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# Budget Brief 2019

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# Key Income Tax Amendments

## Mechanism to Pay Income Tax Refunds through Promissory Notes Devised

A mechanism has been devised by virtue of Finance Bill 2019 for Payment of income tax refunds through promissory notes. For this purpose, a new company would be formed viz. the FBR Refund Settlement Company Limited. An option would be given to the taxpayer whereby promissory notes would be issued to the income tax refund claimants. The bonds so issued shall have a maturity period of three years and shall bear annual simple profit at ten percent. On the maturity on these bonds, the company shall return the note to the Board and the Board shall make the payment of amount due under the bonds along with profit due to the bond holders.

## Punitive Measures for Late Filers Rationalized

Currently, the name of the late filers is not allowed to be placed on Active Taxpayer List (ATL). The restriction of placing a late filer on ATL is proposed to be abolished. Late filers would be penalized by withholding any refund due to a late-filer in the tax year in which the return was filed late without incurring any liability of compensation for delayed refund.

A nominal additional tax liability has also been proposed for placing the name of such late filers on ATL:

| Sr. # | Taxpayer Category | Tax Payable (PKR) |
|---|---|---|
| 1. | Company | 20,000 |
| 2. | Association of persons | 10,000 |
| 3. | Non-salaried individuals | 3,000 |
| 4. | Salaried individuals | 1,000 |

## Tax Credit for Persons Employing Fresh Graduates

An initiative has been proposed for generating employment opportunities for fresh graduates qualified after 1st July 2017 from HEC recognized institutions by allowing a new tax credit against the salary of such graduates provided such headcount is not more than 15% of the total number of employees.

Additionally, such credit may also be carried forward for a maximum of 5 years if it remains unadjusted unlike most other credits which lapse, if not adjusted during the year.

## A Gift to be Treated as an Income

At present, a tax avoiding provision in itself is present in law itself by way of gift to a relative. However, a new clause is proposed to be inserted in Section 39, Income from Other Sources, whereby any amount or fair market value of any property received without consideration or received as gift, other than gift received from grandparents, parents, spouse, real brother, real sister, son or a daughter has been brought under the ambit of aforementioned head of income.

## Enhanced Turnover Tax Rate

At present, minimum tax on turnover is charged at the rate of 1.25% in general and reduced rate on some other specified sectors. Following enhanced minimum turnover tax rates have been proposed vide this Finance Bill 2019:

| Existing Rates | Proposed Rates |
|---|---|
| 1.25% | 1.50% |
| 0.20% | 0.25% |
| 0.25% | 0.30% |
| 0.50% | 0.75% |

## Tax Credit on Investments in BMR Restricted

Currently, a corporate industrial undertaking investing in purchase of plant and machinery for extension, expansion, balancing, modernizing and replacement (BMR) is allowed tax credit equal to ten percent of the purchase price of machinery. Moreover, the tax credit is being reduced from 10% to 5% of the purchase value of machinery for tax year 2019. However industrial undertakings which have already claimed this tax credit but could not adjust the credit against tax payable would still be entitled to carry forward the unabsorbed available credit from prior years.

## Scheme of Updating the Active Taxpayers' List (ATL) Introduced

A new scheme is being introduced to penalize the persons not appearing on ATL and making sure that such persons make their tax filings and thereby eliminating the concept of "Non-filers'. Following are the main features of such Scheme:

- Hundred percent increased rate of tax for those persons not appearing on ATL
- withholding agents will clearly specify the names, CNIC or any other identification of such persons in the withholding statement to compel such persons to make their tax filings
- Where, in the opinion of the withholding tax agent, no withholding tax is required as such person was not required to file the return, in such a situation, the withholding agent shall furnish an intimation to the Commissioner describing the basis on which the person is not required to file return.
- The Commissioner shall accept or reject the contention on the basis of existing law within 30 days
- Where the tax of a person has been deducted at the increased 100% tax rate and the person fails to file return of income for that tax year, the Commissioner shall make a provisional assessment within sixty days of the due date for filing of return by imputing income. Such income will be treated as concealed income.
- The provisional assessment shall be of no effect if the person files return within forty-five days of completion of provisional assessment.
- Where return is not filed within forty-five days of provisional assessment, it shall be treated as final assessment and the penalty proceedings would be initiated accordingly.

## Tax Slabs for Income from Property Increased

Following new tax slabs mentioned at serial number 6-8 are proposed to be introduced for the property income where the said income exceeds 2,000,000:

| Sr. # | Gross Amount of Rent | Rate of Tax (PKR) |
|---|---|---|
| **1.** | Where the gross amount of rent does not exceed Rs.200,000 | NIL |
| **2.** | Where the gross amount of rent exceeds Rs.200,000 but does not exceed Rs.600,000 | 5 per cent of the gross amount exceeding Rs.200,000 |
| **3.** | Where the gross amount of rent exceeds Rs.600,000 but does not exceed Rs.1,000,000 | Rs.20,000 plus 10 per cent of the gross amount exceeding Rs.600,000 |
| **4.** | Where the gross amount of rent exceeds Rs.1,000,000 but does not exceed Rs.2,000,000 | Rs.60,000 plus 15 per cent of the gross amount exceeding Rs.1,000,000 |
| **5.** | Where the gross amount of rent exceeds Rs.2,000,000 but does not exceed Rs.4,000,000 | Rs.210,000 plus 20 per cent of the gross amount exceeding Rs.2,000,000 |
| **6.** | Where the gross amount of rent exceeds Rs. 4,000,000 but does not exceed Rs.6,000,000 | Rs.610,000 plus 25 per cent of the gross amount exceeding Rs.4,000,000 |
| **7.** | Where the gross amount of rent exceeds Rs.6,000,000 but does not exceed Rs.8,000,000 | Rs.1,110,000 plus 30 per cent of the gross amount exceeding Rs.6,000,000 |
| **8.** | Where the gross amount of rent exceeds Rs.8,000,000 | Rs. 1,710,000 plus 35 percent of the gross amount exceeding Rs.8,000,000 |

## Tax Rates on Services Enhanced

Following Tax Rates are proposed to be enhanced on Services:

| Category of Services | Existing Tax Rates | New Tax Rates |
|---|---|---|
| Freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, IT services and IT enabled services, tracking services, advertising services (other than by print or electronic media), share registrar services, engineering services, car rental services, building maintenance services, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited, inspection, certification, testing and training services | 2% | 4% |
| Transport services | 2% | 4% |

## Withholding Tax on Royalty to Resident Persons Introduced

A withholding tax at the rate of 15% on the gross amount of royalty is proposed to be introduced on the resident persons.

## Threshold of Taxable Income Revised

The threshold of taxable income is proposed to be revised and fixed at Rs. 600,000 for salaried persons and Rs. 400,000 for non-salaried persons. Presently the tax rates for salaried persons are applicable to persons having 50% or more of their total income from salary.

This Finance Bill proposes that tax rates for salaried persons are to be applicable to persons having 75% or more of their total income from salary.

Therefore, such persons whose salary income do not exceed 75% of taxable income, the rates applicable to non-salaried individuals would apply. In the case of salaried individuals deriving income exceeding Rs. 600,000, enhanced tax rates have also been proposed as:

## Tax Rates for Salaried Individuals Enhanced

Following tax rates are proposed to be introduced for salaried individuals:

| S. No. | Taxable Income | Rate of Tax |
|---|---|---|
| **1.** | Where taxable income does not exceed Rs. 600,000 | 0% |
| **2.** | Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000 | 5% of the amount exceeding Rs. 600,000 |
| **3.** | Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 1,800,000 | Rs. 30,000 plus 10% of the amount exceeding Rs. 1,200,000 |
| **4.** | Where taxable income exceeds Rs. 1,800,000 but does not exceed Rs. 2,500,000 | Rs. 90,000 plus 15% of the amount exceeding Rs. 1,800,000 |
| **5.** | Where taxable income exceeds Rs. 2,500,000 but does not exceed Rs. 3,500,000 | Rs. 195,000 plus 17.5% of the amount exceeding Rs. 2,500,000 |
| **6.** | Where taxable income exceeds Rs. 3,500,000 but does not exceed Rs. 5,000,000 | Rs. 370,000 plus 20% of the amount exceeding Rs. 3,500,000 |
| **7.** | Where taxable income exceeds Rs. 5,000,000 but does not exceed Rs. 8,000,000 | Rs. 670,000 plus 22.5% of the amount exceeding Rs. 5,000,000 |
| **8.** | Where taxable income exceeds Rs. 8,000,000 but does not exceed Rs. 12,000,000 | Rs. 1,345,000 plus 25% of the amount exceeding Rs. 8,000,000 |
| **9.** | Where taxable income exceeds Rs. 12,000,000 but does not exceed Rs.30,000,000 | Rs. 2,345,000 plus 27.5% of the amount exceeding Rs. 12,000,000 |
| **10.** | Where taxable income exceeds Rs. 30,000,000 but does not exceed Rs.50,000,000 | Rs. 7,295,000 plus 30% of the amount exceeding Rs. 30,000,000 |
| **11.** | Where taxable income exceeds Rs. 50,000,000 but does not exceed Rs.75,000,000 | Rs. 13,295,000 plus 32.5% of the amount exceeding Rs. 50,000,000 |
| **12.** | Where taxable income exceeds Rs.75,000,000 | Rs. 21,420,000 plus 35% of the amount exceeding Rs. 75,000,000 |

## Tax Rates for Non-Salaried Individuals and AOPs Revised

For non-salaried persons deriving income exceeding Rs. 400,000, eight taxable slabs of income with tax rates ranging from 5% to 35% are being introduced as given below:

| S. No. | Taxable Income | Rate of Tax |
|---|---|---|
| 1. | Where taxable income does not exceed Rs. 400,000 | 0% |
| 2. | Where taxable income exceeds Rs. 400,000 but does not exceed Rs. 600,000 | 5% of the amount exceeding Rs. 600,000 |
| 3. | Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000 | Rs. 10,000 plus 10% of the amount exceeding Rs. 600,000 |
| 4. | Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000 | Rs. 70,000 plus 15% of the amount exceeding Rs. 1,200,000 |
| 5. | Where taxable income exceeds Rs 2,400,000 but does not exceed Rs 3,000,000 | Rs. 250,000 plus 20% of amount exceeding 2,400,000 |
| 6. | Where taxable income exceeds Rs 3,000,000 but does not exceed Rs 4,000,000 | Rs. 370,000 plus 25% of the amount exceeding Rs 3,000,000 |
| 7. | Where taxable income exceeds Rs 4,000,000 but does not exceed Rs 6,000,000 | Rs. 620,000 plus 30% of the amount exceeding Rs 4,000,000 |
| 8. | Where taxable income exceeds Rs 6,000,000 | Rs. 1,220,000 plus 35% of the amount exceeding Rs 6,000,000 |

## Amortization Period of Intangibles Enhanced:

The Bill proposes that if the useful life of an intangible asset is not ascertainable the expenditure regarding such asset shall be amortized over a period of 25 years. Moreover, where the useful life of the intangible is ascertainable the expenditure regarding the intangible shall be amortized over the actual number of years for which such intangible is to be used.

## Withholding Tax Rate on Dealers, Commission Agents & Arhatis Increased:

Every market committee is required to collect advance tax from dealers, commission agents and arhatis at the time of issuance or renewal of licenses. The tax rates of advance tax are being increased as follows:

| Class | Tax Slabs |
|---|---|
| **Class A** | Rs. 10,000 to Rs. 100,000 |
| **Class B** | Rs. 7,500 to Rs. 75,000 |
| **Class C** | Rs. 5,000 to Rs. 50,000 |

## Payment through Banking Channel on account of Purchase of Assets Prescribed:

The persons purchasing immovable property of fair market value greater than Rs. 5 million and in the case of any other asset Rs. 1 million or more, would now be required to make payment through a crossed banking instrument so that transaction can be clearly identified from one bank account to another. Upon failure to do so, the deductions in respect of depreciation and amortization shall not be allowed. Moreover, the amount of purchase shall not be treated as cost for calculation of any gain on sale of such asset and a penalty at the rate of 5% of the FBR value of the asset is proposed to be imposed for violation of this requirement.

## Simplified Tax Regime for Certain Class of Persons Introduced:

The Federal Government seeks to bring certain persons in the tax net by incentivizing such persons through simplified taxation and simplified procedures of record keeping, tax payment, return filing and assessment. The intended sectors are small businesses, construction businesses, medical practitioners, hospitals, and educational institutions.

## Corporate Tax Rate Frozen:

The Bill proposes to freeze the corporate tax @ 29%. Previously, it was proposed to be reduced to 25% on a gradual basis.

## Taxation of Capital Gains on Immovable Properties Enhanced

Capital gains shall now be taxed under Normal Tax Regime with varying treatments for capital gains arising from land and other immovable properties as follows:

— **For Plots**

Capital gain on immovable land shall be fully taxable during the first year and 75% of gain shall be taxable from second to tenth year. No capital gain shall be taxable if the holding period is more than 10 years.

— **For Constructed Property**

On the other hand, capital gain on a constructed immovable property shall be fully taxable in the first year, and 75% of the gain shall be taxable from second to tenth year. However, no capital gain shall be taxable if the holding period is more than 5 years.

## Amendments for Real Estate Taxation

### FBR Valuation

The FBR rate for immovable property are proposed to be increased up to 85% of the actual market value. This step is taken to obtain the tax on arm's length transactions.

### Removal of 236W

No tax under 236W shall be chargeable i.e. 3% tax on the difference of FBR and DC value of immovable property.

### Withholding Tax on Purchase and Sale

Threshold of four million rupees is being abolished for the purpose withholding tax on the purchase of property. Furthermore, the withholding tax rate on the purchase shall be reduced from 2% to 1%.

The withholding tax on the sale of property shall be taxable if the holding period of property is less than five years.

### Abolishing the Restriction on Non-Filers

Non-filer shall be free to purchase any property irrespective of its value. There was a threshold of Rs. 5 million for purchasing a property by a non-filer.

## Final Tax Regime on Several Sectors Abandoned

The final tax regime is proposed to be abandoned for all commercial supplier of goods, contractors, persons deriving brokerage or commission income and person earning income from CNG stations. The above mentioned shall now be treated under minimum tax liability. The final tax regime shall be applicable for commercial importers, persons winning prizes and sellers of petroleum products.

## Rules for Calculating Profit for Super Tax Rationalized

Presently brought forward depreciation and business losses are excluded while computing income for calculating liability of super tax. However, such losses are not excluded in the case of banking, insurance, oil and mineral exploration companies. In order to ensure similar tax treatment, brought forward business and depreciation losses have been excluded from income computed to calculate super tax in the case of the abovementioned sectors.

## Taxation of Dividend Income Rationalized

The Finance Bill, 2019 proposed to increase the rate of tax on dividend income (where no tax is payable) which can be seen in the following table.

| Type of Company | Current | Proposed |
|---|---|---|
| **Power Generation Companies** | 7.5% | 15% |
| **Companies with Tax benefits or Tax Credits** | 15% | 25% |
| **Mutual Fund** | 10%-12.5% | 15% |
| **Stock Fund** | 12.5% | 15% |
| **REIT scheme** | 50% reduce from Normal Rate | 15% |

## Initial Allowance on Buildings Abolished

The initial allowance on building at the rate of 15% now being abolished.

## Taxation of Profit on Debt Rationalized

The Finance Bill, 2019 proposed the following rate increment for profit on debt which are as follows;

| Limit | Current | Proposed |
|---|---|---|
| **Up to 5 million** | 10% | 15% |
| **From 5 million to 25 million** | 12.5% | 17.5% |
| **25 million to 36 million** | 15% | 20% |

The profit on debt exceeding Rs. 36 million shall be taxable under the normal tax regime. On the other hand, the withholding tax rate for profit on debt has been increased from 10% to 15%.

### Profit Shifting to Dealers Restricted

Commission paid to dealers more than 0.2% of the gross amount shall be disallowed unless the dealer is registered under Sales Tax and an active taxpayer. Furthermore, where the excess commission is paid to a dealer who is an associate, 75% of the margin paid is to be treated as income of the supplier.

### Threshold for Immunity from Probe on Foreign Remittances Enhanced

The threshold for investment through foreign remittance for explaining the source has been reduced from Rs. 10 million to Rs. 5 million.

## Key Sales Tax Amendments

### Measures for Five Zero-rated Export-oriented Sectors

SRO 1125(I)/2011 provides for zero-rate of sales tax on inputs and products of five export-oriented sectors i.e. textile, leather, carpets, sports goods and surgical goods. The said SRO is proposed to be rescinded, thus restoring standard rate of 17%. The following is also proposed:

- The rate of sales tax on local supplies of finished articles of textile and leather and finished fabric may be raised from current 6% for integrated businesses, and 9% for others, to 15% and 17%, respectively.
- Zero-rating of utilities (gas, electricity and fuels) allowed to these export- oriented sectors through various sales tax general orders be withdrawn.
- Refund of sales tax to these sectors be automated, thus ensuring that the sales tax paid on inputs is immediately refunded. Refund Payment Orders (RPOs) shall be immediately sent to SBP for payment as soon as these are generated.
- Ginned cotton which is presently exempt is proposed to be subjected to reduced rate of 10%
- In addition to above, it is also proposed to rescind notification No. SRO. 769 (I)/2009, dated 4th September, 2009, which grants zero-rating on import and supply of polyethylene and polypropylene for manufacture of mono filament yarn and net cloth, being similar in nature to SRO 1125, and that granting zero-rating to local supplies is to be discouraged.

### No Input Tax Adjustment on Food Supplied by Restaurants, Bakeries, Caterers etc.

It is proposed to reduce the sales tax rate from 17% to 7.5% on food related inputs such as meat, vegetables, flour etc. Furthermore, no input tax adjustment will be allowed.

Furthermore, in respect of auto parts and tyre / tubes, which are of intermediary nature and consumed by industries extra tax is proposed to be withdrawn.

## Scope of on Market Rertail Price Sales Tax on Retail Price Expanded

Electric and gas appliances, foam, confectionary, lubricants (in retail packing), batteries, tyre / tubes etc. now will be part of the Third Schedule (retail price taxation) of the Sales Tax Act, 1990 instead of falling under extra tax regime.

## Exclusion of Government Bodies from Purview of Extra Tax and Further Tax

It is proposed that Government / semi-government and statutory regulatory authorities may be excluded from purview of extra and further taxes which are at the rate of 3% on supplies made to unregistered persons under section 3 (1A) and 5% under SRO 509(I)/2013 dated 12.06.2013 on electricity and gas bills from all unregistered industrial and commercial consumers whose monthly bill exceeds Rs. 15,000 respectively.

## Restoration of Normal Regime for Steel Sector

Sales tax from steel sector is collected through electricity bills at Rs. 13 per KWH. Imported scrap used in making billets is subject to sales tax at Rs. 5,600 / MT which is adjustable. For ship-breakers, ships imported for breaking are exempt from payment of sales tax. However, for ship-plates obtained from breaking of ship, sales tax is payable at Rs. 9,300 per MT. Further, steel industry set up in tribal areas is exempt from payment of sales tax and steel units in other areas are not able to compete with them. In order to do away with this complex regime, it is proposed as under:

> The special procedure may be scrapped and these items be brought in normal tax regime.
>
> Billets, ingots, bars, ship plates and other long profiles may be subjected to FED at 17% in sales tax mode for the reason that there is no exemption from FED for tribal areas.
>
> Sales tax payable on these products on imports and by manufacturers may be exempted.

Minimum benchmarks are also being set of electricity consumption and production.

## Enhanced in Fixed Value of Gas Supplied to CNG Dealers

Since the deregulation of CNG prices by OGRA, CNG prices have risen but Government has not changed the value for the CNG dealers which is being changed for Region I from Rs 64.80 per kg to Rs 74.04 per kg and for Region II from Rs 57.69 per kg to Rs 69.57 per kg.

## Change in the Retailers Regime

To rationalize tax on retailers and to capture its full potential retailers are to be divided under tiers as follows:

**Tier-I retailers are as follows:**

- a retailer operating as a unit of a national or international chain of stores;
- a retailer operating in an air-conditioned shopping mall, plaza or center, excluding kiosks;
- a retailer whose cumulative electricity bill during the immediately preceding twelve consecutive months exceeds Rupees six hundred thousand;
- a wholesaler-cum-retailer, engaged in bulk import and supply of consumer goods on wholesale basis to the retailers as well as on retail basis to the general body of the consumers;
- a retailer whose turnover during the preceding twelve months exceeds Rs. 5 million;
- a retailer running business in a premises having covered area of more than one thousand sq. ft.

The Finance Bill proposes the following conditions to Tier I retailers:

- Retailers be made mandatory to integrate their points of sales (POSs) with FBR's Computerized System so that the sales are reported in real time.
- Customers will be allowed cash back of up to 5% of the sales tax charged on invoices on retention.

## Rate of Tax on Sugar Enhanced

Presently Sugar is subject to sales tax at 8%. In order to generate much need revenue, it is proposed that the sales tax rate on sugar may be enhanced to 17%.

## Goods Exempted from Sales Tax Made Taxable

Items presently in Sixth Schedule which are exempted, now will be subjected to sales tax at the rate of 10% if sold in retail packing under a brand name including sausages, meat and similar products of prepared frozen or meat offal including poultry, fat filled milk, in liquid or powdered form and Cereals and flours, other than those of wheat and meslin.

## Insertion of Gold, Silver, Diamond and Jewelry in Eighth Schedule to the Sales Tax Act, 1990 at Reduced Rate

It is proposed to introduce reduced rate/minimal tax rate of 1% on gold and silver. Similarly, jewelry is taxed on the basis of making charges only which now is proposed that gold in jewelry may be taxed at 1.5%, diamond at 0.5% and making charges at 3%, with input adjustment available only in respect of gold.

## The Scope of ICT Sales Tax on Services to be Aligned with Provinces

It is proposed that services which have been subjected to sales tax by the provinces and are not included in the Schedule to ICT (Tax on Services) Ordinance, 2001, may be included in the Schedule and subjected to sales tax at standard rate of 16% under the said Ordinance. For clarity, it is mentioned that the services which are already being taxed under the Federal Excise Act, 2005, are not included in the services to be added to ICT law.

## Special Procedure for Marble Industry

Presently, sales tax is payable by marble industry under special procedure whereby sales tax is charged at Rs. 1.25 per unit of electricity consumed. It is proposed to be taxed at the standard regime of 17%.

## Simplification of Sales Tax Registration – Ease of Doing Business

It is proposed to issue sales tax registration, through an automated interface without any physical contact with the tax officers. Biometric verification shall be done within a month of registration through NADRA.

## Scope of Exemption Allowed to Tribal Areas Expanded

To settle the post FATA/PATA merger scenario and to extend tax exemptions SRO 1212(I)/2018 is being rescinded and exemptions are being incorporated in it in the Sixth Schedule to the Sales Tax Act, 1990. Further, exemption from sales tax on imports of plant, machinery, equipment for installation in tribal areas, and of industrial inputs by the industries located in the tribal areas, is also proposed.

Additionally, supplies of electricity to all residential and commercial consumers, and to industries which were set up and started their industrial production before 31st May, 2018, but excluding steel and ghee / cooking oil industries.

## 3% Value Addition Tax on Petroleum Products and Mobile Phones Withdrawan

3% value addition sales tax is payable on all commercial imports. One of the exclusions from this levy is available to those petroleum products imported by oil marketing companies, whose prices are regulated. This exclusion does not cover furnace oil, which is being proposed now.

Secondly, it is proposed to exclude mobile cellular phones and satellite phones from purview of 3% value addition. This 3% regime is also proposed to be transferred from the Sales Tax Special Procedures Rules, 2007, to the new Twelfth Schedule to the Act.

## Fixed Sales Tax on Brick Kilns Introduced

Brick kilns are proposed to be taxed at fixed rates under three categories based on locations as under:

- Category A Rs 12,500 pm
- Category B Rs 10,000 pm
- Category C Rs 7,500 pm

## Bar on Export of PMC and PVC to Afghanistan Removed

It is proposed that the SRO 190(I)/2002 may be amended to delete entries relating to PVC and PMC materials, and thus allowing zero-rating on export of these items to Afghanistan and Central Asian Republics.

### Scope of Tax Credit Not Allowed Expanded

Section 8(1) lists down conditions in which a registered person shall not be entitled to reclaim or deduct input tax. The Finance Bill proposes to include invoices which do not bear the CNIC of the buyer claiming input tax paid

### Refund of Input Tax on Capital Assets Prescribed

The Finance Bill proposes that the registered person may claim refund of excess input on account of capital assets despite the fact that the same is not adjusted within a minimum period of twelve months.

### Tax Invoice Contents Redefined

It is proposed that the CNIC of the buyer shall be mentioned in the tax invoice.

### Enabling Directors / Partners / Shareholders to Recover Paid Dues

It is proposed to incorporate provisions enabling directors / partners to recover the paid amount from company, business enterprise, or share from other director, partner or shareholder on the same pattern as already provided in Income Tax Ordinance, 2001.

## Key FED Amendments

### Minimum Production Criterion Introduced for Discharge of Duty on Steel Products

In the proposed insertion vide Finance Bill, 2019 the minimum production for the goods, specified in Fourth Schedule, shall be determined on the basis of the inputs as consumed in the production process and if the minimum production according to the Fourth Schedule criterion exceeds the actual supplies for the month that minimum production portion shall be treated as quantity supplied and liability to pay duty shall be discharged accordingly.

### Penalty on Selling Cigarettes below Retail Price Introduced

By virtue of Finance Bill, 2019 penalty should be imposed on a person who sells cigarettes at a price lower than the retail price inclusive of sales tax printed on the packaging.

### Procedures to Control Malpractices Prescribed

The Finance Bill, 2019 seeks to empower the Board for initiating criminal proceedings against any authority as per Section 29 of the Federal Excise Act, 2005 who willfully and intentionally commits or omits an act which results in personal benefits and undue advantage to the authority or the person.

Once the proceedings initiated the Board will inform the relevant Government and authorities to initiate criminal proceedings against the taxpayer.

# Key Customs Amendments

## Risk Management System Introduced

Risk Management System is being introduced to enable the Custom Authorities to identify, analyze, monitor, review, and treat risk associated with arrival and clearance of goods.

## Scope of Probe for Misdeclaration of Imports/Exports Value Extended

The procedure for issuance of notices in cases where valuation of goods imported or exported has been manipulated is being introduced. This measure is being taken to control illegal transfer of funds across borders.

## Timeline for Filing of GDs Curtailed

The time prescribed for filing of GDs by persons importing goods, whether for consumption or warehousing has been reduced from 15 days to 10 days. The penalty for failure to file the goods declaration within prescribed period is set at Rs. 5,000 per day for the first 5 days of default and Rs. 10,000 per day after 5 days.

## Auction Timeline of Uncleared Goods Curtailed

Uncleared goods can now be placed in auction after 15 days of their arrival at a customs station and such time can only be extended up to 5 days.

## Alternative Dispute Resolution

The procedures are being proposed to be laid out for Alternative Dispute Resolution (ADR) in cases where an aggrieved person would be able to apply to the Board for the appointment of a Committee for resolution of a dispute pending under appeal.

## Disclaimer

*We would value any comments or observations that you may have regarding this publication.*

*This is compiled and written by HHC - Tax Department Team*

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