

Newsletter-Special Edition

Finance Supplementary (Amendment) Act, 2018



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Income Tax Ordinance, 2001

Persons Profiling Defined for Furnishing of Information by Banks [Section 165A (d)]

Previously, every banking company was required to provide FBR with a consolidated list of loans written-off exceeding rupees one million during a calendar year.

However, this requirement for the banking company has been waived off and the following new requirement has been mandated for every banking company:

Every banking company shall provide FBR a list of persons receiving profit on debt exceeding:

- One million rupees for filers and
- Five hundred thousand rupees for non-filers and III. the tax deductions thereon during the preceding financial year.

Penalties Defined for Violating the Restriction on Non-Filers for Purchase of Motor Vehicles and Immovable Property (Section 182)

A restriction has been imposed on non-filers on the purchase of vehicles and immovable property vide Finance Act, 2018. Certain penalties have been defined for the manufacturers and registering authorities for selling the vehicles and registering / transferring the vehicles or immovable property to non-filers. Following are the new insertions in this regard:

Offences	Penalties
Where any manufacturer of a motor vehicle accepts or processes any application for booking or purchase of a locally manufactured motor vehicle in violation of the provisions of clause (a) of section 227C.	Such person shall pay a penalty of 5 percent of the value of the motor vehicle.
(i). Where any registering authority of Excise and Taxation Department accepts, processes or registers any application for registration of a locally manufactured motor vehicle or for the first registration of an imported vehicle in violation of the provisions of clause (a) of section 227C.	Such person shall pay a penalty of 3 percent of the value of the motor vehicle or immovable property.
(ii). Where any authority responsible for registering, recording or attesting the transfer of immovable property accepts or processes the registration or attestation of such property in violation of the provisions of clause (b) of section 227C.	

Scheme of Finalization of Auto-selected Audits on account of Belated Filing Introduced (Section 214E)

The taxpayer was automatically selected for a tax audit on account of belated filing under the omitted Section 214D. The Finance Supplementary (Amendment) Act, 2018 seeks to insert a new Section, 214E, to address the cases already selected under the omitted Section 214D. Under newly inserted Section, pending tax audit cases shall be deemed to have been concluded if:

I. The taxpayer has been selected for audit under the abolished Section 214D;

II. Notice for the amendment of assessment u/s 122 has not been issued and

The taxpayer has voluntarily revised the Income Tax Return by December 31, 2018 along with payment of:

- 25% higher tax than the tax already paid with te return or
- 2% of turnover where tax liability is NIL or
- A penalty equal to 0.1% of tax payable for each day subject to a maximum of 50% of tax payable or if no tax is payable than penalty of Rs. 20,000 has voluntarily been paid

However, the above conditions shall not apply to the taxpayers having taxable income, comprising only salary income or income subject to final taxation.

Thus, it is clarified that income tax audit cases automatically selected under the omitted Section 214D shall stand concluded. It is pertinent to mention here that audits initiated under Section 177 or 214C shall independently be conducted and insertion of Section 214E will have no bearing on such selection.

Provision of Information by the Board of the Approved Person [Section 2016(6A)]

The Board is now empowered to provide data to any person approved by the Federal Government for the purpose of broadening the tax base or to check tax evasion. However, such information would be anonymised and particulars of the taxpayer would also be kept confidential.

Exceptions Defined for Violating the Restriction on Non-Filers for Purchase of Motor Vehicles and Property (Section 227C)

By virtue of the Finance Act, 2018, non-filers were barred from purchase of new locally manufactured or imported

vehicle and immovable property. However, vide Finance Supplementary (Amendment) Act, 2018, certain exceptions has been introduced whereby the aforementioned restriction shall not be applicable in the following cases:

- Motorcycle having an engine capacity of less than 200 cc, motorcycle-rickshaw, agricultural tractor or any other motor vehicle having an engine capacity of less than 200 cc
- A person holding a Pakistan origin card or a national identity card for overseas Pakistani who produces a certificate from a scheduled bank of receipt of foreign exchange remitted from outside Pakistan through normal banking channels during a period of sixty days prior to the date of booking, registration or purchase of a motor vehicle
- A legal heir acquiring immovable property in inheritance
- On purchase of immovable property by a person holding a Pakistan origin card or a national identity card for overseas Pakistani who produces a certificate from a scheduled bank for receipt of foreign exchange remitted from outside Pakistan through normal banking channels during a period of sixty days prior to the date of registering, recording or attesting transfer

Increase of Income Tax Rates for Individuals (Division I, Part I, First Schedule)

The outgoing government in its last budget announced a massive relief for salaried and non-salaried class individuals. However, the step could cause the financial hardship to the incoming government. Previously, all the individual taxpayers, whether salaried or business category, were subjected to same applicable income tax rates through Finance Act, 2018. However, new separate slab rates, for the business class and salaried class individuals have been proposed and the changes in tax rates are planned to be applicable with effect from July 2018. However, there is no change in the tax rates for taxable income up to PKR 2.4 Million comparing this Amendment Act with the Finance Act, 2018. The proposed tax rates are stated as follows:

Tax Rates for Business Individuals:

Sr. No.	Income Brackets	Rates
1	Where the taxable income does not exceed Rs. 400,000	0%
2	Where the taxable income exceeds Rs. 400,000 but does not exceed Rs. 800,000	Rs. 1,000
3	Where the taxable income exceeds Rs. 800,000 but does not exceed Rs. 1,200,000	Rs. 2,000
4	Where the taxable income exceeds Rs.1,200,000 but does not exceed Rs. 2,400,000	5% of the amount exceeding Rs. 1,200,000
5	Where the taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,000,000	60,000 + 15% of the amount exceeding Rs. 2,400,000
6	Where the taxable income exceeds Rs. 3,000,000 but does not exceed Rs. 4,000,000	150,000 + 20% of the amount exceeding Rs. 3,000,000
7	Where the taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 5,000,000	350,000 + 25% of the amount exceeding Rs. 4,000,000
8	Where the taxable income exceeds Rs. 5,000,000	600,000 + 29% of the amount exceeding Rs. 5,000,000

Tax Rates for Salaried Individuals:

Sr. No.	Income Brackets	Rates
1	Where the taxable income does not exceed Rs. 400,000	0%
2	Where the taxable income exceeds Rs. 400,000 but does not exceed Rs. 800,000	Rs. 1,000
3	Where the taxable income exceeds Rs. 800,000 but does not exceed Rs. 1,200,000	Rs. 2,000
4	Where the taxable income exceeds Rs.1,200,000 but does not exceed Rs. 2,500,000	5% of the amount exceeding Rs. 1,200,000
5	Where the taxable income exceeds Rs. 2,500,000 but does not exceed Rs. 4,000,000	65,000 + 15% of the amount exceeding Rs. 2,500,000
6	Where the taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 8,000,000	290,000 + 20% of the amount exceeding Rs. 4,000,000
7	Where the taxable income exceeds Rs. 8,000,000	1,090,000 + 25% of the amount exceeding Rs. 8,000,000

However, where the taxable income of a person exceeds eight hundred thousand rupees, the minimum tax payable shall be two thousand rupees.

Re-enhancement of Withholding Tax Rate on Banking Transactions

(Section 236P – Division XXI, Part IV, First schedule)

The rate of advance tax on banking transactions other than through cash for non-filers u/s 236P of the Income Tax Ordinance, 2001, has been proposed to be enhanced from 0.4% to 0.6% as per the Act.

Income Tax Ordinance, 2001 – Second Schedule

Following changes have been proposed in the Second Schedule by virtue of the Finance Supplementary (Amendment) Act, 2018:

Withdrawal of Exemptions to Federal Ministers (Clause 51 & 53, Part I)

Exemption on account of rent free residence to Provincial Governors has been proposed to be withdrawn. Also, exemption and allowances provided to Federal Ministers on account of rent-free accommodation or house-rent allowance, free conveyance and sumptuary allowance are proposed to be withdrawn through omission of the relevant clause.

Exemptions on Contribution to Diamer Bhasha & Mohmand Dams – Fund

Considering the dire need of time to construct dams, the Finance Supplementary (Amendment) Act, 2018 seeks to introduce various exemptions on contributions made to Diamer Bhasha & Mohmand Dams Fund created by the Supreme Court of Pakistan. Following new insertions shall be made in the Second Schedule of the Income Tax Ordinance, 2001:

Part I

- Any amount paid as a donation under Clause 61 of Part I of Second Schedule
- Any income derived by the Supreme Court of Pakistan Diamer Bhasha & Mohmand Dams – Fund

Part IV

- Immunity from the application of Section 111 relating to unexplained income or assets to the said dam fund
- The provisions of
 - Minimum Tax,
 - Tax on Profit on Debt
 - Advance Tax on Cash Withdrawal
 - Advance tax on transactions in bank
 - Advance tax on banking transactions otherwise than through cash shall not apply to the said dam fund.

Sales Tax Act 1990

Exemptions under Table 1 of Sixth Schedule

Certain exemptions have been granted under the Sixth Schedule of the Sales Tax Act, 1990 on some medical and surgical goods in addition to the exemption already provided under the following heads:

- Angioplasty products
- Angiography product
- Cardiac electro-physiology products
- Cardiac surgery products
- Other medical equipment
- Peripheral Interventions Equipment

Exemption under Table 2 of Sixth Schedule

The Act granted exemption on local supplies of following goods:

Sr. No.	Description	PCT Heading
24.	LED or SMD lights and bulbs meant for conservation of energy.	8539.5010, 8539.5020, 9405.1030 and 9405.4020

Exemption under Table 3 of Sixth Schedule

The Supplementary Act has exempted the parts and components for manufacturing LED Bulbs from levy of sales tax through amendment in 15A of Table 3 of Sixth Schedule.

Reduction under Table 1 of Eighth Schedule

The reduced rate of 12% is now proposed to apply for both RLNG and LNG. The existing clause shall read as follows:

Sr. No.	Description	PCT Heading	Rate of Tax	Condition
51.	LNG/RLNG	2711.1100 and 2710.2100	12%	If supplied to gas transmission and distribution companies

However, a new addition has been made in the Eighth Schedule depicting that imports and local supply of imported LPG will be taxed at the rate of 10% having PCT Heading 2711.1910.

Moreover, the applicable rate on Potassium Chlorate (KCLO3) is proposed to be enhanced as follows:

Sr. No.	Description	Existing Rate	Proposed Rate
56.	Potassium Chlorate (KCLO3)	17% along with rupees 40 per kilogram	17% along with rupees 65 per kilogram

Federal Excise Act, 2005

Concept of Un-Manufactured Tobacco Introduced

[Clause (24A)]

It is proposed that new insertion shall be made as Clause 24A defining the un-manufactured tobacco as tobacco useable for manufacture of cigarettes as manufactured by Green Leaf Threshing Units after processing and conversion of tobacco green leaf. The Excise Duty has been increased from Rs. 10 per kilogram to Rs. 300 per kilogram.

Further increase of Excise Duty on price of locally manufactured cigarettes is detailed below:

Description	Existing FED Rate	Proposed FED Rate
Locally produced cigarettes if their on pack printed retail price exceeds four thousand five hundred rupees per thousand cigarettes	Rs. 3,970 per 1000 cigarettes	Rs. 4500 per 1000 cigarettes
Locally produced cigarettes if their on pack printed retail price exceeds two thousand nine hundred and twenty-five rupees per thousand cigarettes but does not exceed four thousand five hundred rupees per thousand cigarettes.	Rs. 1,776 per 1000 cigarettes	Rs. 1,840 per 1000 cigarettes
Locally produced cigarettes if their on pack printed retail price does not exceed two thousand nine hundred and twenty-five rupees per thousand cigarettes.	Rs. 854 per 1000 cigarettes	Rs. 1,250 per 1000 cigarettes

Increase of Duty on Imported Motor Cars

Excise Duty on imported motor cars, SUV's and other motor vehicles of cylinder capacity of 1800cc or more, principally designed for the transport of persons (other than those of headings 87.02) including station wagons and racing cars; has been enhanced from 10% to 20%.