credit not allowed**SECTION 8(1)(a)****Existing**

The goods used or to be used for any purpose other than for the manufacture or production of taxable goods or for taxable supplies made or to be made by him;

Proposed Amendment

In clause (a), the words “for the manufacture or production of taxable goods or” shall be omitted.

Comments: All registered persons including manufacturer of taxable goods will not to be entitled to reclaim or deduct input tax on goods used or to be used otherwise for taxable supplies made or to be made by them.

Joint and several liability of registered persons in supply chain where tax unpaid**SECTION 8A****Existing**

Where a registered person receiving a taxable supply from another registered person is in the knowledge or has reasonable grounds to suspect that some or all of the tax payable in respect of that supply or any previous or subsequent supply of the goods supplied would go unpaid, such person as well as the person making the taxable supply shall be jointly and severally liable for payment of such unpaid amount of tax.

Proposed Amendment

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

“Provided that the Board may by notification in the official gazette, exempt any transaction or transactions from the provisions of this section.”;

Comments: The proposed amendment seeks to empower the Central Board of Revenue to exempt such transactions, as may be notified, from the provision of this section.

Adjustable input tax**SECTION 8B(1)&(2)****Existing****“New Clause Shall be Added”****Proposed Amendment**

Notwithstanding anything contained in this Act, in relation to a tax period, a registered person shall not be allowed to adjust input tax in excess of ninety per cent of the output tax for that tax period:

Provided that the tax charged on the acquisition of fixed assets shall be adjustable against the output tax in twelve equal monthly installments after the start of production of a new unit:

Adjustable input tax**SECTION 8B(1)&(2)**

Provided further that the Board may, by notification in the official Gazette, exclude any person or class of persons from the purview of subsection (1).

- (2) A registered person, subject to section (1), may be allowed adjustment of input tax inadmissible under sub-section (1) subject to the following conditions, namely:–
- (i) in the case of registered persons, whose accounts are subject to audit under the Companies Ordinance, 1984, upon furnishing a statement along with annual audited accounts, duly certified by the auditors, showing value additions less than the limit prescribed under sub-section (1) above; or
 - (ii) in case of other registered persons, subject to the conditions and restrictions as may be specified by the Board by notification in the official Gazette.
- (3) The adjustment of input tax mentioned in sub-section (2), if any, shall be made on yearly basis in the second month following the end of the financial year of the registered person.
- (4) Notwithstanding anything contained in sub-section (1) and (2), the Board may, by notification in the official Gazette, prescribe any other limit of input tax adjustment for any person or class of persons.
- (5) Any auditor found guilty of misconduct in furnishing the certificate mentioned in sub-section (2) shall be referred to disciplinary action under section 20D of Chartered Accountants, Ordinance, 1961.”;

Comments: The proposed amendment seeks to prescribe that:

Input tax in excess of 90% of out put tax for that tax period shall not be allowed. The remaining portion of input tax will allowed upon furnishing the statement along with the audited accounts duly certified by the auditors showing value addition less the limit prescribed on yearly basis in the 2nd month following the end of financial year.

Input tax related to acquisition of fixed assets shall be allowed as adjustment in 12 equal monthly installments after the start of production of new unit.

The Board may, by notification in the official Gazette, prescribe any other limit of input tax adjustment for any person or class of persons.

Any auditor found guilty of misconduct in furnishing the certificate mentioned in sub-section (2) shall be referred to disciplinary action

Refund of input tax**SECTION 10(1)****Existing**

- (1) Subject to the provisions of sub-section (2), if in relation to a tax period, the total deduction of input tax and other adjustments as specified in section 9 exceed the output tax, the excess amount shall be refunded to the registered person:

Provided that any excess amount of tax shall be refunded to the registered person subject to such conditions, restrictions and limitations as the Board may, by notification

Proposed Amendment

If the input tax paid by a registered person on taxable purchases made during a tax period exceeds the output tax on account of zero rated local supplies or export made during that tax period, the excess amount of input tax shall be refunded to the registered person not later than forty-five days of filing of refund claim in such manner and subject to such conditions as the Board may, by notification in the official Gazette specify:

Refund of input tax

SECTION 10(1)

in the official Gazette, specify:

Provided further that the Board may, by notification in the official Gazette, restrict or regulate the amount of refund claimed by a registered person as input tax credit to such extent and in such manner as it may specify therein.

- (2) Notwithstanding anything contained in subsection (1), the input tax incurred (****) shall be refunded not later than thirty days of filing of return in such manner and subject to such conditions as the Board may, by notification in the official Gazette, specify.
- (3) If a registered person is liable to pay any tax, default surcharge or penalty payable under any law administered by the Board, the refund of input tax shall be made after adjustment of unpaid outstanding amount of tax or, as the case may, default surcharge and penalty.
- (4) Where there is reason to believe that a person has claimed input tax credit or refund which was not admissible to him, the provisions regarding time limit shall not apply till the investigation, including the verification of the deposit of tax claimed as refund, is completed and the claim is either accepted or rejected.

Provided that the Board may, subject to such conditions and restrictions as it may impose, by notification in the official Gazette, prescribe the procedure for refund of excess input tax against other taxable supplies.

- (2) If a registered person is liable to pay any tax, default surcharge or penalty payable under any law administered by the Board, the refund of input tax shall be made after adjustment of unpaid outstanding amount of tax or, as the case may, default surcharge and penalty.
- (3) Where there is reason to believe that a person has claimed input tax credit or refund which was not admissible to him, the provisions regarding limitation of time shall not apply till the investigation, including the verification of the deposit of tax claimed as refund, is completed and the claim is either accepted or rejected.”

Comments: The proposed amendment seeks to allow refund within 45 days of the refund claim if the amount of input tax exceeds output tax on account of zero-rated local supplies or export made during the period. The Board will be empowered to make rules in this behalf. The refund will be paid after adjustment of any unpaid liability of tax from the refund allowed. It also proposes to empower CBR to defer the refund, where it has reason to believe that the refund is not admissible to the registered person.

Records

SECTION 22(1A)&(4)

Existing

Proposed Amendment

“Notwithstanding anything in any other law for the time being in force, the Board may require, by notification in the official Gazette, a registered person or class of registered persons to declare and use only as many number of business

Records**SECTION 22(1A)&(4)**

“New Sub-Section Shall be Added”

bank accounts as may be specified by the Board in such notification to make or receive payments on account of purchase and sale transactions for the purpose of this Act or rules made there under and to make payment of due tax from such accounts only.”; and

“The registered persons, whose accounts are subject to audit under the Companies Ordinance, 1984, shall be required to submit a copy of the annual audited accounts, along with a certificate by the auditors certifying the payment of due tax by the registered person.”;

Comments: The proposed amendment seeks to bind the registered persons to declare the business bank accounts to Central Board of Revenue and to submit audited accounts along with a certificate from the auditors regarding the payment of tax due, by the registered person.

Tax invoices**SECTION 23(4)****Existing**

“New Sub-Section Shall be Added”

Proposed Amendment

The Board may, by notification in the Official Gazette, prescribe the manner and procedure for regulating the issuance and authentication of tax invoices.”;

Comments: The proposed amendment seeks to empower Central Board of Revenue to prescribe procedures regarding the issuance and authentication of tax invoices.

Retention of record and documents**SECTION 24****Existing**

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

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

Proposed Amendment

Wherever occurring, the word” “five” shall be substituted;

Comments: The proposed amendment seeks to increase the retention period of sales tax record from three years to five years.

Directorate of Post Clearance Audit**SECTION 30DD****Existing**

“New Section Shall be Added”

Proposed Amendment

The Directorate of Post clearance Audit shall consist of a Director and as many Additional Directors, Deputy Directors, Assistant Directors and such other

Directorate of Post Clearance Audit**SECTION 30DD**

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officers as the Board may, by notification in the official Gazette, appoint.”;
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Comments: The proposed amendment seeks to adopt the new name of Directorate General of valuation and to add a new sub section for Directorate of Post Clearance Audit.

Power to arrest and prosecute**SECTION 37A(1)**

Existing
An officer of Sales Tax, not below the rank of an Assistant Collector of Sales Tax or any other officer of equal rank authorized by the Central Board of Revenue in this behalf, who on the basis of material evidence has reason to believe that any person has committed a tax fraud in respect of a supply or supplies made by him, may cause arrest of such person.

Proposed Amendment
The words “in respect of a supply or supplies made by him” shall be omitted; and after the word “fraud”, wherever occurring, the words “or any offence warranting prosecution under this Act” shall be inserted;

Comments: Assistant Collector of Sales Tax or any other officer of equal rank authorized by the Central Board of Revenue on his behalf would be able to initiate proceedings against any person committing tax fraud or any offence.

Power to call for information**SECTION 38A**

Existing
The Collector may, by notice in writing, require any person, including a banking company, to furnish such information or such statement in connection with any investigation or inquiry in cases of tax fraud, as may be specified in such notice

Proposed Amendment
For the full stop, at the end, a colon shall be substituted and thereafter the following proviso shall be added, namely:- “Provided that the Collector may require any regulatory authority to provide information concerning the licenses and authorizations issued by it.

Comments: The proposed amendment seeks to empower the collector for obtaining information from Regulatory Authorities.

Alternative dispute resolution**SECTION 47A**

Existing
Notwithstanding any other provision of this Act, or the rules made thereunder, any registered person aggrieved in connection with any matter of sales tax pending before an Appellate authority or a High Court or the Supreme Court in respect of the following, namely:- (a) the liability of tax against the registered

Proposed Amendment
Notwithstanding any other provisions of this Act, or the rules made thereunder, any registered person aggrieved in connection with any dispute pertaining to:- (a) the liability of tax against the registered person,

Alternative dispute resolution

- person, or admissibility of refunds, as the case may be;
- (b) the extent of waiver of default surcharge and penalty;
 - (c) the quantum of input tax admissible in terms of sub-section (3) of section 7;
 - (d) relaxation of any procedural or technical irregularities and condonation of any prescribed time limitation; and
 - (e) any other specific relief required to resolve the dispute, may apply to the Central Board of Revenue for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application.
- (2) The Board may, after examination of the application of a registered person, appoint a committee consisting of an officer of sales tax not below the rank of an Additional Collector and two persons from the notified panel consisting of retired Judges not below District and Sessions Judge, chartered or cost accountants, advocates, representatives of trade bodies or associations, or any other reputable taxpayers, for the resolution of dispute.
- (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 in respect of the resolution of the dispute as it may deem fit.
- (4) The Board may, on the recommendation of the committee, pass such order, as it may deem appropriate.
- (5) The registered person may make payment

SECTION 47A

- or admissibility of refunds, as the case may be;
- (b) the extent of waiver of default surcharge and penalty;
 - (c) the quantum of input tax admissible in terms of sub-section (3) of section 7;
 - (d) relaxation of any procedural or technical irregularities and condonation of any prescribed time limitation; and
 - (e) any other specific relief required to resolve the dispute, may apply to the Federal Board of Revenue for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application, which is under litigation in any Court of Law or an Appellate authority, except in the cases where FIRs have been lodged under the Act or criminal proceedings initiated or where interpretation of question of law having larger revenue impact in the opinion of the Federal Board of Revenue is involved, may apply to the Federal Board of Revenue for the appointment of a committee for the resolution of dispute in appeal and only such application may be entertained for dispute resolution under the provisions of this section.
- (2) The Board may, after examination of the application of a registered person, appoint a committee within thirty days of receipt of such application in the Board, consisting of an officer of sales tax not below the rank of an Additional Collector and two persons from the notified panel consisting of retired Judges not below District and Sessions Judge, chartered or cost accountants, advocates, representatives of trade bodies or associations, or any other reputable taxpayers, for the resolution of dispute.
- (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:

Alternative dispute resolution

SECTION 47A

of sales tax and other duty and taxes as determined by the Board in its order under sub-section (4), and such order of the Board shall be submitted before the forum, tribunal or the Court where the matter is *sub-judice*, for consideration and orders as deemed appropriate.

(6) (***)

(7) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section.

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.

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

(5) The registered person may make payment of sales tax and other duty and taxes as determined by the Board in its order under sub-section

(4) And such order of the Board shall be submitted before the forum, tribunal or the Court where the matter is *subjudice* for consideration of orders as deemed appropriate.

(6) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section.

Comments: The bill seeks to replace the existing section governing the alternative dispute resolution with a new section which will incorporate following amendments:

- (i) It seek to disallow the benefits of alternative dispute resolution in cases FIRs have been lodged under the Act or Criminal proceedings initiated or where interpretation of question of law having larger revenue impact in the opinion of CBR would be involved.
- (ii) The maximum period to make recommendation is proposed to be limited to 60 days which may be extended to further 60 days on the specific request of the Committee.

Recovery of arrears of tax

SECTION 48(1A)

Existing

“New Sub-Section Shall be Added”

Proposed Amendment

“If any arrears of tax, default surcharge, penalty or any other amount which is adjudged or payable by any person and which cannot be recovered in the manner prescribed above, the Board or any officer authorized by the Board, may, write off the arrears in the manner as may be prescribed by the Board.”

Comments: The proposed amendment seeks to empower the Central Board of Revenue regarding writing off arrears of tax.

Computerized system

SECTION 50A(2) & (3)

Existing

The Board may make rules for regulating the

Proposed Amendment

For the word “their”, the words “matters such as

Computerized system

SECTION 50A(2) & (3)

conduct and transaction of business in relation to the submission of returns or other information to the Board by the persons required to transmit or receive any information through the computerized system, including their authorization, suspension and cancellation of authorization and for security of the information transmitted or received through the computerized system.

“New Sub-sections Shall be Added”

grant of” shall be substituted; and

“Unless otherwise proved, the information received in the computerized system from or on behalf of any registered person shall, for all official and legal purposes, be deemed to have been furnished by and received from such registered person.

The business information gathered through computerized system shall be confidential to be used only for official and legal purposes and no unauthorized person shall claim for any access to such information.”;

Comments: The information received through electronic means would always be deemed to have been received from the registered person. The amendment also proposes to maintain the confidentiality of information gathered through computerized system.

Federal Board of Revenue

SECTION 76

Existing

“New Section Shall be Added”

Proposed Amendment

Any reference to the Central Board of Revenue, wherever occurring in the Sales Tax Act, 1990 and rules or notifications made thereunder shall be construed to a reference to the Federal Board of Revenue from the commencement of Federal Board of Revenue Act, 2007.”

Comments: The proposed amendment seeks to change the reference of Central Board of Revenue by Federal Board of Revenue which is in accordance with the Federal Board of Revenue Act 2007.

SRO's Summary

SRO 462(1)/2007	The following shall be zero rated, Sewing machine of the household type Bicycles Exercise Books Writing, drawing and marking inks Trailers and semi trailers for the transport of goods. Uncooked poultry meet.
SRO 463(1)/2007	An amnesty scheme is being offered provided that on the payment of principal amount of sales tax by the June 30, 2007 the whole of default, surcharge and penalty will be exempted.
SRO 464(1)/2007	The input tax on supply of electricity and gas to residential colonies of registered persons would not be allowed for calculation of tax liability under the Sales Tax Act, 1990.
SRO 465(1)/2007	Rules under Section 50 of Sales Tax Act 1990 for prescribing the refund procedure of persons registered in LTU.
SRO 466(1)/2007	Describe in detail the no. of items (85 items) related to food, paper, plastic and chemical industry shall be charged @ 20% whether to import or supply.
SRO 468(1)/2007	10% value addition at import stage for the commercial importers shall be withdrawn with immediate effect and they will be required to pay sales tax on supply of imported goods on the basis of actual value addition.
SRO 470(1)/2007	Further amendment in sales rules, 2006 effective from July 1, 2007 described in detail vide this SRO
SRO 471(1)/2007	Appointment of officers of Directorate-General of intelligence and Investigation.
SRO 480(1)/2007	Describes sales tax special procedure rules for the following, <ul style="list-style-type: none"> ○ Special procedure for payment of sales tax by retailers ○ Special procedure for collection and payment of sales tax on electric Power ○ Special procedure for collection and payment of sales tax on Natural Gas ○ Special procedure for supply of sugar to trading corporation of Pakistan (tcp) ○ Special procedure for persons providing or rendering services subject to Sales tax under the provincial laws ○ Advertisements on television and radio ○ Customs agents and ship-chandlers ○ Special procedure for collection and payment of sales tax from the oil Marketing companies (sharing of product) ○ Special procedure for collection and payment of sales tax by Vehicle Dealers ○ Special procedure for processing of refund claims filed by the Persons Engaged in making zero-rated supply of ginned cotton
SRO 509(1)/2007	Describe in detail the no. of items (141 items) related to lather, textile, sports, surgical, agricultural, pharmaceutical and chemical industry shall be treated as zero rated whether to import or supply.

SIXTH SCHEDULE

Exemptions

Serial #	
1	Certain administrative changes made, poultry which was exempted in serial # 2 transferred in serial # 1 further more some HSC code has also been changed.
2	Administrative changes.
3	Administrative changes along with the exemption on live fish is withdrawn from this serial.
12	Administrative changes.
13	Administrative changes.
14	Exemption on HSC code # 0810.3000 is withdrawn.
19	Cereals whether or not milled is replaced by “cereals and products of milling industry” along with the some changes in HSC code.
20	Exemption on HSC code # 1209.2600 is withdrawn.
24	Exemption given to the manufacturer and importer of edible oil and vegetable ghee including cooking oil on which federal excise duty is charged but the same exemption shall not be applicable for distributors, wholesalers and retailers.
25	Administrative changes.
28	Administrative changes.
29A	Exemption allowed on Surgical tapes.
29B	Exemption allowed on Ultrasound gel.
29C	Exemption allowed on Glass bangles.
30	Administrative changes.
31	Administrative changes.
35	Administrative changes.
36	Administrative changes.
37	Administrative changes.
38	Exemption allowed on HSC code 7108.2090
41	Administrative changes.
44	Administrative changes.
45	Administrative changes moreover exemption withdrawn from imported Dextrose Saline infusion.
46	Exemption allowed to goods imported by UN agencies.
60	Proper HSC codes are allotted instead of word respective heading.
69	Administrative changes.
70	Proper HSC codes are allotted instead of word respective heading, exemption allowed to crude vegetable oil obtained from cotton seeds also.

FEDERAL EXCISE ACT, 2005

Definitions

SECTION 2(8b), (8c) and 8(d)

Existing	Proposed Amendment
<p>“New Clause shall be added”</p> <p>“New Clause shall be added”</p> <p>“New Clause shall be added”</p>	<p>“Dutiable goods” means all excisable goods specified in the First Schedule except those which are exempt under section 16 of the Act;</p> <p>“Dutiable supply” means a supply of dutiable goods made by a manufacturer other than a supply of goods which is exempt under section 16 of the Act;</p> <p>“Dutiable services” means all excisable services specified in the First Schedule except those which are exempt under section 16 of the Act;”;</p>
<p>Comments: The proposed amendments seeks to define the new terms ‘dutiable goods’, ‘dutiable supplies’ and ‘dutiable services’. After the amendment, ‘dutiable goods’ will mean all excisable goods specified in First Schedule to the Act other than those exempted under Section 16, ‘dutiable supplies’ will mean supply of dutiable goods made by a manufacturer, and ‘dutiable services’ will mean all excisable services specified in First Schedule excluding those are exempt under Section 16.</p>	

Definitions

SECTION 2(16a)

Existing	Proposed Amendment
<p>“New Clause shall be added”</p>	<p>“Non-fund banking services” includes all non-interest based services provided or rendered by the banking companies or non-banking financial institutions against a consideration in the form of a fee;”;</p>
<p>Comments: The amendment proposes to lay down a definition of ‘non-fund banking services’ which will include all non-interest based services provided or rendered by the banking companies or non-banking financial institutions against a consideration in the form of a fee.</p>	

Definitions

SECTION 2(21a)

Existing	Proposed Amendment
<p>“New Clause shall be added”</p>	<p>“Sales tax mode” means the manner of collection and payment under the Sales Tax Act, 1990, and rules made there under, of the duties of excise chargeable under this Act specified to be collected and paid as if such duties were tax chargeable under section 3 of the said Act and all the provisions of that Act and rules, notifications, orders and instructions made or issued there under shall, <i>mutatis mutandis</i>, apply;”;</p>
<p>Comments: The proposed amendment seeks to define sales tax mode’ which will mean the manner of collection and payment under the Sales Tax Act, 1990, and rules made there under.</p>	

Definitions**SECTION 2(23a)**

Existing	Proposed Amendment
“New Clause shall be added”	“Supply” includes sale, lease or other disposition of goods and shall include such transaction as the Federal Government may notify in the official Gazette from time to time;
Comments: The proposed amendment defines ‘supply’ to include sale, lease or other disposition of goods and to include such other transactions as the Federal government may notify. This is the same definition of supply which is being used for the purposes of the Sales Tax Act.	

Duties Specified in the First Schedule to be Levied**SECTION 3(5)**

Existing	Proposed Amendment
“New Sub Section shall be added”	The liability to pay duty shall be– (a) In case of goods produced or manufactured in Pakistan, of the person manufacturing or producing such goods; (b) In case of goods imported into Pakistan, of the person importing such goods; (c) In case of services provided or rendered in Pakistan, of the person providing or rendering such service; and (d) In case of goods produced or manufactured in non-tariff areas and brought to tariff areas for sale or consumption therein, of the person bringing or causing to bring such goods to tariff areas.”;

Comments: The proposed insertion of sub-section seeks to prescribe liability to pay duty in certain circumstances. It lays down that the liability to pay the duty will be:

In the Case of	Person Responsible
Goods produced or manufactured in Pakistan	Person manufacturing or producing such goods
Goods imported into Pakistan	Person importing such goods
Services provided or rendered in Pakistan	Person providing or rendering such services
Goods produced or manufactured in non-tariff area and brought to tariff areas for sale or consumption	Person bringing the goods to tariff areas

Filing of Return and Payment of Duty etc.**SECTION 4(1)(2)&(7)**

Existing	Proposed Amendment
At the close of a month every registered person, after payment of the amount of duty	For the words and comma “At the close of a month every registered person, after payment of the amount

Filing of Return and Payment of Duty etc.

due from him for the month shall furnish not later than the due date a true and correct return in such manner and form as may be prescribed by the Board by notification in the official Gazette.

Duty shall be deposited in the designated branch of the bank on the prescribed challan on the last day of the month during which clearances of goods are made:
 Provided that the Board may, by notification in the official Gazette, prescribe any other manner of depositing the duty.]

Every amount of duty due from any person on any other account shall also be deposited on the prescribed challan in the bank branch designated and in the same manner as aforesaid.

SECTION 4(1)(2)&(7)

of duty due from him for the month”, the words and comma “For every month, a registered person” shall be substituted;

Duty due for the dutiable supplies made or services rendered during a month shall be deposited by the registered person in the designated branch of the bank at the time of filing of his return under sub-section (1):
 Provided that the Board may, by notification in the official Gazette, prescribe any other manner of depositing the duty.”; and

For the word “challan”, the word “return” shall be substituted;

Comments: The proposed amendments are seeking to align the Federal Excises Act with the Sales Tax Act and terminologies and method of payment used therein has been proposed for the duty under the Federal Excises.

Application of the Provisions of the Sales Tax Act, 1990

SECTION 7

Existing

In case of goods specified in the Second Schedule or such services as may be specified by the Board through a notification in the official Gazette,—

(a) A registered person manufacturing or producing such goods or providing or rendering such services shall be entitled to deduct input tax paid during the tax period from the amount of duty of excise due from him on such goods or services in respect of that tax period;

(b) A registered person him in respect of that tax period;

(c)

(d)

Explanation.— For the purposes of this section, the expressions “input

Proposed Amendment

(a) After the word “Gazette”, the words and commas “the duty shall be payable in sales tax mode, whereby” shall be substituted; and

(b) In the Explanation, the comma, words, brackets and figures “, provided that the date for payment of duty under this Act shall be the date specified under sub- section (1) of section 4” shall be omitted;

Application of the Provisions of the Sales Tax Act, 1990

SECTION 7

<p>tax”, “output tax” and “tax period” shall have the same meanings as are assigned to them in the Sales Tax Act, 1990, provided that the date for payment of duty under this Act shall be the date specified under sub-section (1) of section 4.</p>	
<p>Comments: Consequential changes after insertion definition of sales tax mode.</p>	

Applicable Value and Rate of Duty

SECTION 10(a)

Existing	Proposed Amendment
<p>In the case of goods, on the date on which the goods are cleared for export or for home consumption;</p>	<p>For the word “cleared” the word “supplied” shall be substituted;</p>
<p>Comments: The amendment seeks to change chargeability of the duty from the time of clearance to time of supply.</p>	

Short Paid Amounts Recoverable Without Notice.

SECTION 14A

Existing	Proposed Amendment
<p>“New Section shall be added”</p>	<p>Notwithstanding the provisions of this Act or the rules made there under, where a registered person pays the amount of duty less than the duty due as indicated in his return, the short paid amount of duty along with default surcharge shall be recovered from such person by stopping removal of any goods from his business premises and through attachment of his business bank accounts without prejudice to any other action under this Act or the rules made there under: Provided that no penalty under this Act or rules made there under shall be imposed unless a show cause notice is given to such person.”;</p>
<p>Comments: The bill proposes that where a registered person pays duty less than the amount disclosed in his return, the balance of duty along with default charge shall be recovered by stopping removal of goods from his business premises and through attachment of his business bank account. The penalty would not be imposed unless and until the defaulter will be served with a show-cause notice. The action taken under this section would be without prejudice to any other action under the Act.</p>	

Records

SECTION 17(1)

Existing	Proposed Amendment
<p>Every person registered for the purposes of</p>	<p>For the word “three” the word “five” shall be</p>

Records**SECTION 17(1)**

this Act shall maintain and keep for a period of three years at his business premises or registered office in English or Urdu language the following records of excisable goods purchased, manufactured and cleared (including those cleared without payment of excise duty) by him or by his agent acting on his behalf in such form and manner as would permit ready ascertainment of his liability of duty, namely:—

- (a) Records of clearances and sales made indicating the description, quantity and value of goods, name and address of the person to whom sales were made and the amount of the duty charged;
- (b) Records of goods purchased showing the description, quantity and value of goods, name, address and registration number of the supplier and the amount of the duty, if any, on purchases;
- (c) Records of goods cleared and sold without payment of duty;
- (d) Records of invoices, bills, accounts, agreements, contracts, orders and other allied business matters;
- (e) Records of production, stocks and inventory;
- (f) Records of imports and exports; and
- (g) Such other records as may be specified by the Board.

substituted;

Comments: The proposed amendment seeks to enhance the minimum period to keep the records from three years to five years.

Appeals to Collector (Appeals)**SECTION 33(2)****Existing**

The Collector (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.

Proposed Amendment

For the full stop, at the end, a colon shall be substituted and thereafter the following proviso shall be inserted, namely:-
 “Provided that such order shall be passed not later than ninety days from the date of filing of appeal or within such extended period, not exceeding ninety days, as the Collector (Appeals) may, for reasons to be recorded in writing, extend”;

Appeals to Collector (Appeals)

SECTION 33(2)

Comments: The bill proposes to prescribe the period for disposal of an appeal by Collector (appeals). After the proposed amendment, the collector (appeals) would be required to give verdict on an appeal within 90 days of its filing. This period of 90 days may be extended up to further 90 days, as the Collector (appeals) may for reasons to be recorded in writing would extend.

Alternative Dispute Resolution

SECTION 38

Existing

Notwithstanding any other provision of this Act, or the rules made thereunder, any aggrieved person in connection with any matter of excise ¹ [pending before an Appellate authority or the High Court, of the Supreme Court] pertaining to liability of excise duty, default surcharge, admissibility of refund or rebate, waiver or fixation of penalty or fine, confiscation of goods, relaxation of any time period or any procedural and technical condition may apply to the Board for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application.....The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section.

Proposed Amendment

Notwithstanding any other provisions of this Act, or the rules made thereunder, any registered person aggrieved in connection with any dispute pertaining to,..... the Board shall be submitted before the forum, tribunal or the Court where the matter is *sub-judice*, for consideration and orders as deemed appropriate.

Comments: The bill seeks to replace the existing section governing the alternative dispute resolution with a new section which will incorporate following amendments:

- (i) It seek not to allow the benefits of alternative dispute resolution in cases FIRs have been lodged under the Act or Criminal proceedings initiated or where interpretation of question of law having larger revenue impact in the opinion of CBR would be involved.
- (ii) The maximum period to make recommendation is proposed to be limited to 60 days which may be extended to further 60 days on the specific request of the Committee.

Federal Board of Revenue

SECTION 49

Existing

“New Section shall be added”

Proposed Amendment

Any reference to the Central Board of Revenue, wherever occurring in the Federal Excise Act, 2005, and the Rules or notifications or other statutory instruments made thereunder, shall be construed as a reference to the Federal Board of Revenue from the date when the Federal Board of Revenue Act, 2007, comes into force.”;

Comments: A change consequential to Federal Board of Revenue Act, 2007	

Highlight of Changes in the First Schedule:

- (1) Rate of duty on cigarettes have been proposed to be changed to

Locally produced cigarettes if their retail price exceeds fifteen rupees per ten cigarettes.	Duty @ Sixty three per cent of retail price
Locally produced cigarettes if their retail price exceeds six rupees and fifty seven paisas per ten cigarettes but does not exceed fifteen rupees per ten cigarettes.	Duty @ Two rupees and eighty paisas per ten cigarettes plus sixty nine per cent per incremental rupee or part thereof
Locally produced cigarettes if their retail price does not exceed six rupees and fifty seven paisas per ten cigarettes	Duty @ Two rupees and eighty paisas per ten cigarettes.

- (2) Duty on motor spirit, aviation spirit, spirit type jet fuel, JP1 and other jet fuels and on Petroleum bitumen (Bitumen and Asphalt) including bituminous mixtures have been proposed to be abolished.
- (3) The bill proposes to impose condition for reduced rate of 2% on lubricating oil manufactured from reclaimed oils or sludge or sediment that if it will be sold in retail packing or under brand names the words manufactured from reclaimed oil or sludge or sediment must be clearly printed on the back.
- (4) The proposed amendment seeks to replace the duty structure on travel services.
- (5) The bill proposes to levy 5% duty on amount of charges or non-fund services provided by banking companies or NBFCs. It has been proposed to abolish the duty on Service provided or rendered by a foreign exchange broker including any authorized dealer of foreign exchange to a customer and that provided by cable TV operators. It has been also proposed by a notification (S.R.O. 467(I)/2007) that the services provided cable TV operators for period July 1, 2006 to June 30, 2007 be exempt from levy of the duty.

Highlights of Changes in Third Schedule:

- (1) The amendment proposes to withdraw conditional exemption from duty granted to non-aerated beverages concentrates.
- (2) The bill proposes to allow exemption from duty to Life Insurance and Health Insurance.

S.R.O. Summary**S.R.O. 469(I)/2007**

This SRO proposes to withdraw exemption from duty from passengers having arrived in Pakistan from abroad on tickets issued outside Pakistan and are embarking only for return journey from Pakistan.

THE CUSTOMS ACT, 1969

Preamble & Definitions

Preamble of the Act is being amended to provide for levy of fee and service charges on account of various services being provided.

Clause (b) is being substituted by the new definition of “**appropriate officer**” as, in relation to any function to be performed under this Act, means the officer of customs to whom such functions have been assigned by or under this Act and the rules made there under.

Clause (e) is being substituted by the new definition of the “**Board**” as “means the Federal Board of Revenue, constituted under the Federal Board of Revenue Act, 2007;”

In **sections 3A** Directorate General of Intelligence and Investigation, Federal Board of Revenue, **3B** Directorate General of Internal Audit & **3D** Directorate General of Valuation; the nomenclatures of Officers are being proposed to be amended.

Goods Dutiable

SECTION 18

In the above section reference to section 25A in sub clauses 3, 5 is being inserted. Moreover, a proviso is being added to provide that the cumulative incidence of customs-duties leviable under sub-sections (1),(3) and (5) shall not exceed the rates agreed to by the Government of Pakistan under multilateral trade agreements.

Levy of Fee and Service Charges

SECTION 18D

This is a new section will provides for levy of fee and service charges for examination, scanning, inspections, sealing and descaling, valuation check or in respect of any other service or control mechanism provided by any formation under the control of the Board, including ventures of public private partnership.

Minimal Duties Not To Be Demanded

SECTION 19C

This section provides that where the cumulative amount of all duties and taxes on a Goods Declaration is equal to, or less than, one hundred rupees, the same shall not be demanded.

Power to Defer Collection of Customs-Duty

SECTION 21A

The above section deals with power of the board to defer the payment of duty and levy surcharge. Under the existing provisions surcharge at the rate of 15% is levied on the deferred duty. Now it is proposed to reduce the rate to 14% so as to bring this in line with the provisions section 83 and the Rules.

Temporary Export of Imported Plant and Machinery

SECTION 22A

This is a new provision which provides that Imported plant and machinery, temporarily exported that have not undergone any alteration, renovation, addition or refurbishment, may be re-imported duty free subject to the specific or general terms and conditions the Board may by the rules prescribe

Power to Determine Value of Goods

SECTION 25a

This amendment seek to empower the Directorate General of Valuation to determine and notify from time to time the rate of customs-duties leviable on different goods, determine and notify the value of goods specified in the First Schedule subject to such conditions or limitations as it may impose.

Value Determined Not To Be Challenged

SECTION 25D

This is a new section whereby it is provided that once the value of any goods or class of goods for the purposes of levying customs-duties has been determined by the Directorate General of Valuation/ the Collector of Customs, on the basis of computation of value of raw materials including value addition, input output ratio or any other method in consultation with a trade body or committee formed for such purpose then such basis of valuation would not be called into question before any court of law, unless a representation supported by documents in the matter of dispute in valuation is referred to the Directorate General of Valuation. As a consequence all the proceedings pending before any court would also forthwith stop.

Provisional Determination of Liability

SECTION 81

The above section deals with the scenario where due to the technicalities in the determination of the value of goods the correct assessment can not be readily done under section 79 of the Customs Act, an officer, not below the rank of Assistant Collector of Customs, may provisionally asses the value of goods.

The proposed amendment intends to include an additional instrument i.e. pay order for the payment of differential duty of provisional assessment and to empower the Director Valuation also to extend the limitation period.

Power of Adjudication

SECTION 179

In cases involving confiscation of goods or imposition of penalty under this Act or the rules made there under, the jurisdiction and powers of the Officers of Customs in terms of amount of duties and other taxes involved, excluding the conveyance, are as follows:-

Officers of Customs	Existing	Proposed
Additional Collector	Without limit.	Without limit
Deputy Collector	Not exceeding five hundred	Not exceeding eight hundred thousand

	thousand rupees.	rupees.
Assistant Collector	Not exceeding two hundred and fifty thousand rupees.	Not exceeding three hundred thousand rupees.

Cognizance of Offences by Special Judges

SECTION 185A

Under the existing provisions of the law a Special Judge can take cognizance of the offence on the report by an officer-in-charge of a police-station in addition to report by an officer of customs or by any other officer especially authorized in this behalf by the Federal Government.

Now it is proposed to omit reference to the report by an officer-in-charge of a police-station.

Appeal to Special Appellate Court

SECTION 185F

This proposed amendment intends to empower Directorates of Intelligence and Investigation also to file appeals before the Special Appellate Court.

Procedure in Appeal

SECTION 193-A

Under the existing provisions of the law there is no time limit set for the Collector (Appeals) to pass the order. Now, it is proposed to limit the period of ninety days from the date of filing of the appeal for The Collector (Appeals) to pass the order or within such extended period which shall not exceed ninety days unless the Board further extends at any time during the pendency of appeal as the Collector (Appeals) may for reasons to be recorded in writing, extend, confirm, modify or annul the decision or order appealed against.

Appellate Tribunal

SECTION 194

With the insertion of the proposed amendment the qualification of a technical member of the Appellate Tribunal is being specified to be an officer of Customs and Excise Group equivalent in rank to that of a Member of the Board or Chief Collector of Customs or Director General or a senior Collector with five years experience in that position or any other officer of Customs and Excise Group with any other designation equivalent to that of the aforesaid designations.”;

Appeals to the Appellate Tribunal

Section 194-A

The proposed amendment provides that where the Board or the Collector of Customs is aggrieved by an order passed by the Collector (Appeals), it, or as the case may be, he may prefer an appeal to the Appellate Tribunal. Such appeal shall be preferred by an officer, not below the rank of Assistant Collector or Assistant Director so authorized by the Board or the Collector or the Director, as the case may be, in writing. It is further proposed to add protection clause for keeping the pending appeals valid.

Orders of Appellate Tribunal

SECTION 194-B

Orders of Appellate Tribunal**SECTION 194-B**

Under the existing provisions a period of three years is specified for the Appellate Tribunal to rectify its mistake apparent from the record. It is now proposed to reduce this period to one year.

Procedure of Appellate Tribunal**Section 194-C**

Presently under sub section 3 of this section no limit has been specified for the formation of benches. Now it is proposed to fix the limit to five million rupees for the Single bench to decide the case involving duty, tax, penalty or fine. Any case involving an amount exceeding five million rupees will be heard by the double bench as provided under the law.

Alternative Dispute Resolution**195-C**

The proposed amendment seeks to specify following conditions on the basis of which a Committee for the resolution of dispute in appeal may be appointed on an application by the aggrieved person to the Board:

Dispute should pertain to:

- ❖ liability of customs-duty,
- ❖ admissibility of refund or rebate,
- ❖ waiver or fixation of penalty or fine,
- ❖ confiscation of goods,
- ❖ relaxation of any time period or procedural and technical condition, which is sub-judice in any Court of Law or an Appellate Authority,

Except in the cases where FIRs have been lodged or criminal proceedings initiated or where interpretation of question of law having larger revenue impact in the opinion of the Board is involved,

- ❖ and in any other matter by reasons given in writing,

It is further provided that the Committee should be constituted within thirty days of receipt of such application, consisting of an officer of customs and two persons from a notified panel of retired District and Sessions judge and retired judges of High Court or Chartered or Cost Accountants, Advocates, Tax consultants or reputable taxpayers for the resolution of the hardship or dispute. The Committee so constituted is required to give its recommendations within sixty days of its formation. Under the present provisions the limit of forty five days was specified.

Reference to High Court**SECTION 196**

The proposed amendment also empowers Director of Intelligence and Investigation to file reference to the High Court.

Recovery of Government Dues**SECTION 202**

The proposed amendment seeks to amend/add the following two provisos:

Recovery of Government Dues**SECTION 202**

“Provided that notwithstanding anything contained in any other law for the time being in force, if a defaulter sells or transfers ownership of his assets, the defaulted amount of duty and taxes shall be the first charge on the business so transferred.

“Provided that if any arrears which may be payable by way of duty, surcharge, fee, service charges, fine or penalty or any other amount which is adjudged or payable under any bond, guarantee or other instrument executed under this Act or the rules made there under, cannot be recovered, the Board or any officer authorized by the Board, may for reasons to be recorded, write off the arrears in the manner as may be prescribed by rules.

Power to Authorize Expenditure**SECTION 203A**

By virtue of the proposed amendment, the Board has been given the powers to authorize and prescribe the manner in which fee and service charges collected including by ventures of public-private partnership under section 18D are to be expended.

Customs-House Agents to be Licensed**SECTION 207**

The proposed amendment seeks to restrict the licensing conditions for the Customs House Agents by omission of the words “or issuance of bill of lading” and by insertion of the words after the word “conveyance” the words “or any customs clearance related activity”

The amended section will read as under:

“No person shall act on behalf of any principal for the transaction of any business relating to the entrance or departure of any conveyance or any customs clearance related activity or the import or export of goods or baggage at any customs-station unless such person holds a licence granted in this behalf in accordance with the rules 22 as a customs agent.”

Maintenance of Record**SECTION 211**

Under the existing provisions of the law all importers, exporters and claimants of duty drawback, refunds or any notified concessions, terminal operators, owners of the warehouses, customs agents and the licensed customs bonded carriers, carrying out business under this Act or any other law, directly or indirectly, relating to international trade are required to keep their record for the period of three years. It is now proposed to extend this period to five years.

Transition to Federal Board of Revenue**SECTION 225**

This is a transitional provision whereby any reference to the Central Board of Revenue, wherever occurring, in this Act and the rules made there under and notifications, orders, general orders, regulations, or any other instrument issued there under shall be construed to be reference to the Federal Board of Revenue on the commencement of the Federal Board of Revenue Act, 2007.”; and for the First Schedule to the Customs Act, 1969 (IV of 1969), the Second Schedule specified in the Schedules to this Act is

being substituted.

Special Surcharge

It is proposed to levy as additional customs-duty a special surcharge on import of goods as specified in the First Schedule to the Customs Act, 1969 (IV of 1969), at the rate of one percent of the value of the said goods as determined under section 25 or, as the case may be, 25A of the said Act:

Provided that for the purposes of the Sales Tax Act 1990 (VII of 1990) the additional customs-duty shall not constitute a part of such value of goods:

However, the goods specified in the Table below are exempt from levy of the special surcharge

TABLE

PCT CODE	DESCRIPTION
(1)	(2)
Chapter 07	All goods classifiable in chapter 07.
15.07 15.08 15.09 15.10 15.11 15.12 15.13 15.14 15.15 15.16 15.17 15.18	Edible oils and fats
2709.0000	Petroleum oils and oils obtained from bituminous minerals, crude
2710.1110	Motor spirit
2710.1120	Aviation spirit
2710.1931	High speed diesel oil
2710.1941	Furnace-oil
Chapter 30	Pharmaceutical products

Chapter 31	Fertilizers
Chapter 99	Special Classification provisions
Respective Headings	Temporary importation under SRO 1065(I)/2005, imports under DTRE Scheme and imports under manufacturing bonds scheme.
In addition to the above the Federal Government will have special powers to make any amendment in this regards from time to time.	

The Companies Ordinance, 1984

Section 2(5) – “Book and Paper”

The terms “book and paper”, “book or paper” or “books of account” have been proposed to be amended to include in their definitions: accounts, deeds, vouchers, writings and documents, maintained on paper or computer network, floppy, diskette, magnetic cartridge tape, CD-Rom or any other computer readable media.

Section 2(30B) – “Register”

A new term “register” is proposed to be defined to mean the register of members of a company and include the register of debenture-holders or holders of other securities maintained on paper or computer readable media.

Section 24(2) – Procedures on Confirmation of Alteration in MOA

Currently, where the alteration in memorandum involves a transfer of the registered office from one province to another, or from the Islamabad Capital Territory to Province or vice versa, a certified true copy of the order confirming such alteration is required to be filed by the company with the registrar in each of such provinces or the Islamabad Capital territory. Such filing is proposed to be done away with.

Section 30(1) – Registration of Memorandum and Articles, etc.

The memorandum and articles may be filed with any registrar, after the proposed amendment, not specifically with the registrar where the registered office of the company is stated by the memorandum to be situated.

Section 95(1) – Prohibition of Purchase or Grant of Financial Assistance by a Company for Purchase of its own or Holding Company’s Shares

The proposed amendment seeks to allow a subsidiary company to deal in shares of its holding company in the following circumstances:

- (i) the subsidiary will act as a trustee (unless the holding company is interested under trust);
- (ii) the subsidiary shall deal in shares of its holding company in the ordinary course of its business as a brokerage house subject to condition that the subsidiary will not exercise the voting rights attached to such holding.

Section 158 – Annual General Meeting

The proposed amendments seek to reduce (1) the period to hold an AGM from four months from closure of the financial year to three months; (2) the maximum extension allowable in holding the AGM from 60 days to 30 days. The consequent amendment has also been proposed in Section 233 regarding the period to which financial statements of a company must be made up.

Section 178A - Fresh Election of Directors on Request of Substantial Acquirer.-

After the proposed insertion of this new section, any person holding 12.5% or more of the share in his own name may apply to SECP for requiring the company to hold fresh election of directors in forthcoming AGM of the company. The Commission may, if it will deem it appropriate in the interest of the company, its minority shareholders or the capital market in generally, direct the company for such fresh elections. The person requesting the fresh election would not be able to sell / dispose his shares within one year from the date of fresh election of the directors.

Section 183(b) – Certain Provisions not to Apply to Directors representing Special Interests

After the proposed amendment, the commission would also be able to nominate directors on the BOD of a company.

Section 204A – Certain Companies to have Secretaries

The proposed amendments seeks to make mandatory for a listed company to appoint an independent share registrar possessing such qualifications and performing such functions as may be specified by the Commission.

Section 208 – Investment in Associated Companies and Undertakings

It is proposed to give the Commission powers to notify class of companies or undertakings to which the restriction of making investment in its associates under the power of a special resolution would not be applicable. It is also proposed that such relaxation would be governed by regulations, specifying conditions and restriction on the nature, period, etc., notified by the Commission in this behalf. The maximum financial penalty for violating the restriction is also proposed to be enhanced to Rs. 10 million from Rs. 1 million.

Section 234A - Special audit

The amendment proposes to authorize the Commission to order a special audit of a company and appoint an auditor to carry out the scrutiny, either on its own motion or on the application of a member holding at least 20% of the share capital of the company. The commission would be able to pass interim or final orders during or at the end of the special audit, as the case may be. The cost of audit will be recoverable from the company, but if the audit was conducted on an application of a member, 50% of the cost would be borne by the member who would be liable to pay such cost in advance.

Section 242 – Copy of the Balance sheet to be Forwarded to the Registrar

The proposed amendment seeks to require a private company with a paid up capital equal to or in excess of Rs. 7.5 million to submit its financial statements to registrar within 30 days of the AGM.

Section 246 – Power of Authority to Require Submission of Additional Statements of Accounts and Reports

The Commission has the power to call upon any company to prepare and send such periodical statement of accounts, information or other reports in such form and manner and within such time, as may be specified by it in the order. The proposed amendment seeks to make it mandatory that such information be audited by an auditor.

It also proposes to enhance the maximum fine for violating the order of commission under this section from Rs. 1,000 per day of default to Rs. 1 million and a further fine extending to Rs. 10,000 per day of default.

Section 248 – Certain Restrictions on declaration of Dividends

The amendment proposes to limit the amount of dividend to maximum of realized gains and no dividend out of unrealized gains on investment property would be payable after the proposed amendment.

Section 254 – Qualification and disqualification of Auditors

A person would not be deemed to be indebted to a company and consequently disqualified to act as an auditor if he owes:

- (i) a sum of money not exceeding Rs. 500,000 to a credit card issuer; or
- (ii) a sum to a utility company in the form of unpaid dues for a period not exceeding 90 days.

Section 255(5) – Power and Duties of Auditors

The power of the Federal Government to ask some additional matters in the auditors' report, in the case of companies generally or any class of companies would be vested in Commission after the proposed amendment.

Section 267 – Power of the Inspectors to carry investigation into the affairs of the Associated Companies

After the proposed amendment, the commission would be able to allow permission to an inspector of SECP to investigate the affairs of a company without issuing a show-cause to the company concerned.

Section 282A – Application

The provision applicable to NBFC would, after the amendment, be also applicable to notified entities which would include trust and any other entity or person.

Section 282B – Power to make Rules

The proposed amendment seeks to empower SECP to make regulations for the establishment of NBFCs and notified entities and their business and activities. The Commission would also be able to issue directives, circulars, codes, notifications and guidelines for the purposes of regulation of NBFCs.

Section 282C – Incorporation of NBFC

NBFCs carrying on the business would be required to comply with minimum equity requirements which may be notified by the Commission instead of minimum paid-up capital requirement.

Section 282CA - Registration of Notified Entities.-

This new section seeks to govern the registration of notified entities to which Law relating to NBFC will apply. Every notified entity would be required to register with SECP within six months of their notification as such entities.

Section 282J - Penalties

Penalty for failure, refusal to comply with or contravention of provisions relating to NBFCs would be enhanced from Rs. 5 million to Rs. 50 million.

Section 282N - Rehabilitation of NBFCs and Notified Entities.

The proposed new section seeks to allow SECP the powers, in respect of rehabilitation of NBFCs and notified entities, similar to the Federal Government available to the Government under Section 296 of the Ordinance in the case of other companies.

Section 361(1) - Notice of Resolution to wind up Voluntarily

Notice of resolution to voluntarily wind up a company would not be required to be published in the Official Gazette after the proposed amendment.

Section 466 (1) – Registration Offices

A company would not be required, after the amendment, to declare that the office in the province, where by the memorandum it is to be established, has been so established.

Section 492 – Penalty for False Statement

Penalty for making a false statement on any document to be issued under the Ordinance is proposed to be enhanced to Rs. 500,00 from Rs 100,000.

Section 496 – Penalty for Carrying on Ultra Vires Business

Maximum financial penalty for carrying on an ultra vires business is proposed to be enhanced to Rs. 500,000.

Section 497 – Penalty for improper use of word “Limited”

Maximum financial penalty for improper use of word “Limited” is proposed to be enhanced to Rs. 500,000 and in case of continuing offence the amount of penalty is proposed to be increased from Rs. 500 to Rs. 10,000 per day.

Section 498 – Penalty Where no Specific Penalty Provided Else where

Maximum financial penalty where no specific penalty is provided elsewhere in the Ordinance is proposed to be enhanced from Rs. 50,000 to Rs. 1,000,000 in case of any contravention or failure to comply with any provision of the Ordinance and in case of continuing offence the amount of penalty is proposed to be increased from Rs. 500 to Rs. 100,000 per day.

Section 506 – Power of Federal Government to Make Rules

Maximum financial penalty in case of any contravention or failure to comply with any Rules made by the Federal Government is proposed to be enhanced to Rs. 500,000 and in case of continuing offence the amount of penalty has been increased from Rs. 500 to Rs. 10,000 per day.

Section 506A (new) - Power to Make Regulations

It is proposed to empower the Commission to make Rules and regulations by notification in the official Gazette to carry out the purposes of the Ordinance.

Section 506B (new) - Power to Issue Directives, Circulars, Guidelines, etc.-

It is proposed to empower the Commission to issue directives and guidelines, etc. which are necessary to carry out the purposes of the Ordinance.

SECURITIES AND EXCHANGE COMMISSION ACT, 1997

Section 12 – Security and Exchange Policy Board

The proposed amendment seeks to appoint ex-officio the Finance Minister or, in his absence, the Advisor to PM on finance, as the case may be as member and chairman of the Securities and Exchange Policy Board by enhancing the number of its members from nine to ten. The Chairman shall have the casting vote in the event of a tie.

Section 20 – Powers and Functions of the Commission

It is proposed that the professionals who provide services within the financial services markets would be regulated by the SECP.

Section 33 – Appeal to Appellate Bench of the Commission

The amendment proposes to limit the scope of appeals to an Appellate Bench of the Commission. Appeals against following would not lie before the bench after the amendment:

- (i) an administrative direction issued by a Commissioner or an officer of the Commission;
- (ii) an order passed in exercise of the powers of the revision or review;
- (iii) a sanction provided or decision made by a Commissioner or an officer of the Commission to commence legal proceedings in a court of law; and
- (iv) an interim order which does not dispose of the entire matter.

Section 40A – Penalty for Violation of Rules and Regulations

This new proposed section seeks to make a contravention of a rule / regulation made under Section 39 or 40 punishable with a fine which may extend to Rs. 10 million. Where, such contravention would be a continuing one, a further fine extending to Rs. 100,000 per day may also be imposed.

Section 40B – Power of the Commission to Issue Directives, Circulars, Guidelines,

The commission, after the proposed amendment, would have the powers to issue directives, codes, guidelines, circulars or notifications as are necessary to carry out the purposes of the Act, the rules and regulations made there under and all laws administered by it.

Securities and Exchange Ordinance, 1969

No Stock Exchange to operate without registration

SECTION 3

Existing	Proposed Amendment
Comments: The proposed amendment seeks to expand the area of operation of this section to other exchanges operating in the country, e.g., Commodity Exchanges.	

Penalty for certain refusal or failures

SECTION 22

Existing	Proposed Amendment
Comments: The proposed amendment seeks to increase the amount of penalty 500 times in order to avoid non compliance, similarly to increase the amount of penalty for continued default by 100 times.	

INSURANCE ORDINANCE, 2000

Admissible assets	SECTION 32(1) (c) (d)
<p>The proposed amendments are being made in Part V of the Ordinance which deals with Solvency Requirements. The amendments are targeted to omit the words “not to be admissible assets” in clause © and the words “being assets referred to in clause (g) of sub section 2” in clause (d) It is the basic concern of the regulators that the admissible assets are determined for the purpose of solvency. Therefore the technical lacuna in the drafting of the provisions is being rectified because it is definitely not prudent that an asset is automatically treated admissible just because it is not included in the list of inadmissible assets.</p>	

Compulsory Cession	SECTION 42(1)
<p>Comments: After discontinuation of compulsory cession w.e.f. January 1st 2005, the above sub-section was no longer required.</p>	

Power of the Commission to order investigation	SECTION 59(4)
New Sub section inserted	
<p>Comments: The Commission is further empowered to undertake on-site inspection of insurance company to ensure that the requirements of sound and prudent judgments are being fulfilled. The onsite inspections may be conducted with frequently as deemed appropriate by the Commission. All officers and agents of the company including lawyers, auditors and actuaries are required to supply necessary information as required by the Commission in the course of inspection. It further empowers the inspectors to enter the premises of the company and search and seize take possession of any documents including travel and personal documents which may be used as evidence. Under the normal circumstances, except where it is believed that the record may be destroyed by the insurer the Commission will give two week written notice to the insurer before undertaking an on site inspection.</p>	

Power to remove director, chairman etc.	SECTION 65(1) (2)
<p>Comments: The power of the Commission is further elaborated to intervene and remove a CEO or director in order to protect the interest of the policy holders. However, for public sector insurance companies i. e. National Insurance Company Limited, Pakistan Re insurance Company Ltd and State Life Insurance Corporation of Pakistan the Commission may make a recommendation only to the Federal Government for the Purpose.</p>	

Penalty for default in complying with...	SECTION 156
<p>Comments: The proposed amendment seeks to empower the commission to levy fine on the insurer.</p>	

Penalty for false statement in documents	SECTION 158
<p>Comments: The proposed amendment seeks to withdraw the provisions requiring imprisonment which may extend to three years, from this section.</p>	

The Banking Companies Ordinance, 1962

Definitions:

Section 5 clause (c) deals with the definition of the ‘**Banking Company**’. It is proposed to make the definition more exhaustive by including the branches and subsidiaries functioning outside Pakistan of banking companies incorporated in Pakistan in the definition.

Similarly, **Section 5 clause (e)** defines the word “**Company**” under the Ordinance. This definition is also proposed to be amended so as to include a branch of a foreign banking company doing banking business in Pakistan under a licence issued by the State Bank of Pakistan in this behalf, as company.

It is proposed to add the definition of “**foreign banking company**” under new **clause (ffa)** meaning as “a banking company, not incorporated in Pakistan, which has a branch or branches doing banking business in Pakistan under a licence issued by State Bank in this behalf;”.

Business of Banking Companies:

Section 7 of the Banking Companies Ordinance, 1962 is an empowering section which elaborates the types of businesses a banking company can engage in. Under the present **clause (o) of sub-section (1)** the Federal Government was empowered to add any other form of business which the banking company can under take. Now by virtue of the proposed amendment these powers are being vested with the State Bank, who can notify any other form of business through circular.

Regulation Of Paid-Up Capital Subscribed Capital And Authorized Capital And Voting Rights Of Share-Holders:

Section 14 of the Ordinance deals with the conditions precedent to be complied with in connection with the capital structure of the banking company. In the existing clause (ii) sub-section (1) only ordinary shares of the banking company were to constitute the capital of the banking company. Now it is proposed to also allow perpetual non-cumulative preference shares to form as capital of the banking company.

Restrictions as to Payment of Dividend:

Section 19 describes the conditions which banking companies must fulfill before it could pay dividends. Now in this section a new sub section is being introduced whereby if a banking company meets the following conditions, it shall also be eligible for payment of dividend out of profits of the banking company for the said year:

1. If it meets the minimum capital requirement and capital adequacy ratio as specified by State Bank from time to time, and
2. It has also accounted for the portion of capitalized expenses, goodwill etc., for the year to the satisfaction of the auditor of the banking company.

Audit:

Section 35 of the Ordinance deals with the provisions relating to the audit of the banking companies. By virtue of the proposed amendments it further disciplines the procedure for appointment/removal of the auditors and increases the responsibility of the auditor for effective conduct of the audit.

It is proposed that the State Bank shall classify the panel of auditors, in different categories for different banking companies keeping in view the scope and size of such banking companies.

Furthermore, two sub sections are being introduced whereby if the State Bank is not satisfied with the performance of the auditor of a banking company or the auditor has not fulfilled any of the requirements laid down in this section the State Bank after giving the auditor an opportunity of being heard may,-

- (a) revoke the appointment of external auditors of the banking company;
- (b) downgrade the category of the auditor in the panel of the Auditors; and
- (c) remove the auditor from the panel of the auditors for a maximum period of five years.

An additional responsibility is being imposed on the auditors to report all the matters of material significance to State Bank and such reporting shall not constitute breach of confidentiality under any law for the time being in force.

Power of the State Bank to Give Directions:

Section 41 of the Ordinance deals with the special powers of the State bank to give directions for the smooth running of the banking company in the best interest of the public. It is proposed to insert new sub section empowering the State Bank to issue, from time to time, direction, guidelines and instructions with respect to activities and operations of banks and the institutions mentioned in section 3A as may be deemed necessary by it .

Procedure for Amalgamation of Banking Companies:

Section 48 of the Ordinance lays down the procedure for the amalgamation of the banking companies. It is proposed that a proviso should be added relaxing the requirement for calling a meeting of the shareholders of a foreign banking company for approving the scheme of merger. Hence forth a certificate issued by the head office of the foreign banking company approving the scheme for merger will satisfy the requirement of the State Bank. Further more sub-section (7) is being amended to include “branch of a foreign banking company doing business in Pakistan” in the definition of banking company for the purpose of this section..

Terms and Conditions of the Banking Mohtasib:

Section 82B terms and conditions of the appointment of Banking Mohtasib including powers vested in his authority. By virtue of the proposed amendment it is proposed to give him the following powers/responsibilities:

- ❖ receiving evidence on affidavit;
- ❖ issuing commission for the examination of witnesses

However, the Banking Mohtasib shall not entertain any complaint or application which has already been disposed off by the State Bank, or any court in Pakistan before the commencement of the Banking Companies (Amendment) Act, 2007.

Procedure for Making Complaints:

Section 82D describes the procedure for making complaints to the Banking Mohtasib. Under the existing provisions for making complaint the complainant has to wait for three months to receive the response from the bank against whom a complain is being lodged and thereafter in case of no/unsatisfactory response, three more months are allowed to the complainant to file the complaint. Now it is proposed to enhance these periods from three months to forty five days.

Recommendations for Implementation:

Section 82E deals with the recommendation of the Banking Mohtasib for implementation in the event the Mohtasib comes to the conclusion that the complainant was justified. It is proposed to amend sub section 4 enabling any bank, or official of a bank, or a complainant aggrieved by any order passed by the Banking Mohtasib to prefer an appeal to the Governor State Bank within thirty days of the order and the Governor shall decide the appeal within sixty days.

It is to be further provided that the findings of Banking Mohtasib should be implemented by the concerned bank or financial institution within a period of forty days and compliance thereof shall be submitted accordingly. In case an appeal against the decision of the Banking Mohtasib is filed before the State Bank the aforesaid period of forty days shall be reckoned from the date of decision of appeal.

Penalties:

Section 83 deals with provisions describing penalties. It is proposed to amend the amount of penalties under the various provisions. The details are as under:

Nature of Offence	Existing Provision	Proposed Provision
Sub-section 1 Making False Statement	No amount of fine specified	words “not exceeding five hundred thousand rupees” to be inserted
Sub-section 1 A Mismanagement of the affairs	No amount of fine specified	words “not exceeding ten million rupees” to be inserted
Sub-section (1AA) Grant of loan on verbal instructions.	No amount of fine specified	words and comma “not exceeding the amount of loan, advance or financing facility so extended” to be inserted
Sub-section (IC) Contravention of various specified provisions	No amount of fine specified for the offence Ten thousand rupees for every day during which such contravention continues.	the words “not exceeding five million rupees” to be inserted One hundred thousand rupees for every day during which such contravention continues.
Sub-section 2 Advances made in contravention of the relevant provisions	“not exceeding twenty thousand rupees”	“which may extend to the amount of loan so extended and with a further fine which may extend to one hundred thousand rupees for every day during which such contravention continues” to be substituted”
Sub-section 3 Non furnishing of books of	“two thousand” and “one hundred”	“two hundred thousand” and “twenty thousand” to respectively be substituted;

accounts, other documents, etc.		
Sub-section 5 Default/contravention in compliance of this Ordinance	Twenty thousand rupees One thousand rupees for every day during which such contravention or default continues.	Two hundred thousand rupees Ten thousand rupees for every day during which such contravention or default continues.

It is further proposed to add a proviso which empowers the State Bank to debit the amount of default to any account of the banking company held with the State Bank, without notice to the banking company, if a banking company fails or refuses to pay the fines.

Exchange of Information:

Section 93C of the Ordinance provides for the exchange of the information among banking companies on confidential basis either directly or indirectly through Pakistan Banking Council. It is proposed to delete the words Pakistan Banking Council (being redundant). Now such information can be exchanged with “credit information services provider”.

Disclosure of information:

Section 93E of the Ordinance is a new insertion which provides for various measures for curtailment of money laundering and funding of terrorism or terrorists activities.

This section requires the banking companies and financial institutions to disclose information on confidential basis to the State Bank, about their respective clients as required by State Bank, in such manner and within such time as may be prescribed from time to time.

It further requires that In case any grounds for suspicion exist in respect of a business transaction the banking company or the financial institution concerned shall forthwith report to the State Bank, giving details in respect of the identity of the person involved the transaction or any other circumstances concerning such business transaction.

Explanation: The expression “suspicion” refers to a suspicious business transaction as the State Bank may, by regulations, determine

If the State Bank has reasonable grounds to suspect that a person or a company or corporation is involved in an offence of money laundering or funding of terrorism or terrorists, it may send such information to the law enforcement agency having jurisdiction in the matter.

It shall not be unlawful for any person or the State Bank or a banking company or any employee thereof to make any disclosure in good faith in compliance with the provisions of this section.

No action, suit or proceedings shall lie against any bank or financial institution including State Bank and their employees for any injury or loss caused to any person due to the disclosure made under this section. Further no person shall be entitled to claim any compensation or damages or institute any suit or proceedings for any injury or loss caused to him by disclosure of such information. No bank or financial

institution shall take any action of whatever nature against any employee of bank or financial institution for disclosing any information.

Provided that where State Bank, after examination, concludes that a transaction reported to State Bank under subsection (2) was conveyed with malafide intent, it shall take action against the concerned bank and the concerned employees for misreporting under subsection (1) of section 83.

Pending investigation in the case, the State Bank may pass an order for freezing the accounts of such person or company or corporation. Provided that the investigation shall be completed by State Bank within one hundred and eighty days.

Any person aggrieved by such order may make a representation to the State Bank against such order. The State Bank shall decide such representation within thirty days and any person aggrieved by the decision may prefer an appeal to the High Court. If incriminating evidence is not found during the investigation, the State Bank shall withdraw such order.

The court or the authority, to which the case is referred after completion of the investigation, may confirm, modify, rescind or alter the order passed by the State Bank under sub-section (6) or it may pass any other order as deem fit by law:

Explanation:- “Money Laundering” includes engaging in any manner, whether directly or indirectly, in a transaction that involves property which is proceed of a crime, or transferring proceeds of crime through legitimate means in order to conceal or make untraceable their original source, or doing of such other act that may constitute the offence of money laundering under any other law; and “terrorism” or “terrorist” shall have the same meaning as assigned to them by the Anti-Terrorism Act, 1997 (XXVII of 1997).

Disclosure of information liable to punishment:

Section 93F of the Ordinance requires that any person having knowledge of or suspicion of an investigation into offence of money laundering or funding of terrorism or terrorists, not to disclose that fact or other information to another person whereby the investigation is likely to be effected in any manner. Such person, upon complaint by an officer of the State Bank specially authorized in this behalf, shall on conviction by Court of Sessions be punishable with imprisonment of either description which may extend to five years or with fine which may extend to one hundred thousand rupees or with both.

The offence described above shall be non-bailable and non-compoundable.

General Amendment:

It is further proposed to substitute the words, comma, figures, brackets and letters “Companies Act, 1913 (VII of 1913)” wherever occurring with the words, comma, figures, brackets and letters “Companies Ordinance, 1984.

THE MICROFINANCE INSTITUTIONS ORDINANCE, 2001

In Section 6 Sub Section(2) new clause (pa) is being inserted which allows receipt of remittances from abroad, payable only in Pakistan Rupees to beneficiaries in Pakistan subject to rules and regulations and authorization issued by State Bank of Pakistan from time to time.

Section 10, sub-section (1) is being substituted, which is being reproduced as under.

Power to prescribe paid-up capital requirements for microfinance banks shall vest in State Bank of Pakistan and no microfinance bank shall operate unless it has a minimum paid-up capital as State Bank may, from time to time, prescribe. The State Bank may prescribe varying minimum paid-up capital requirements for microfinance banks operating at district, regional, provincial, and national level.

Explanation. – For the purpose of this sub-section the expression “district” shall include the Islamabad Capital Territory and such other territories as the Federal Government may, by notification in official Gazette, specify.

PAYMENT SYSTEM ELECTRONIC FUND TRANSFER ACT, 2007

Introduction:

The Act is introduced with the objective to provide regulatory frame work for Payment System Electronic Fund Transfer. It extends to whole of Pakistan and shall come into force at once.

Section#	Comments
2	It defines various terms used in the Act.
3	Defines the power of the State Bank of Pakistan to issue rules, guide lines, circulars, by-laws or directions as it may consider appropriate.
4	State Bank of Pakistan is empowered to designate a payment system as a designated a payment system.
5	State Bank of Pakistan is empowered to revoke designation of a designated payment system.
6	The State Bank may establish and operate one or more Real Time Gross Settlement Systems for the transfer of funds and settlement of payment obligations as approved by it.
7	Financial Institutions or other Authorized Parties providing funds transfer facility shall be required to retain complete record of electronic transactions in electronic form for a period as may be determined by the State Bank.
8 & 9	Defines disqualification of staff and its effects respectively.
10	The operator of a Designated Payment System shall establish adequate governance arrangements which are effective, accountable and transparent or which may be required by the State Bank to ensure the continued integrity of such Designated Payment System.
11	Defines which operational arrangements will be made by an operator of a designated payment system.
12	State Bank of Pakistan is empowered to designate a payment instrument as a designated a payment instrument.
13	Imposes certain condition for the issuance of designated a payment instrument.
14	State Bank of Pakistan is empowered to prohibit any person from issuing or using any payment instrument subject to certain condition.
15	Financial Institutions and other institutions providing Electronic Funds Transfer facilities shall ensure that secure means are used for transfer, compliant with current international standards and as may be prescribed by the State Bank from time to time.

SIGNIFICANT AMENDMENTS IN OTHER STATUES

The Workmen's Compensation Act, 1923

It is proposed to amend section 2 (n) (ii) and omit first column of Schedule IV, of the Act so the monthly wages ceiling of Rs. 6,000 for entitlement to compensation in cases of permanent disablement or death of an industrial workers can be removed.

Natural Gas (Development Surcharge) Ordinance, 1967

Only three amendments have been proposed in this Ordinance one of which seek to amend section 3 subsection (3) to provide one time exemption from payment of additional amount, payable, due to the nonpayment of Gas Development Surcharge within stipulated time, while the other two amendments are technical corrections to amend the reference of other statutes.

West Pakistan Industrial and Commercial Employment (Standing Orders) Ordinance, 1968

Order 12 deals with the provisions relating to the termination of employment. While clause (6) of this Order provide for payment of gratuity where the employer has not established any Provident Fund. Now it is proposed to add the new proviso whereby the industrial worker will be able to voluntarily contribute to an "Approved Pension Fund and the existence of this Fund will not entitle the industrial worker for gratuity payment as is in the case of establishment of Provident Fund. The relevant proviso is reproduced below.

"Provided further that if through collective bargaining the employer offers and contributes to an "Approved Pension Fund" as defined in the Income Tax Ordinance, 2001 (XLIX of 2001), and where the contribution of the employer is not less than fifty *per cent* of the limit prescribed in the aforesaid Ordinance, and to which the workman is also a contributor for the remaining fifty *per cent* or less, no gratuity shall be payable for the period during which such contribution has been made."

Companies Profits (Workers Participation) Act, 1968

It is proposed to introduce four amendments in the Act.

Firstly, in section 2, in clause (b) for the words, comma and figure "Companies Act, 1913" the words, comma and figures "Companies Ordinance, 1984" is being substituted; and in the marginal heading, for the figures and word "VII of 1913" the figures and word "XLVII of 1984" is being substituted.

Secondly, in clause (f) which defines the term "**worker**" the persons employed by or through the contractors," is being inserted which would mean that now on, the **contract worker will also be entitled to the benefits of the Act.**

Thirdly, in section 3, in sub-section (1), in clause (b), the commas, words, figures and brackets “, which shall, where the accounts have been audited by an auditor appointed under section 23 of the Industrial Relations Ordinance, 1969 (XXIII of 1969), be assessed on the basis of such audit” is being omitted. This would mean that **the amount of profit is now not subject to adjustment based on the audit under section 23B of the relevant Ordinance.**

Fourthly and lastly in the Schedule, in paragraph 4, in clause (a), under the heading “**Categories**”, for the existing entries, the following is being substituted, namely:-

1. Workers drawing average monthly wages not exceeding seven thousand five hundred rupees.
2. Workers drawing average monthly wages exceeding seven thousand five hundred rupees but not exceeding fifteen thousand.
3. Workers drawing average monthly wages exceeding fifteen thousand rupees”.; and

Further more the maximum entitlement of the worker in the allocation of units is being increased from rupees three thousand to rupees four thousand.

W. P. Ordinance, XX of 1969

The minimum wage of unskilled worker is proposed to be revised by 600/=. The new limit of minimum wages would be Rs. 4,600/= p.m.

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