



# 2018 Finance Bill Tax Handbook

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# Tax Handbook 2018

An Information Guide

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## Preface

This handbook intends to unravel the various post budget queries forthcoming by our clients. We have attempted to apprise them with a comprehensive explanation of the implications and an upshot that this Finance Bill has brought about. The handbook encompasses the amendments in the Income Tax Ordinance, Sales Tax Act, Federal Excise and Customs Act. The applicable amendments in the laws after enactment are effective from July 1, 2018 unless otherwise specified.

The commentary should be read in conjunction with the applicable sections of respective Ordinances, Acts and Rules along with the text of the Finance Bill, 2018. This commentary aims to provide a general guideline and thus should not be considered as a conclusive and enforceable document. Professional advice should be sought before acting on any newly introduced amendment in the Finance Bill or on our comments.

We hope that this handbook enhances your perception of Budget 2018-2019. For better understanding and convenience, we have also drafted a Tax Planning Guide appended to this handbook.

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Although best efforts have been made to ensure accuracy of the information in this handbook, any errors and omissions are regretted.

Lahore

April 27, 2018

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## Budget, 2018-2019

*Budget, 2018-2019*

### Salient Features of the Budget 2018-2019

The salient features of the budget 2018-19 are as follows:

- The total outlay of budget 2018-19 is Rs 5,932.5 billion. This size is 16.2% higher than the size of budget estimates 2017-18.
- The resource availability during 2018-19 has been estimated at Rs 4,917.2 billion against Rs 4,713.7 billion in the budget estimates of 2017-18.
- The net revenue receipts for 2018-19 have been estimated at Rs 3,070.4 billion indicating an increase of 4.9% over the budget estimates of 2017-18.
- The provincial share in federal taxes is estimated at Rs 2,590.1 billion during 2018-19, which is 8.6% higher than the budget estimates for 2017-18.
- The net capital receipts for 2018-19 have been estimated at Rs 443.1 billion against the budget estimates of Rs 552.5 billion in 2017-18 i.e. decrease of 19.8%.
- The external receipts in 2018-19 are estimated at Rs 1,118 billion. This shows an increase of 33.4% over the budget estimates for 2017-18.
- The overall expenditure during 2018-19 has been estimated at Rs 5,932.5 billion, out of which the current expenditure is Rs 4,780.4 billion and development expenditure is Rs 1,152.1 billion.
- The share of current and development expenditure respectively in total budgetary outlay for 2018-19 is 80.6% and 19.4%.
- The expenditure on General Public Services is estimated at Rs 3,340.4 billion which is 69.9% of the current expenditure.
- The development expenditure outside PSDP has been estimated at Rs 180.2 billion in the budget 2018-19.
- The size of Public Sector Development Programme (PSDP) for 2018-19 is Rs 1,650 billion. Out of this, Rs 850 billion has been allocated to provinces. Federal PSDP has been estimated at Rs 800 billion, out of which Rs 420.4 billion for Federal Ministries/Divisions, Rs 246.1 billion for Corporations, Rs 5 billion for Pakistan Sustainable Development Goals (SDGs) and Community Development Programme, Rs 8.5 billion for Earthquake Reconstruction and Rehabilitation Authority (ERRA), Rs 5 billion for Special Provision for Competition of CEPEC Projects, Rs 10 billion for FATA 10 year Plan, Rs 45 billion for Relief and Rehabilitation of IDPs, Rs 45 billion for Security Enhancement, Rs 10 billion for Prime Minister's Youth Programme and Rs 5 billion for Gas Infrastructure Development Cess.
- To meet expenditure, bank borrowing has been estimated for 2018-19 at Rs 1,015.3 billion, which is significantly higher than revised estimates of Rs 586.5 billion in 2017-18.

*Budget, 2018-2019*

## Comparative Budgetary Position 2018-2019 & 2017-2018

### Receipts

	<i>2018-2019</i> (Rs. in Billion)	<i>2017-2018</i> (Rs. in Billion)
Tax Revenue	4,435.00	4,013.00
Other Taxes	453.65	317.46
Non Tax Revenue	771.86	979.85
Gross Revenue Receipts	5,660.50	5,310.31
Less: Provincial Share in Federal Taxes	(2,590.67)	(2,384.24)
Net Federal Revenue Receipts (A)	3,070.44	2,926.07
Capital Receipts (B)	406.11	389.42
External Resources (C)	1,118.02	837.82
Public Accounts Receipts (D)	126.68	213.10
Estimated Provincial Surplus (E)	285.60	347.27
Bank Borrowings (F)	1,015.302	390.10
Total Resources (A+B+C+D+E+F)	6,022.165	5,103.80

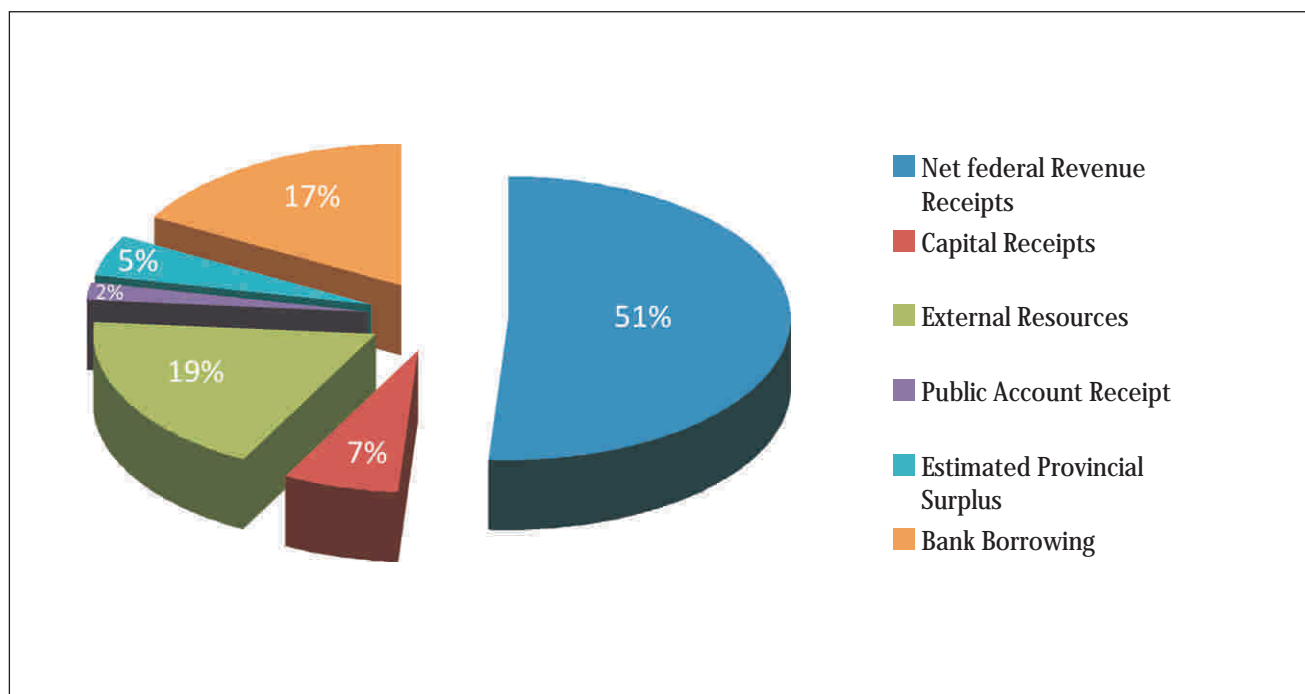
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*Budget, 2018-2019*

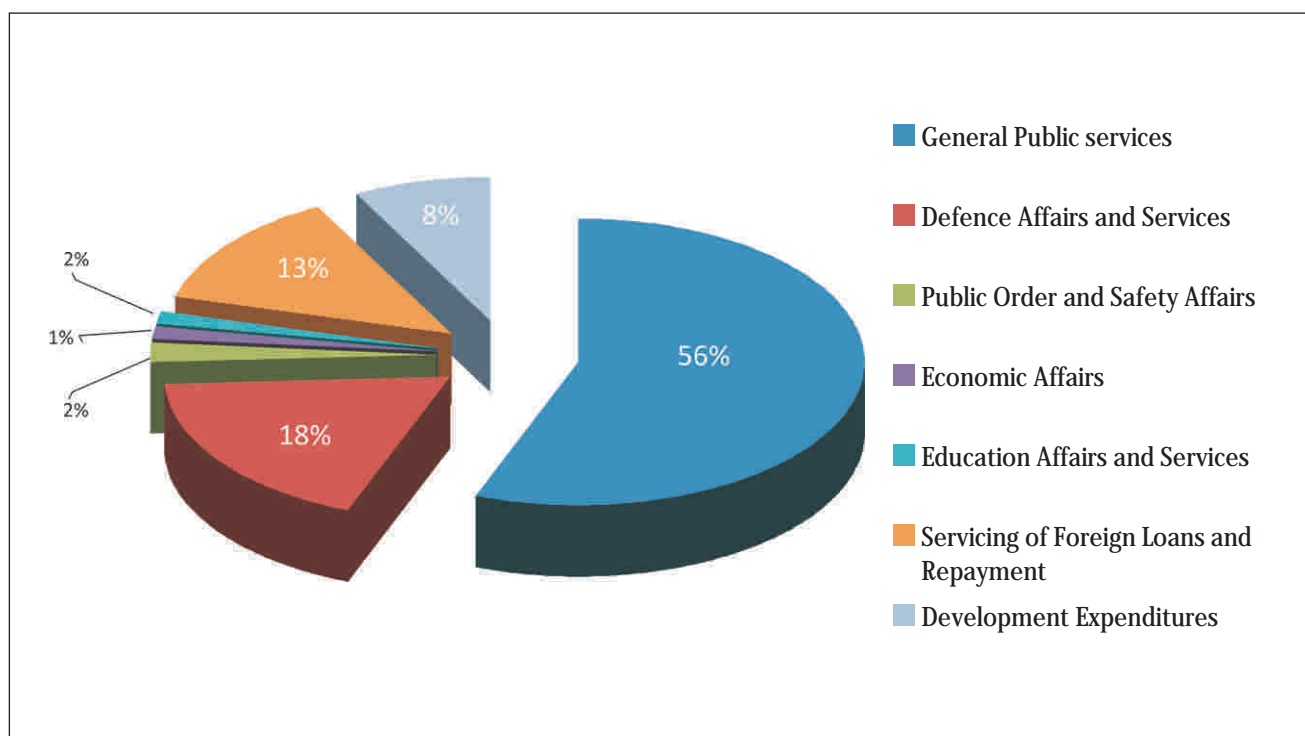
## Expenditures

	<i>2018-2019</i>	<i>2017-2018</i>
	(Rs. in Billion)	(Rs. in Billion)
General Public Services	3,340.43	2,135.00
Defence Affairs and Services	1,100.33	920.17
Public Order and Safety Affairs	132.30	109.60
Economic Affairs	80.75	62.94
Environment Protection	1.26	1.14
Housing and Community Amenities	2.34	2.33
Health Affairs and Services	13.90	12.85
Recreation, Culture and Religion	9.24	8.43
Education Affairs and Services	97.42	90.52
Social Protection	2.40	2.10
Current Expenditures	4,780.36	3,345.08
Servicing of Foreign Loans and Repayment	780.267	418.63
Current Expenditure on Revenue Account & Capital Account (A)	5,560.626	3,763.71
Development Expenditures (B)	461.539	1,340.10
 Total Expenditures (A+B)	 6,022.165	 5,103.8

*Breakup of Receipts*



*Breakup of Expenditures*



## Commentary

The Finance Bill, 2018



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## Finance Bill Highlights

### *Finance Bill Highlights*

#### Income Tax Highlights

- “Fee for offshore digital services” has been defined and it is subject to tax @ 5%.
- Active Taxpayer List of AJ&K and Gilgit-Baltistan accredited in FBR.
- Rate of super tax is proposed to be decreased by 1% for the Tax Year 2019 and to be phased out by the Tax Year 2020.
- Builders and developers shall be required to withhold tax regardless of the quantum of their turnover.
- Best Judgment Assessment after issuance of notice by the Commissioner can only be made within two years.
- Corporate tax rate for the Tax Year 2019 has been reduced to 29%.
- Tax deducted on import of goods by commercial importers is proposed to be treated as minimum tax.
- Gift to any person other than a relative will be considered as taxable.
- Unabsorbed depreciation can be adjusted only to the extent of 50% of the business income if the taxable income is Rs. 10 Million or more.
- Tax credit under section 65B, 65D and 65E are being extended up to 30th June, 2021.
- Transfer pricing reporting of country-by-country requirement mandated.
- Capping of Rs. 10 million rupees in a tax year is proposed which can be remitted into Pakistan from abroad without any explanation on its nature and source.
- Decision of the alternative dispute resolution committee has been made binding upon the taxpayer and FBR.
- Provision of automatic selection for audit on late filing of return has been abolished.
- Late filers of income tax returns would not be enlisted on the ActiveTaxpayers List (ATL).
- Tax Audit by Commissioner is proposed to be restricted to once in three years.
- Rate of advance tax on banking transactions by non-filers has been reduced from 0.6% to 0.4%.
- Withholding tax on issuance of bonus shares has been withdrawn.
- Minimum threshold for deduction of tax while making payment for supply of goods is increased from Rs. 25,000 to Rs. 75,000 and in case of rendering of services from Rs. 10,000 to Rs. 30,000 per annum.
- Purchase of immovable property, new motor vehicles manufactured in Pakistan and imported vehicles shall not be registered in the name of a non-filer.
- Minimum threshold for payment of tax for deemed stay against recovery of tax demand has been reduced from 25% to 10%.
- Minimum penalty for failure to file withholding tax statements has been reduced from Rs. 10,000 to Rs. 5,000 if statement is filed within three months of the due date.
- Facility of reduced rate of minimum tax @ 0.5% for large trading houses is being extended up to June 30, 2021.
- Scope of geographical source of income is widened by proposing amendments in tax laws for taxability of offshore component of contracts.
- Gain arising to a non-resident person on disposal of an asset in Pakistan is proposed to be taxable in Pakistan.
- Withholding tax is introduced for petrol pump distributor @ 0.5% for ex-depot price for filer and 1% for non-filer.
- Reduction of 50% in tax liability is proposed in case of foreign film-makers and local companies deriving income from film making industry.
- LUMS is proposed to be awarded with the status of Non-profit organization.
- Exemption on profit and gains is introduced for oil refineries.

### Sales Tax Highlights

- Further tax rate increased from 2% to 3% on the supplies made to non-registered persons.
- Powers of Federal Government to issue notifications under myriad sections proposed to be restored.
- Tax credit on import of scrap compressors disallowed.
- Commissioner or an officer of Inland Revenue required for issuing the new order within one year the appellate order is served to the Commissioner or the officer of Inland Revenue.
- Registered persons subjected to sales tax audit only once in three years.
- The default surcharge rate fixed @ 12% from the presently prevailing KIBOR + 3%.
- Recommendations of Alternative Dispute Resolution Committee suggested to be binding on the taxpayer and the Board.
- The powers of Chief Commissioner to post officers at business premises without permission from FBR withdrawn.
- Threshold of conditional tax payment for automatic stay curtailed @ 10% of the amount to tax demand.
- Introduction of new items in zero-rating Categories in Fifth Schedule of the Sales Tax Act, 1990.
- Specific parts of personal computers imported exempted from levy of sales tax by new insertions in Sixth Schedule.

### FED Budget Highlights

- Automatic stay against recovery of Federal Excise Duty demand till decision by the Commissioner Inland Revenue (Appeals) subject to reduced payment of 10% of the FED demand.
- Provisions for giving appeal effect under the Federal Excise Act, 2005 are being introduced to facilitate the taxpayers.
- Commission paid by the State Bank of Pakistan and its subsidiaries to banking companies for handling banking services of Federal or Provincial Governments is proposed to be exempt from FED.
- FED audit of a registered person restricted to once in every three years.
- FED is proposed to be enhanced on locally manufactured cigarettes.
- FED on cement increased from Rs. 1.25 per Kg to Rs. 1.50 per Kg.
- Rate of default surcharge is proposed to be fixed at 12% per annum.

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*Finance Bill Highlights*Customs Duty Highlights

- Import of duty-free paper for printing Holy-Quran allowed.
- CD on raw materials and inputs reduced for promotion of exports.
- CD on Multi-ply and Aluminum foil reduced from 20% to 18% for Liquid Food Packaging Industry.
- CD on finished rooms reduced from 20% to 10% for setting up new hotels/motels.
- CD on Optical fiber, Cable filling compound, Polybutylene, Fiber reinforced plastic and Water blocking/swellable tape reduced to 5% along with reduced RD on Optical Fiber Cables from 20% to 10%.
- CD on specified equipment used in cinemas reduced to 3%.
- Exemption of 16% CD on charging stations for electric vehicles.
- Reduction of concessionary rate of CD from 10% to 5% on silicon electrical steel sheets for manufacturing transformers.
- Exemption of 5% CD on specified LED parts and components for manufacturers of LED lights and Levy of 2% RD on LED bulb & Tubes, Energy Saving Bulbs & Tube to protect local industry.
- Concessionary import of vintage cars and jeeps at fix duty/taxes of US\$ 5,000 allowed.
- For Electric Vehicles, CD is proposed to be reduced from 50% to 25% and 15% RD exempted.
- CD on electric vehicle kits reduced from 50% to 10%.
- Exempted import of solar panels from the condition of 'local manufacturing' extended till 30th June, 2019.
- Levy of RD @ Rs.175/set on CKD/SKD kits of mobile phones.
- Additional CD increased from 1% to 2%.

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## Income Tax Ordinance, 2001

*Income Tax Ordinance, 2001*

### *Fee for Offshore Digital Services' Concept Introduced*

*Section 2(22B)*

Finance Bill 2018 has introduced a concept of 'fee for offshore digital services' which means consideration for rendering or providing services of online advertising including:

- Digital advertising space, designing, creating, hosting or maintenance of websites
- Digital or cyberspace for websites, advertising, e-mails, online computing, blogs, online content and online data
- Providing any facility or service for uploading, storing or distribution of digital content, including digital text, digital audio or digital video, online collection or processing of data related to users in Pakistan
- Any facility for online sale of goods or services or any other online facility

It is proposed that tax @ 5% shall be imposed on the income of nonresidents not having a Permanent Establishment in Pakistan.

### *ATL of AJ&K and Gilgit-Baltistan Accredited under FBR*

*Section 2(23A)*

By virtue of Finance Bill 2018, persons appearing in Active Taxpayers' List (ATL) of the AJ&K Council Board of Revenue or Gilgit-Baltistan Council Board of Revenue shall also be considered for attaining 'Filer' status.

### *Rate of Tax on Undistributed Profits Reduced*

*Section 5A*

Current tax on undistributed profits is payable at the rate of 7.5% of the entire profits, if the distribution, including by way of bonus shares, is less than 40% of profits. The threshold of undistributed profit has been proposed to be reduced from 40% to 20% and the tax rate has been reduced from 7.5% to 5%.

Bonus shares have been proposed to be excluded from the ambit of profit distribution.

### *Gifts to Unrelated Persons to be Taxed*

*Section 37 (4A)*

Finance Bill 2018 proposes that the gift to any person other than a relative will be considered as taxable transfer and gain or loss arising on such transfer will be taxed. By virtue of this amendment non-recognition of gain or loss is being restricted to gifts from a blood relative and spouse only hence transfer of property through gift is a taxable activity if made between unrelated persons.

### *Limit for Settlement of Depreciation Losses Prescribed*

*Section 57 (4)*

Currently, un-absorbed depreciation can be wholly adjusted against the income of a business in subsequent years. Finance Bill 2018 has proposed an amendment that, if the profit for a tax year is Rs. 10 million or more, such adjustment shall be restricted only to the extent of 50% of the profit.

### *Timescale for Qualifying for Tax Credits Extended*

*Section 65B, 65D, 65E*

Finance Bill 2018 has proposed certain amendments to the provisions of tax credits available for business as well as individual taxpayers. These proposed amendments have been tabulated as under:

Relevant Section of Income Tax Ordinance, 2001	Description	Proposed Amendment
65B	Tax Credit for investment	Tax Credit is available if the investment is made till June 30, 2019. This limit has been increased till 2021.
65D	Tax Credit for newly established undertaking	Tax Credit is available if the company is incorporated and industrial undertaking is set up till June 30, 2019. This limit has been increased till 2021.
65E	Tax credit for industrial undertaking established before July 01, 2011	Tax Credit is available if the plant and machinery are installed till June 30, 2019. This limit has been increased till 2021.

### *Scope of Geographical Source of Income Widened*

*Section 101(3)*

Generally, foreign contracts are planned by way of splitting into offshore and onshore components. Onshore component is taxed under the tax laws while offshore component which comprises mainly on the supply of goods avoids tax being payment made by a nonresident person to another nonresident person outside Pakistan.

By Virtue of Finance Bill 2018, a new clause has been added which proposes that import of goods, whether or not the title to the goods passes outside Pakistan shall be considered as Pakistan-source income if the import is part of an overall arrangement for the supply of goods hence tax shall be charged thereon.

### *Gain on Disposal of Assets outside Pakistan to be Recognized*

*Section 101A*

By virtue of insertion of a new section by Finance Bill 2018 it is proposed that any gain from disposal made outside Pakistan, of an asset located in Pakistan, shall be considered as Pakistan source income.

The proposed insertion signifies that gain arising to a non-resident person that is otherwise not taxable in Pakistan will become taxable in Pakistan if it relates to an underlying asset in Pakistan.

### *Transfer Pricing Reporting Requirement Mandated*

*Section 108*

In order to rationalize the Global Tax Regime concept, governments throughout the world are more concerns to tighten the transfer pricing regulations and strengthening enforcement in order to generate new tax revenues. It results in the increase of the administrative and compliance burden faced by multinational corporations and other taxpayers.

The Finance Bill, 2018 has proposed to submit country-by-country report to the Board about the transactions between associated companies. Currently, the record of these transactions is submitted only if required by the Commissioner, subsequent to this change the transaction between associated companies shall be reported to the Commissioner as a recurring filing requirement.

By virtue of Bill, the taxpayers' will have to give appropriate consideration to transfer pricing requirement when establishing prices for transactions between related companies. To provide with appropriate information to mitigate the risks for further examination by the authorities.

### *Powers of Commissioner for Recharacterisation of Income and Deductions Extended*

*Section 109*

Under the provisions of Section 108 of the Income Tax Ordinance, 2001 the Commissioner has the powers to re-characterize any transaction which is deemed to be incurred for the purpose of tax avoidance. The Commissioner has been sought to be empowered to disregard an entity or a corporate structure that does not have an economic or commercial substance or was created as part of the tax avoidance scheme.

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*Income Tax Ordinance, 2001*

### *Concept of the Controlled Foreign Company Introduced*

### *Section 109A*

This proposed amendment aligns with the internationally applicable Controlled Foreign Corporation (CFC) rules. These rules limit artificial deferral of tax by using offshore low taxed entities. Currently, the income of such companies is not taxed in Pakistan if the same is retained and not repatriated to Pakistan.

The introduction of these rules in Pakistan by virtue of an insertion of a new section will empower FBR to impose tax, on the income earned even prior to distribution through offshore entities owned by Pakistani residents from a foreign company, under the “Global Tax Regime” concept. A Controlled foreign company shall have following features:

- More than 50% of the capital or voting rights are held by one or more persons or 40% by a single person
- Tax paid in respect of income derived or accrued in a foreign tax year is less than 60% of tax payable on the said income under this Ordinance
- The company does not derive active business income
- The shares of the company do not trade on any stock exchange

### *Measures for Identifying Unexplained Investments Strengthened*

### *Section 111(2), 111(4)*

**Domestic Concealed Assets:** The income tax Ordinance, 2001 provided that unexplained income or assets, etc. shall be included in the Person's income chargeable to tax in the tax year to which such amount relates.

Now the amount representing investment, money, valuable article or expenditure situated or incurred in Pakistan or concealed income is Pakistan source, then the same shall be included in the Person's income chargeable to tax in the tax year to which such amount relates. **Foreign Concealed Assets:** Whereas, if concealed income is foreign source or investment, money, valuable article or expenditure is situated or incurred outside Pakistan, then such asset, income or expenditure shall be included in the Person's income chargeable to tax in the tax year immediately preceding the tax year in which the same is discovered by the Commissioner, Inland Revenue.

Previously, any amount of foreign exchange can be brought into Pakistan through banking channel and a certificate is produced to that effect from the bank. This amount is immune from any sort of inquiry and tax.

The bill has placed a restriction of Rs. 10 million rupees in a tax year, which can be remitted into Pakistan from abroad without any explanation on its nature and source.

The above move on one side may curb money laundering and on the other hand may reduce the foreign remittances as now the tax authorities may proceed to inquire the source of the amount.

### *Filing of Foreign Income and Assets Statement Mandated*

### *Section 114, 116A*

By virtue of Finance Bill, 2018 filing of foreign income and assets statement is now mandatory for every resident taxpayer having foreign income or foreign assets of US \$ 10,000 or more.

### *Time Limitation for Making Best Judgment Assessment Prescribed*

### *Section 121*

Under the Income Tax Ordinance, 2001 the Commissioner is empowered to issue orders of best judgment on the basis of information available. This order of best judgment can be issued within five years after the end of five years from the end of the tax year or the income year to which it relates. The Finance Bill 2018 has proposed that in case a notice to furnish a return of income under section 114 (4) is issued to a taxpayer's best judgment assessment can be made within two years from the end of the tax year in which notice to file return of income has been issued.

### *Maximum Duration of Stay Order Prescribed*

### *Section 131*

By virtue of insertion of a new proviso, Finance Bill 2018 has specifically mentioned that the maximum duration of stay order against recovery of tax during appeal made to Appellate Tribunal Inland Revenue shall be 180 days and stay will be lapsed after the expiry of 180 days from the day on which stay order was granted and the Commissioner Inland Revenue will have the power to recover tax after expiry of the stay.

### *Alternative Dispute Resolution Mechanism Revamped*

*Section 134*

The concept of alternative dispute resolution was introduced to provide an avenue for the expeditious settlement of disputes between FBR and taxpayers and to reduce the high pendency of cases at various appellate forums. Presently, the recommendation of the Alternative Dispute resolution committee is not binding upon the taxpayer or FBR, therefore it has not been effective in mitigating the hardship of taxpayers. In a bid to make the mechanism of ADRC efficient, the decision of the ADRC committee has been made binding upon both the taxpayer as well as the department.

### *Immediate Recovery of Quartely Advance Tax When Due Date Elapsed*

*Section 137*

By virtue of the Finance Bill 2018, recovery of quarterly advance tax will be made immediately where the due date is lapsed without providing the time period of 30 days in case of issuance of order. Presently, recovery of unpaid advance tax is made after the expiry of 30 days from the date of the order.

### *Threshold of Conditional Tax Payment for Automatic Stay Reduced*

*Section 140*

By virtue of Finance Bill 2018, the person will deemed to have a stay against recovery of tax subject to the payment of 10% of the amount subject to be recovered. Currently, the person claims the deemed stay by paying 25% of the amount payable.

### *Assessment of Advance Tax on Turnover Parameter*

*Section 147*

By virtue of insertion of a new proviso, the Finance Bill 2018 proposes that in case the turnover of a quarter for the determination of advance tax liability is not known, the advance tax liability will be assessed as 1/4th of the 110% of the turnover of the latest tax year.

### *Minimum Tax for Commercial Importers Prescribed*

*Section 148*

By virtue of Finance Bill, 2018 it has been proposed that tax in case of commercial importers should be a minimum tax in spite of final tax. Currently, tax deducted on imports of goods by commercial importers is treated as final tax hence commercial importers file return u/s 115. Now they would be liable to file the return u/s 114.

### *Minimum Tax for Permanent Establishment of Non Residents Prescribed*

*Section 152*

Currently the services rendered by the permanent establishments of non-residents are subject to tax under the normal tax regime whereby withholding tax is adjustable. While, tax deducted on services rendered by residents is treated as minimum tax. Finance Bill 2018 has proposed that the tax deducted while making payment to PE of non-residents shall also be treated as minimum tax to remove the disparity.

### *Threshold of Tax Deduction in Case of Supply of Goods and Services Enhanced*

*Section 153(1)*

In order to provide relief to the withholding agents the minimum threshold for deduction of tax while making payment for the supply of goods and rendering of services has been enhanced.

Nature	Existing Limit	Proposed Limit
Supply of goods	Rs. 25,000	Rs. 75,000
Rendering of services	Rs. 10,000	Rs. 30,000

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Income Tax Ordinance, 2001

*Builders and Developers Specified as Withholding Agents*
*Section 153(7)*

By virtue of the Finance Bill, 2018, builders and developers have now specifically been prescribed as withholding tax agents, for the purpose of section 153 of the Ordinance, regardless of the quantum of their turnover.

*Audit Restricted on Tenure Basis*
*Section 177*

In order to facilitate taxpayers who may be subjected to audit repetitively, FBR in its audit policy has announced that a taxpayer shall not be selected for audit by the Board more than once in three years through computer ballot.

*Consequences of Late filing of Annual Income Tax Return Prescribed*
*Section 182A*

By virtue of the Finance Bill, 2018, a new section has been introduced according to which late filers of income tax returns would not be enlisted in the Active Taxpayers List (ATL) nor they would be entitled to claim brought forward losses for the said tax year.

*Automatic Selection of Audit on Late Filing of Return Abolished*
*Section 214D*

The concept of automatic selection, in case of filing of income tax return after the due date, has been abolished through finance act 2018.

*Filer Status Mandated for Purchase of New Motor Vehicles and Immovable Property*
*Section 227C*

By virtue of proposed insertion no one can purchase an immovable property, new motor vehicles manufactured in Pakistan and imported vehicles shall not be registered in the name of a person unless the person is a Filer.

*Collection of Tax by a Stock Exchange Registered in Pakistan*
*Section 233A*

By virtue of Finance Bill 2018, it is proposed that tax collected by a stock exchange registered in Pakistan from its members the purchase and sale of shares in lieu of the commission earned by such members shall be adjustable tax.

*Tax on Dealers Margin of a Petrol Pump Operator*
*Section 236HA*

By virtue of Finance Bill 2018, a new section has been introduced according to which every person selling petroleum products to petrol pump operator or distributor shall collect an advance tax. Tax deductible under this section shall be final taxable.

*Collection of Advance Tax on Purchase of Property in Installments*
*Section 236K*

By virtue of Finance Bill 2018, a new clause has been introduced according to which advance tax, on purchase of property in installments shall be treated as a continuous supply and the tax shall be collected piecemeal with each installment. Previously advance tax is collected one time at the time of transfer of property.

*Withdrawal of Withholding Tax on Issuance of Bonus Shares*
*Section 236M, 236N*

By virtue of Finance Bill 2018, withholding tax on issuance of bonus shares has been withdrawn and receipt of bonus shares has been excluded from the definition of income under the Income Tax Ordinance, 2001.

*Withholding Tax on Payments Remitted Abroad Through Credit, Debit or Prepaid Cards* *Section 236Y*

Finance Bill 2018 has proposed that banking companies will be required to collect adjustable advance tax at the time of transfer of any sum remitted outside Pakistan on behalf of any person who has completed a credit, debit or prepaid card transaction with a person outside Pakistan.



## First Schedule:

### *Part I*

#### *Rate of Tax for Individual*

#### *Part I Division I*

In a bid to provide relief to individuals (including salaried and non-salaried individuals), the Finance Bill 2018 seeks to modify the slab rates as per the following:

Income Brackets	Rates
Where the taxable income does not exceed Rs. 400,000	0%
Where the taxable income exceeds Rs. 400,000 but does not exceed Rs. 800,000	Rs. 1000
Where the taxable income exceeds Rs. 800,000 but does not exceed Rs. 1,200,000	Rs. 2000
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
Where the taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 4,800,000	Rs. 60,000 + 10% of the amount exceeding Rs. 2,400,000
Where the taxable income exceeds Rs. 4,800,000	Rs. 300,000 + 15% of the amount exceeding Rs. 4,800,000

#### *Rate of Tax for AOPs*

#### *Part I Division I*

To streamline the tax rates for Association of Persons (AOPs) with relief provided to the individuals and corporate sector, the Finance Bill 2018 seeks to reduce the tax on the income of AOPs. To encourage the AOPs, the highest tax rate for AOP's has been reduced to 30% and the existing seven slabs have been reduced to six slabs. Modified slab rates is as follows:

Income Brackets	Rates
Where the taxable income does not exceed Rs. 400,000	0%
Where the taxable income exceeds Rs. 400,000 but does not exceed Rs. 1,200,000	5% of the amount exceeding Rs. 400,000
Where the taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs.40,000 + 10% of the amount exceeding Rs. 1,200,000
Where the taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,600,000	Rs.160,000 + 15% of the amount exceeding Rs. 2,400,000
Where the taxable income exceeds Rs. 3,600,000 but does not exceed Rs.4,800,000	Rs.340,000 + 20% of the amount exceeding Rs. 3,600,000
Where the taxable income exceeds Rs. 4,800,000 but does not exceed Rs. 6,000,000	Rs.580,000 + 25% of the amount exceeding Rs. 4,800,000
Where the taxable income exceeds Rs. 6,000,000	Rs.880,000 + 30% of the amount exceeding Rs. 6,000,000

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*Income Tax Ordinance, 2001*
*Reduction in Corporate Tax Rates*
*Part I Division II*

To incentivize the documented corporate sector further, the Finance Bill 2018 proposes to reduce the corporate tax rate from 30% to 29% for the Tax Year 2019 and gradually will be reduced by 1% each year upto the Tax Year 2023.

Year	Tax Rate
2019	29%
2020	28%
2021	27%
2022	26%
2023	25%

*Phasing Out of Super Tax*
*Part I Division IIA*

The Bill proposes flat 1% reduction in super tax for banking companies and for person other than banking companies. It will continue to reduce by 1% till the Tax Year 2020 and will be phased out in the Tax Year 2021 as follows:

Person	2018 (Existing)	2019 (Proposed)	2020	2021
Banking Company	4%	3%	2%	0%
Person other than a banking company, having income equal to or exceeding Rs. 500 million	3%	2%	1%	0%

*Tax on account of Offshore Digital Service to Non-Residents*
*Part I Division IV*

The Finance Bill 2018 seeks to introduce new tax for payment made to non-residents regarding fee for offshore digital services at the rate of 5% of gross amount paid.

*Capital Gain on Disposal of Securities*
*Part I Division VII*

The Finance Bill 2018 has proposed that the tax rates for capital gain on disposal of securities will remain enacted for the Tax Year 2019 as applicable in Tax Year 2018.

*Part II*
*Reduction in Advance Tax rate on Import of Coal*
*Part II Serial No. 3A*

The Finance Bill 2018 seeks to reduce the advance tax to be collected at import stage from persons importing coal at the rate of 4% for filers and 6% for non-filers.

### *Part III*

#### *Advance Tax on Dividend to REIT Unit Holder Reduced*

#### *Part III Division I*

To rationalize the Rental REIT with the Development REIT, the Finance Bill 2018 proposes to introduce reduced tax rate of 7.5% on dividend received by an individual from a Rental REIT Scheme.

#### *Increased Tax Rate for Non-Filers*

#### *Part III Division III*

The Finance Bill 2018 proposes to enhance the rates of withholding tax to be deducted on payment made on account of sale of goods and execution of contract that are mentioned below:

Type of Payment	Existing Tax Rate	Proposed Tax Rate	Reference
Sale of goods			
-In case of non-filer company	7%	8%	Section 153(1)(a),
-In case of non-filer other taxpayers	7.75%	9%	Part III Division III
Execution of contract			
-In case of non-filer company	12%	14%	Section 153(1)(c),
-In case of non-filer other taxpayers	12.5%	15%	Part III Division III

### *PART IV*

#### *Rationalize the Advance Tax on Functions and Gatherings*

#### *Part IV Division XI*

By virtue of Finance Bill 2018, marriage halls, banquet halls, commercial lawns etc. are now required to collect either 5% of the bill or Rs. 20,000 per function in major cities and Rs. 10,000 per function in the remaining cities, whichever is higher.

#### *Withholding Tax Applicable on Petrol Pump Distributer*

#### *Part IV Division XVA*

The Finance Bill 2018 introduces withholding tax on sale of petroleum products to a petrol pump operator or distributor, where such operator or distributor is not allowed a commission or discount. Tax is proposed to be charged at the rate of 0.5% of ex-depot sale price for filers and 1% for non-filers.

#### *Advance Tax on Banking Transactions Reduced*

#### *Part IV Division XXI*

The Finance Bill 2018 proposes to reduce the withholding tax rate from 0.6 to 0.4% applicable on non-filer on banking transactions other than cash. The Bill also seeks to suppress the discretion power of the Board (enact upon the approval of Federal Minister-in-charge) to amend the rate.

#### *Introduction of Advance Tax on Amount Remitted Abroad Through Credit, Debit or Prepaid Card*

#### *Part IV Division XXVII*

The Finance Bill 2017 seeks to introduce new tax on amount remitted abroad through credit, debit or prepaid cards. Tax is proposed to be charged at the rate of 1% for filers and at the rate of 3% for non-filers of the gross amount remitted abroad.

## Second Schedule

### Part I

#### *Armed Forces Personnel Allowances Exempted*

*Part I Clause 39*

By virtue of Finance Bill 2018, various allowances that are given to Armed Forces Personnel are proposed to be exempt from tax that includes Kit allowance, Ration Allowance, Special Messing Allowance, SSG Allowance, Northern Areas Compensatory Allowance, Special pay for Northern Areas and Height Allowance

#### *Exemption from Total Income*

*Part I Clause 57 & 66*

The Finance Bill 2018 seeks to exempt the income of following institutions:

- Khyber Pakhtunkhwa Retirement Benefits and Death Compensation Fund.
- Khyber Pakhtunkhwa General Provident Investment Fund
- Khyber Pakhtunkhwa Pension Fund
- Third Pakistan International Sukuk Company Limited
- SAARC Energy Centre
- Pakistan Bar Council
- Pakistan Centre for Philanthropy
- Pakistan Mortgage Refinance Company Limited.
- Aziz Tabba Foundation
- Al-Shifa Trust Eye Hospital
- Saylani Welfare International Trust
- Shaukat Khanum Memorial Trust
- Layton Rahmatullah Benevolent Trust (LRBT)
- The Kidney Centre Post Graduate Training Institute
- Pakistan Disabled Foundation
- Forman Christian College

#### *New Entrants for Qualifying for Straight Deduction*

*Part I Clause 61*

Following institutions are proposed to be added to the list of non-profit organization. Person paying donations to these institutions will get the straight deductions from the taxable income for the amount equals to the donation paid.

- Pakistan Sweet Home, Angels and Fairies Place
- Al-Shifa Trust Eye Hospital
- Aziz Tabba Foundation
- Sindh Institute of Urology and Transplantation
- SIUT Trust and Society for the Welfare of SIUT
- Sharif Trust
- The Kidney Centre Post Graduate Institute
- Pakistan Disabled Foundation

#### *Exempted Profit on Debt of PMRC Bonds*

*Part I Clause 90A*

The Finance Bill 2018 has proposed to exempt the profit on debt on bonds issued by Pakistan Mortgage Refinance Company to refinance the residential housing mortgage market, for a period of 5 years with effect from July 01, 2018

*Withdrawal Exemption of Manufacturing Modaraba**Part I Clause 100*

By virtue of Finance Bill 2018, exemption from tax on income will be withdrawn in case of modaraba deriving income from manufacturing activity.

*Capital Gain of PMRC Bonds Exempted**Part I Clause 110C*

The Finance Bill 2018 has proposed to exempt the gain arising on transfer of bonds issued by Pakistan Mortgage Refinance Company to refinance the residential housing mortgage market, till June 30, 2023.

*Exemption for Refineries**Part I Clause 126B*

The Finance Bill 2018 seeks to exempt the profits and gains derived by refineries subject to the following conditions:

- Set up during the period July 01, 2018 to June 30, 2023;
- Minimum per day production capacity will be 100,000 barrels for the period of twenty years

Exemption is also proposed for the refineries already established, if:

- existing production capacity is enhanced by at least 100,000 barrels per day;
- the refinery maintains separate accounts for income arising from aforesaid additional production capacity; and
- the refinery is a deep conversion refinery.

*Part III**Reduction in Tax Liability of Film-makers**Part III Clause 7 & 8*

The Finance Bill 2018 proposes a reduction of 50% in the tax liability of foreign film-makers from making films in Pakistan and resident company deriving income from film-making.

*Part IV**Withholding Tax Exempted on Re-gasification Charges**Part IV Clause 11E*

The Finance Bill 2018 seeks to exempt withholding tax on payments received by Sui Southern Gas Company Limited and Pakistan LNG Terminal Limited from Sui Northern Gas Pipelines Limited on account of re-gasification charges.

*Transmission Line Projects Dividends Exempted**Part IV Clause 12A*

By virtue of Finance Bill 2018, dividend paid to Transmission Line Projects under Transmission Line Policy 2015 will be exempt from withholding tax.

*Normal Tax Regime for Commercial Importer**Part IV Clause 56B*

Pursuant to Finance Bill 2018 proposals, commercial importers will no longer be charged under the final tax regime. It is important to note that advance tax collected at import stage will become the minimum tax for the commercial importer.

Currently, commercial importer falls under the regime of final taxation and the tax deducted at source on import of goods was the full and final settlement of the tax liability.

*Extending the Time Period for Reduction in Minimum Tax**Part IV Clause 57*

The Finance Bill 2018 proposes to extend the time period from 2019 to 2021 for the applicability of reduced minimum tax of 0.5% for the companies operating Trading Houses.



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Income Tax Ordinance, 2001

*LUMS Assigned the Status of Non-Profit Organization*
*Part IV Clause 63*

By virtue of Finance Bill 2018, Lahore University of Management Sciences, Lahore has proposed to be awarded with a status of non-profit organization as deemed to be approved by the Commissioner.

*Terminative Date for Opting-In Minimum Tax Extended*
*Part IV Clause 94*

Presently certain service sectors have an option to opt for payment of minimum tax at a reduced rate of 2% for the period from July 1, 2015 to June 30, 2018. The option can be exercised through an irrevocable undertaking, on the specified date, which was November 2017 for tax year 2018. By virtue of Finance Bill 2018, the incentive is proposed to be extended for the tax year 2019 for which the option can be exercised by November 2018. It also proposes to widen the extent by including inspection, certification and training services.

*Protection from Selection for Audit*
*Part IV Clause 105*

The Finance Bill 2018 seeks to revamp the selection criteria for the cases selected for income tax audit. It is proposed that a person will not be selected by the Federal Board of Revenue or by the Commissioner Inland Revenue with respect to Section 177 and 214C of the Income Tax Ordinance for the income tax audit if its income tax affairs have been audited in any of the preceding three tax years.

However, the commissioner may select a person on parametric basis with the approval of the Board.

*Reinforcement of Existing Exemptions / Legal Protections Relating Provisions*

The Finance Bill 2018 seeks to reinforce as well as reinstate the following exemption provisions for nature enactment through Parliament:

Part	Clause	Exemptions / Protections
Part I	66(xxxv)	Exempt the income derived by Third Pakistan International Sukuk Company Limited.
Part I	72(A)	Exempt the income derived by Sukuk holder in relation to Sukuk issued by the Third Pakistan International Sukuk Company Limited.
	24(AA)	Introduction of reduced rate of 6% withholding tax in case of M/S CR-NORINCO JV (Chinese Contractor) receiving payment on account of commercial contract agreement signed with the Government of Punjab for installation of electrical and mechanical (E&M) equipment for construction of the Lahore Orange Line Metro Train Project.
Part II	6	Tax on yield or profit on investment in Shuhada Family Welfare Account will be restricted to 10% of such profit.
Part III	1(A)	Condition of approval of security by the board has been relaxed to claim the tax exemption of profit on debt derived by a non-resident person on account of the Third Pakistan International Sukuk Company Limited.
Part IV	11(A)(xxviii)	Minimum tax will not be applied on Third Pakistan International Sukuk Company Limited.
Part IV		Minimum tax will be exempted for public sector university established solely for educational purposes with effect from July 01, 2013.
Part IV	11(A)(xxx)	Yield or profit on investment in Shuhada Family Welfare Account will be exempt from withholding tax.
Part IV	36(A)	Advance tax collectable at import stage will not be applied for import of plant, machinery and equipment including dumpers and special purposes motor vehicles imported by M/s China State Construction Engineering Corporation Ltd. and M/s China Communication Construction Company for construction of Sukkur-Multan section of Karachi-Peshawar Motorway project and Karakorum Highway (KKH) Phase-II (Thakot to Havellian Section) of CPEC project.

Part	Clause	Exemptions / Protections
Part IV	60(A)	Advance tax collectable at import stage will not be applicable on import of construction materials or goods up to a maximum of 10,898.000 million rupees imported by China State Construction Engineering Corporation (M/s CSCEC) for construction of Sukkur-Multan section of Karachi- Peshawar Motorway project of National Highway Authority under CPEC.
Part IV	60(AA)	Exemption from withholding tax at import stage will be available on import of thirty-five armoured and security vehicles imported by or for Ministry of Foreign Affairs, Government of Pakistan meant for security of visiting foreign dignitaries subject to certain conditions.
Part IV	60B	Advance tax will not be applicable on import of equipment to be furnished or installed for Rail Based Mass Transit Projects in Lahore, Karachi, Peshawar and Quetta under CPEC.
Part IV	60C	Investment by AOP and company in an industrial undertaking and investment by an individual in Greenfield industrial undertaking will not be required to explain the source of investment exempt from the legal consequences of unexplained income and assets.
Part IV	86	As a payer, The second Pakistan international Sukuk Company Limited” and the Third Pakistan International Sukuk Company Limited will be exempt from: <ul style="list-style-type: none"> <li>● Quarterly payment of advance tax</li> <li>● Deduction of tax from the gross amount of return on investment in Sukuk</li> <li>● Withholding tax on receipt of profit on debt</li> <li>● Deduction of tax on payment made to non-residents</li> <li>● Advance tax on cash withdrawals and on sale against cash or any instrument with bank</li> <li>● Advance tax on sale by auction</li> <li>● Collection of tax on purchase or transfer of immovable property</li> </ul>
Part IV	95	As a receipt, The second Pakistan international Sukuk Company Limited” and the Third Pakistan International Sukuk Company Limited will be exempt from: <ul style="list-style-type: none"> <li>● Quarterly payment of advance tax</li> <li>● Collection of tax from the gross amount of return on investment in Sukuk</li> <li>● Withholding tax on receipt of profit on debt</li> <li>● Deduction of tax on payment of rent on account of rental property</li> <li>● Collection of tax on purchase or transfer of immovable property</li> </ul>
Part IV	96	Exempt the withholding tax on insurance premium in case of insurance company collecting premium under crop loan and livestock insurance schemes.
Part IV	100	Profit on investment in Bahbood Savings Certificates or Pensioner's Benefit Account will be taxable according to the normal income tax rate with a maximum cap of 10%.
Part IV	103	Tax on undistributed profits at the rate of 7.5% will be abolished for the companies where a restriction has been imposed on distribution of dividend on account of an agreement with the Government of Pakistan.
Part IV	104	Earlier, every public company other than schedule bank and modaraba was required to pay tax at the rate of 7.5% on its accounting profit that derives profit for a tax year but does not distribute at least 40% of its after tax profits within six months from the end of the tax year through cash or bonus shares.

## Sales Tax Act, 1990

*Sales Tax Act, 1990*

### *Further Tax Rate Enhanced*

*Section 3(1A)*

Further Tax was introduced by the legislature to widen the tax net as well as documenting the economy. It is payable by a registered person to the exchequer in case supplies are made to non-registered persons.

The Finance Bill, 2018 seeks to enhance the further tax rate from 2% to 3% on the supplies made to non-registered persons.

### *Delegation of Board's Power to the Federal Government*

*Section 3, Section 4, Section 7...*

By virtue of Finance Bill, 2018, the Board's legislative powers under the Sales Tax Act, 1990 have been proposed to be vested in the Federal Government.

### *Tax Credit on Import of Scrap Compressors Disallowed*

*Section 8(1)*

By virtue of Finance Bill 2018, input tax paid on import of scrap of compressors is proposed to be disallowed with the addition of the aforesaid item in the said Section.

### *Appeal Effect Order Mandated*

*Section 11B*

This facilitation to taxpayer was already available under the Income Tax Ordinance, 2001. However, a similar facilitation measure has also been suggested to be introduced in Sales Tax Act, 1990 as described below:

An attempt has been made vide Finance Bill, 2018, to facilitate the taxpayers by removing unnecessary disputes in quantification of tax liability pursuant to appeal order passed by Commissioner-IR (Appeals), Appellate Tribunal-IR, High Court or Supreme Court. Where order of an assessment is to be issued to the registered person as a consequence of any order by the Commissioner (A), Appellate Tribunal, HC or SC, the Commissioner or an officer of Inland Revenue who is empowered in specific circumstances, shall issue the order within one year from the end of the financial year in which the order was served.

In cases where an assessment order is set aside by the Appellate Tribunal, HC or SC, and the Commissioner, Commissioner (A) or Inland Revenue Officer is directed to pass a new order, the said authorities shall pass the amended order within one year.

However, the limit of one year shall not apply where an appeal or reference has been preferred against the order passed by Appellate Tribunal or a High Court.

### *Sales Tax Audit Restricted on Tenure Basis*

*Section 25(2)*

Vide Finance Bill, 2018, a restriction is proposed that a composite sales tax audit of a registered person can be conducted only once in three years. Previously, audit selection was based upon parametric basis. Every taxpayer was susceptible to recurring audit selection and could be selected for audit purposes for two or even three consecutive tax years. This seems a good initiative on the part of the government to avoid taxpayers' exploitation and subjecting varied cases to tax audits.

### *Fixed Default Surcharge Rate Introduced*

*Section 34(1)(a)*

Rate of default surcharge was linked with the change in KIBOR previously. However, Finance Bill, 2018 proposes to replace floating rate i.e. default surcharge from "KIBOR + 3%" per annum with a fixed rate of "12%" per annum.

### *Prior Approval from Board Mandated for Visiting Premises*

*40B*

Finance Bill 2018 seeks to withdraw the powers of Chief Commissioner to post officers at business premises without permission from FBR withdrawn. With this change becoming effective, only this power would vest with FBR.

### *Alternative Dispute Resolution Forum Strengthened*

### *Section 47A*

Finance Bill 2018 seeks to strengthen Alternative Dispute Resolution mechanism. Currently, the recommendation of the Alternative Dispute Resolution Committee (ADRC) is not binding upon the taxpayer or FBR. By Virtue of this Finance Bill, it is proposed that the decision of ADRC be binding upon both the taxpayer and the department. ARDC is proposed to be consisted of an officer of Inland Revenue not below the rank of Commissioner and two persons from a panel comprising of retired High Court judges, retired District and Session Judges, Chartered or Cost Accountants, Advocates, Income Tax Practitioners or reputable taxpayers for the resolution of the hardship or dispute. However, it has been made conditional upon the aggrieved person and the Board, as the case may be, to withdraw the appeal pending before the appellate authority.

### *Threshold of Conditional Tax Payment for Automatic Stay Curtailed*

### *Section 48*

Finance Bill, 2018 seeks to reduce the threshold for precluding the recovery of tax from 25% to 10% of the amount of tax demand till the appeal is disposed of by the CIR (A).

Commissioner Inland Revenue Appeals.

### *Addition of Items in Zero-rating Categories*

### *Fifth Schedule*

In Fifth Schedule to the Sales Tax Act, 1990, the following new clauses are proposed to be added, namely:

(xx)	Colors in sets (PCT heading 3213.1000)
(xxi)	Writing, drawing and marking inks (PCT heading. 3215.9010 and 3215.9090)
(xxii)	Erasers (PCT heading 4016.9210 and 4016.9290)
(xxiii)	Exercise books (PCT heading 4820.2000)
(xxiv)	Pencil sharpeners (PCT heading 8214.1000)
(xxv)	Geometry boxes (PCT heading 9017.2000)
(xxvi)	Pens, ball pens, markers and porous tipped pens (PCT heading 96.08)
(xxvii)	Pencils including color pencils (PCT heading 96.09)

## Sales Tax Act, 1990

## Exemptions

## Sixth Schedule

Following are the main items proposed to be introduced in Sixth Schedule in Table I of the Sales Tax Act, 1990 under the exempt category:

Serial No.	Description	PCT Headings
137	Paper weighing 60 g/m <sup>2</sup> for printing of Holy Quran imported by Federal or Provincial Governments and Nashiran-e- Quran as per quota determined by IOCO	4802.5510
140	Bovine semen	0511.1000
141	Preparations for making animal feed	2309.9000
142	Promotional and advertising material including technical literature, pamphlets, brochures and other give-aways of no commercial value, distributed free of cost by the exhibitors	9920(3)
143	(i) Hearing aids (all types and kinds) (ii) Hearing assessment equipment; (a) Audiometers (b) Tympanometer (c) ABR (d) Oto Acoustic Omission	9937
144	Liquefied Natural Gas imported by fertilizer manufacturers for use as feed Stock	2711.1100
145	Exemptions on the import of Plant and machinery subject to the certain conditions by China State Construction Engineering Corporation Limited and China Communication Construction Company for specified purposes	Respective heading

In Table III, following new exemptions have also been proposed to be introduced by inserting new entries:

Serial No.	Description	PCT Headings
18	The following parts for assembling and manufacturing of personal computers and laptops:	
	(i) Bare PCBs	8534.0000
	(ii) Power Amplifier	8542.3300
	(iii) Microprocessor/Controllers	85.42
	(iv) Equipment for SMT Manufacturing	8486.2000
	(v) Laptop batteries	8506.5000
	(vi) Adapters	8504.4020
	(vii) Cooling fans	8414.5190
	(viii) Heat sink	7616.9920
	(ix) Hard Disk SSD	8471.7020
	(x) RAM/ROMS	8471.7060 and 8471.7090
19	Plant and machinery, except the items listed under Chapter 87 of the Pakistan Customs Tariff, imported for setting up of a Special Economic Zone (SEZ) by zone developers and for installation in that zone by zone enterprises, on one time basis as prescribed in the SEZ Act, 2012 and rules thereunder subject to such condition, limitations and restriction as a Federal Board of Revenue may impose from time to time.	9917(2)

## Federal Excise Act, 2005

*Federal Excise Act, 2005*

### *Federal Government Empowered to Impose, Amend and Exempt Duty*

*Section 3(1c), 3(4), 16(2)*

By virtue of the proposed substitutions, the authority to impose, amend and exempt the excise duty chargeable on any good or service rests only with the Federal Government. Presently, such powers have been delegated to the Board and Finance Minister-in-charge.

### *Fixed Default Surcharge Rate Introduced*

*Section 8*

By virtue of the proposed substitution, the default surcharge on any unpaid or short-paid duty is increased from the rotational rate of KIBOR plus 3% to a fixed rate of 12% per annum.

### *Appeal Effect Order Mandated*

*Section 14B*

This facilitation to taxpayer was already available under the Income Tax Ordinance, 2001. However, a similar facilitation measure has also been suggested to be introduced in the Federal Excise Act, 2005 as described below:

An attempt has been made vide Finance Bill, 2018, to facilitate the taxpayers by removing unnecessary disputes in quantification of tax liability pursuant to appeal order passed by Commissioner-IR (Appeals), Appellate Tribunal, High Court or Supreme Court. Where order of an assessment is to be issued to the registered person as a consequence of any order by the Commissioner (A), Appellate Tribunal, HC or SC, the Commissioner or an officer of Inland Revenue who is empowered in specific circumstances, shall issue the order within one year from the end of the financial year in which the order was served.

In cases where an assessment order is set aside by the Appellate Tribunal, HC or SC, and the Commissioner, Commissioner (A) or Inland Revenue Officer is directed to pass a new order, the said authorities shall pass the amended order within one year.

However, the limit of one year shall not apply where an appeal or reference has been preferred against the order passed by Appellate Tribunal or a High Court.

### *Alternative Dispute Resolution Forum Strengthened*

*Section 38*

Finance Bill 2018 seeks to strengthen Alternative Dispute Resolution mechanism. Currently, the recommendation of the Alternative Dispute Resolution Committee (ADRC) is not binding upon the taxpayer or FBR. By Virtue of this Finance Bill, it is proposed that the decision of ADRC be binding upon both the taxpayer and the department. ARDC is proposed to be consisted of an officer of Inland Revenue not below the rank of Commissioner and two persons from a panel comprising of retired High Court judges, retired District and Session Judges, Chartered or Cost Accountants, Advocates, Income Tax Practitioners or reputable taxpayers for the resolution of the hardship or dispute. However, it has been made conditional upon the aggrieved person and the Board, as the case may be, to withdraw the appeal pending before the appellate authority.

### *Threshold of Conditional Tax Payment for Automatic Stay Curtailed*

*Section 37(3)*

Finance Bill, 2018 seeks to reduce the threshold for precluding the recovery of tax from 25% to 10% of the amount of tax demand till the appeal is disposed of by the CIR(A).

### *Prior Approval from Board Mandated for Visiting Premises*

*Section 45(2)*

By virtue of the proposed omission, Chief Commissioner is now restricted to access records of a person by visiting the premises. Moreover, the Commissioner is no more able to post an Officer of Inland Revenue to the premises of any registered person to monitor production, removal or sale of goods.

### *FED Audit Restricted on Tenure Basis*

*Section 46(10)*

Vide Finance Bill, 2018, a restriction is proposed that a composite federal excise duty audit of a registered person can be conducted only once in three years. Previously, audit selection was based upon parametric basis. Every taxpayer was susceptible to recurring audit selection and could be selected for audit purposes for two or even three consecutive tax years. This seems a good initiative on the part of the government to avoid taxpayers' exploitation and subjecting varied cases to tax audits.

*Federal Excise Act, 2005*

### *Revised Duty*

*First Schedule (Table I)*

The Bill seeks to revise the slabs and rates for locally produced cigarettes as under:

Existing Slab	Existing Rate	Proposed Slab	Proposed Rate
Locally produced cigarettes if their on-pack printed retail price exceeds Rs. 4,500 per 1,000 cigarettes	Rs. 3,740 per 1,000 cigarettes	Locally produced cigarettes if their on pack printed retail price exceeds Rs. 4,500 per 1,000 cigarettes	Rs. 3,960 per 1,000 cigarettes
Locally produced cigarettes if their on-pack printed retail price exceeds Rs. 2,925 per 1,000 cigarettes but does not exceed Rs. 4,500 per 1,000 cigarettes	Rs. 1,670 per 1,000 cigarettes	Locally produced cigarettes if their on-pack printed retail price exceeds Rs. 2,925 per 1,000 cigarettes but does not exceed Rs. 4,500 per 1,000 cigarettes	Rs. 1,770 per 1,000 cigarettes
Locally produced cigarettes if their on-pack printed retail price does not exceed Rs. 2,925 per 1,000 cigarettes	Rs. 800 per 1,000 cigarettes	Locally produced cigarettes if their on-pack printed retail price does not exceed Rs. 2,925 per 1,000 cigarettes	Rs. 848 per 1,000 cigarettes

### *Rate of FED on Supply of Cement Increased*

*First Schedule (Table I)*

The Bill proposes to increase the duty on cement from Rs. 1.25 per Kg to Rs. 1.50 per Kg.

### *Import of Equipment by China Railway Corporation Exempted*

*Third Schedule (Table I)*

By virtue of the Finance Bill, 2018, equipment imported by M/s China Railway Corporation for use in Lahore Orange Line Metro Train Project shall be exempt from excise duty.

### *Additional Levy on Tobacco*

The Bill seeks to introduce a new levy on tobacco by ordering Pakistan Tobacco Board and its contractors, to collect Health Levy at the rate of Rs. 10 per Kilogram from every person purchasing tobacco.

### *Rates of FED on Mobile Phones Introduced*

By virtue of the proposed insertion, excise duty shall be charged on import of smartphones as under:

Category of Smartphone	Rate of Levy per Set
Import value does not exceed Rs. 10,000	Rs. 0
Import value exceeds Rs. 10,000 but does not exceed Rs. 40,000	1,000
Import value exceeds Rs. 40,000 but does not exceed Rs. 80,000	3,000
Import value exceeds Rs. 80,000	5,000



## Customs Act, 1969

*Customs Act, 1969*

### *Seabed Area Jurisdiction Extended*

*Section 2(p)*

United Nations' Commission on Limits of Continental Shelf (UNCLOS) recently accepted Pakistan's claim for extension of its continental shelf limits, thereby extending Pakistan's sea limits from 200 nautical miles to 350 nautical miles.

Under the United Nations Convention on the Law of the Sea (UNCLOS), coastal countries are allowed economic control of the waters and seabed up to 200nm from their shores. The international treaty allows countries to further claim an extended continental shelf stretching up to 350nm from the baselines of its territorial sea if they could prove that the claimed area was a natural prolongation of their land territory.

In the wake of extended sea limits, the proposed substitution seeks to expand the sea area falling under the authority of Pakistan Customs up to twenty-four nautical miles from the coast of Pakistan.

### *Definition of Person Broadened*

*Section 2(pa)*

The proposed insertion has broadened the scope of customs enforceability by including local manufacturers, irrespective of the legal status, in the definition of Person.

### *Federal Government Empowered to Impose, Amend and Exempt Duties*      *Section 18(3), 18(5), 19(1)*

By virtue of the proposed substitutions, the authority to impose, amend and exempt the duty chargeable on any good or class of goods vests with the Federal Government. Presently, such powers have been delegated to the Board and Finance Minister-in-charge.

The proposed amendment further seeks to broaden the limit of additional customs duty chargeable on import of goods specified in the First Schedule by removing regulatory duty from the purview of cumulative incidence.

### *Timeline for Terminative Exemptions Extended*

*Section 19(5)*

The Finance Bill, 2018, seeks to extend the enforceability of notifications issued on or after July, 2016 in order to allow the exemptions available till June, 2019.

### *Use of Comparative Data for Customs Value Determination Prescribed*

*Section 255A*

By virtue of the proposed insertion, customs value for any particular good or class of goods imported can now be determined using data and information available under legal assistance agreements with any foreign authority or international organization.

### *Procedure for an Early Payment of Short Paid Duty Envisaged*

*Section 32(3)*

By virtue of the proposed insertion, an importer can avoid being served a show cause notice against any false statement or erroneous information furnished in the past by voluntarily paying the short paid duty, taxes or other charges before initiation of investigation.

### *Timeline for Processing of Refunds Prescribed*

*Section 33(3A)*

In the wake of implementing speedy refund procedures, the Finance Bill, 2018, proposes to process the claimed refunds within a period of 180 days with a maximum further delay of 90 days, hence ensuring the timely disbursement to taxpayers.

### *Provision for Early Release of Imported Goods*

*Section 83B*

The Finance Bill, 2018, seeks to facilitate the taxpayers by allowing early release of imported goods involved in an offence by payment of applicable duty, taxes or other charges and furnishing of bank guarantee for any possible penalty or fine.

### *Stay against Recovery of Duty and Taxes*

*Section 193A(2A)*

By virtue of the proposed insertion, stay order can be obtained against recovery of the demanded duty or taxes under a notice for a maximum period of 30 days. Presently, the Commissioners and Officers of Inland Revenue are not empowered to stay the recovery where an appeal against such order has been filed and is in process.



## Petroleum Products Ordinance, 1961

*Petroleum Products Ordinance, 1961*

*Increase of Maximum Threshold for Petroleum Levy*

*Fifth Schedule*

The Finance Bill, 2018, seeks to raise the Maximum Petroleum Levy Rate payable by every Company, Refinery and Licensee on Petroleum Products as under:

Petroleum Products	Unit	Existing Rate Per Unit	Proposed Rate Per Unit
High Speed Diesel Oil	Liter	8	30
Motor Gasoline	Liter	10	30
Superior Kerosene Oil	Liter	6	30
Light Diesel Oil	Liter	3	30
High Octane Blending Component	Liter	14	30
E-10 Gasoline	Liter	9	30
Liquefied Petroleum Gas	Metric Ton	11,486	20,000

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# Tax Planning Guide

For Corporations & Individuals

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## Income Tax

*Income Tax*

### What Year End Can a Taxpayer Adopt?

Class of Person	Tax Year Type	Year End
Companies, AOPs and Individuals	Normal Tax Year	July 01 to June 30
Sugar	Special Tax Year	October 01 to September 30
Banking and Insurance Companies	Special Tax Year	January 01 to December 31
Ginners, Rice Huskers, Oil Mills	Special Tax Year	September 01 to August 31
Shawl Manufacturers	Special Tax Year	April 01 to March 31

### When to File the Return of Income?

Status	Year End	Date of Filing	Tax Year
Salaried Individual & Non-corporate Taxpayer (falling under FTR)	June 30, 2018	August 31, 2018	2018
Other Individuals and AOPs	June 30, 2018	September 30, 2018	2018
Company (including falling under FTR)	June 30, 2018	December 31, 2018	2018
Company	September 30, 2018	September 30, 2019	2019
Company	December 31, 2018	September 30, 2019	2019

### Who is Required to Pay Advance Tax?

- Every business individual whose latest assessed taxable income excluding the presumptive tax income is more than Rs. 1,000,000
- Every Association of Person
- Every Company

### When to Pay Advance Tax by an AOP or Company?

Period	Quarter	Payment Date
1st of July to 30th September	September Quarter	On or before the 25th of September
1st October to 31st December	December Quarter	On or before the 25th of December
1st January to 31st March	March Quarter	On or before the 25th of March
1st April to 30th June	June Quarter	On or before the 15th of June

Individuals have to pay advance tax within 15 days after the close of each quarter.

### Rate of Tax for Individuals

The rates of tax imposed on the taxable income of every individual shall be as set out in the following table:

Income Brackets	Rates
Taxable income not exceeding Rs. 400,000	0%
Taxable income exceeding Rs. 400,000 but not exceeding Rs. 800,000	Rs. 1,000
Taxable income exceeding Rs. 800,000 but not exceeding Rs. 1,200,000	Rs. 2,000
Taxable income exceeding Rs. 1,200,000 but not exceeding Rs. 2,400,000	5% of the amount exceeding Rs. 1,200,000
Taxable income exceeding Rs. 2,400,000 but not exceeding Rs. 4,800,000	Rs. 60,000 + 10% of the amount exceeding Rs. 2,400,000
Taxable income exceeding Rs. 4,800,000	Rs. 300,000 + 15% of the amount exceeding Rs. 4,800,000

### Rate of Tax for Association of persons

The rates of tax imposed on the taxable income of every individual shall be as set out in the following table:

Income Brackets	Rates
Taxable income not exceeding Rs. 400,000	0%
Taxable income exceeding Rs. 400,000 but not exceeding Rs. 1,200,000	5% of the amount exceeding Rs. 400,000
Taxable income exceeding Rs. 1,200,000 but not exceeding Rs. 2,400,000	Rs. 40,000 + 10% of the amount exceeding Rs. 1,200,000
Taxable income exceeding Rs. 2,400,000 but not exceeding Rs. 3,600,000	Rs. 160,000 + 15% of the amount exceeding Rs. 2,400,000
Taxable income exceeding Rs. 3,600,000 but not exceeding Rs. 4,800,000	Rs. 340,000 + 20% of the amount exceeding Rs. 3,600,000
Taxable income exceeding Rs. 4,800,000 but not exceeding Rs. 6,000,000	Rs. 580,000 + 25% of the amount exceeding Rs. 4,800,000
Taxable income exceeding Rs. 6,000,000	Rs. 880,000 + 30% of the amount exceeding Rs. 6,000,000

### Wealth Statement

Wealth statement is mandatory to file for every individual return filer.

### Tax Rates for Companies

Company	Rate for the Tax Year	
	2018	2019
Banking Company	35%	35%
Public Company (other than a banking company)	30%	29%
Private Company (other than a banking company)	30%	29%
Small Company having turnover up to Rs. 250 million	25%	25%
Modaraba	25%	25%

## Income Tax

### Tax on Rental Income

The rates of tax imposed on the rental income of every individual shall be as set out in the following table:

Gross Amount of Rent	Rate of Tax
Where the gross amount of rent does not exceed Rs. 200,000	Nil
Where the gross amount of rent exceeds Rs. 200,000 but does not exceed Rs. 600,000	5% of the gross amount exceeding Rs. 200,000
Where the gross amount of rent exceeds Rs. 600,000 but does not exceed Rs.1,000,000	Rs. 20,000 + 10% of the gross amount exceeding Rs. 600,000
Where the gross amount of rent exceeds Rs. 1,000,000 but does not exceed Rs. 2,000,000	Rs. 60,000 + 15% of the gross amount exceeding Rs.1,000,000
Where the gross amount of rent exceeds Rs. 2,000,000	Rs. 210,000 + 20% of the gross amount exceeding Rs. 2,000,000

Every person making payment to a Company on account of rent is required to deduct tax @ 15%.

### Capital Gain on Disposal of Securities

The rate of tax to be paid under section 37 A shall be as follows:

Sr. #	Period	Tax Year 2018		Tax Year 2019	
		Filer	Non Filer	Filer	Non Filer
1	Where holding period of a security is less than 12 months	15%	20%	15%	20%
2	Where holding period of a security is 12 months or more but less than 24 months	15%	20%	15%	20%
3	Where the holding period of a security is 24 months or more, but the security was acquired on or after 1st July, 2013	15%	20%	15%	20%
4	Where the security was acquired before 1st July, 2013	0%	0%	0%	0%
5	Future commodity contracts entered into by members of Pakistan Mercantile Exchange	5%	5%	5%	5%

### Gain on Disposal of Immovable Property

Period	Rate of Tax
Where the holding period of immovable property is up to five Years.	10%
Where the holding period of immovable property is more than five Years.	0%

### Allowances and Tax Credits:

Sec.	Particulars	Benefit	Limit
60	Zakat	Deductible Allowance	N/A
60A	Workers' Welfare Fund	Deductible Allowance	N/A
60B	Workers' Participation Fund	Deductible Allowance	N/A
60C	Profit on Debt	Deductible Allowance	Lower of: <ul style="list-style-type: none"> <li>● 50% percent of the taxable income; or</li> <li>● Rs. 2,000,000</li> </ul>
60D	Education Expenses	Deductible Allowance (Subject to maximum taxable income of individual for claiming deductible allowance is Rs. 1,500,000)	Lower of: <ul style="list-style-type: none"> <li>● 5% of the total tuition fee paid by the individual</li> <li>● 25% of the person's taxable income for the year; and</li> <li>● An amount computed by multiplying Rs. 60,000 with number of children of the individual</li> </ul>
61	Charitable Donations	Tax Credit	Tax Credit: $(A/B) * C$ A= Assessed amount of tax for the year before any tax credit. B= Taxable income for the year. C= Lower of: <ul style="list-style-type: none"> <li>● Total amount of person's donations during the year; or</li> <li>● 30% of Taxable income in case of individual and AOP; or</li> <li>● 20% of Taxable income in case of company</li> </ul>
62	Investment in Shares and Insurance	Tax Credit (A resident person other than a company)	Tax Credit: $(A/B) * C$ A= Assessed amount of tax for the year before any tax credit. B= Taxable income for the year. C= Lower of: <ul style="list-style-type: none"> <li>● Cost of acquisition of shares / insurance premium or contribution paid; or</li> <li>● 20% of Taxable income; or</li> <li>● Rs.2,000,000</li> </ul>
62A	Investment in Health Insurance	Tax Credit (A resident person other than a company)	Tax Credit: $(A/B) * C$ A= Assessed amount of tax for the year. B= Taxable income for the year. C= Lower of: <ul style="list-style-type: none"> <li>● The total contribution or premium paid; or</li> <li>● 5% of the person's taxable income; or</li> <li>● Rs. 150,000</li> </ul>



## Income Tax

Sec.	Particulars	Benefit	Limit
63	Approved Pension Fund	Tax Credit	<p>Tax Credit:  <math>(A/B) \times C</math>  A= Assessed amount of tax for the year before the allowance of tax credit under this section.  B= Taxable income for the year.  C= Lower of:</p> <ul style="list-style-type: none"> <li>● The total contribution or premium paid; or</li> <li>● 20% of the person's taxable income for the year as increased by 2% if an eligible person joining pension fund at the age of 41 years or above for 1st 10 years shall be allowed additional contribution of 2% per annum for each year after 40 years</li> </ul>
64B	Employment Generation by Manufacturers	Tax Credit	2% of tax payable for every 50 employees registered with The Employees Old Age Benefits Institution or the Employees Social Security Institutions of Provincial Governments subject to maximum of 10% of tax payable
65B	Investment in Purchase of Plant and Machinery	Tax Credit	10% of the amount so invested shall be allowed against the tax payable
65C	Enlistment in Registered Stock Exchange	Tax Credit	20% of the tax payable shall be allowed for current and following three tax years provided that the tax credit for the last two years shall be 10% of the tax payable
65D	Newly Established Industrial Undertakings	Tax Credit	<p>Tax Credit:  <math>A \times (B/C)</math>  A= Assessed amount of tax for the year before any tax credit; or  B= Equity raised through issuance of new share for cash consideration; or  C= Total amount invested</p>
65E	Industrial Undertakings Established Before July 01, 2011	Tax Credit	<p>Tax Credit:  <math>A \times (B/C)</math>  A= Assessed amount of tax for the year; or  B= Equity raised through issuance of new share for cash consideration; or  C= Total amount invested</p>

### Minimum Tax

Persons	Threshold of Turnover	Rate Applicable
Individuals	10 million	1.25%
Association of Persons	10 million	1.25%
Companies	N/A	1.25%

### Rate of Withholding Tax for Distributors of FMCG

Status	Rate of Tax
Company	2% of the gross amount payable
Other Than a Company	2.5% of the gross amount payable

### Initial and First Year Allowance:

- The rate of initial allowance under section 23 shall be 25% for plant and machinery and 15% for buildings.
- The rate of 1st year allowance under section 23A and 23B shall be 90%

### Tax Depreciation Rates:

Description	Rate
Building (all types)	10%
Furniture (including fittings) and machinery and plant (not otherwise specified), Motor vehicles (all types), ships, technical or professional books	15%
Computer hardware including printer, monitor and allied items, machinery and equipment used in manufacture of IT products, aircrafts and aero engines	30%
In case of mineral oil concerns the income of which is liable to be computed in accordance with the rules in Part-I of the Fifth Schedule:	
(a) Below ground installations	100%
(b) Offshore platform and production installations	20%
A ramp built to provide access to persons with disabilities not exceeding Rs. 250,000 each	100%

*Deductions / Collection of Tax at Source*
**Income Tax**

Section / Subsection of Income Tax Ordinance	Nature of Payment / Transaction	Standard Tax Rate		Adjustable / Final Discharge	Exemption Limit	Persons Required to Deduct / Collect Tax	Statement of Tax Collected / Deducted							
148	<ul style="list-style-type: none"><li>Remeltable steel directly reduced iron for its own use by industrial undertaking</li><li>Person Importing Urea</li><li>Manufacturer covered under SRO. 1125(I)2011 dated 31.12.2011 and Importing items covered under this SRO.</li><li>Persons importing potassic fertilizers in pursuance of Economic Coordination Committee</li><li>Designisted buyer of LNG on behalf of Govt. of Pakistan to import LNG</li><li>Person Importing Gold.</li><li>Peron Importing Cotton</li><li>Persons importing pulses</li><li>Commercial Importers covered under SRO. 1125(I)2011 dated 31.12.2011 and importing items covered under this SRO.</li></ul> <p><b>Imports:</b></p> <ul style="list-style-type: none"><li>Ship braekers on import of ships</li><li>In case of industrial undertakings (not covered above)</li><li>In case of other companies (not covered above)</li><li>In other cases (not covered above)</li><li>Import of coal</li></ul>	<table><tr><th>Filler</th><th>Non Filer</th></tr><tr><td>1% (of import value as increased by custom duty, sales tax and federal excise duty)</td><td>1.5% (of import value as increased by custom duty, sales tax and federal excise duty)</td></tr><tr><td>2%</td><td>3%</td></tr><tr><td>3%</td><td>4.5%</td></tr></table>	Filler	Non Filer	1% (of import value as increased by custom duty, sales tax and federal excise duty)	1.5% (of import value as increased by custom duty, sales tax and federal excise duty)	2%	3%	3%	4.5%	Adjustable in case of: <ul style="list-style-type: none"><li>Raw material, Plant &amp; machinery &amp; parts import by an industrial undertaking for its own use</li><li>Motor Vehicles in CBU condition import by manufacturer</li><li>Import by Large import house</li><li>A foreign produced film imported for the purposes of screening and viewing</li></ul> Minimum tax in case of: <ul style="list-style-type: none"><li>goods where goods are sold in the same condition as they were when imported</li><li>Imports of edible oil and packing material</li><li>plastic raw material imported by an industrial undertaking</li></ul> Final in all other cases	Subject to certain exclusion	Custom Authorities	Monthly
		Filler	Non Filer											
		1% (of import value as increased by custom duty, sales tax and federal excise duty)	1.5% (of import value as increased by custom duty, sales tax and federal excise duty)											
		2%	3%											
3%	4.5%													
<table><tr><th>Filers</th><th>Non-Filers</th></tr><tr><td>4.5%</td><td>6.5%</td></tr><tr><td>5.5%</td><td>8%</td></tr><tr><td>5.5%</td><td>8%</td></tr><tr><td>6%</td><td>9%</td></tr><tr><td>4%</td><td>6%</td></tr></table>	Filers	Non-Filers	4.5%	6.5%	5.5%	8%	5.5%	8%	6%	9%	4%	6%		
Filers	Non-Filers													
4.5%	6.5%													
5.5%	8%													
5.5%	8%													
6%	9%													
4%	6%													
148A	Local purchase of cooking oil or vegetable ghee	2%		Final tax	Nil	Manufacturer	Monthly							
149	Income from Salary	Average rate of tax		Adjustable	Rs. 400,000	Every Employer	Monthly/Annually							
149(3)	Directorship fee and Board meeting fee on gross amount	20%		Adjustable	N/A	Person making payment	Monthly/Annually							

# Deductions / Collection of Tax at Source

## Income Tax

Section / Subsection of Income Tax Ordinance	Nature of Payment / Transaction	Standard Tax Rate	Adjustable / Final Discharge	Exemption Limit	Persons Required to Deduct / Collect Tax	Statement of Tax Collected / Deducted												
150	<b>Dividends:</b> <ul style="list-style-type: none"><li>In case of power generating company privatized by wapda and company supplying coal to power generating company</li><li>Other Companies (Not covered above)</li><li>In case of stock fund:<ul style="list-style-type: none"><li>Individual</li><li>Company</li><li>AOP</li></ul></li><li>For money market Fund, Income fund or REIT scheme or any other fund<ul style="list-style-type: none"><li>Individual</li><li>Company</li><li>AOP</li></ul></li><li>In case of stock fund if dividend receipts of the fund of the fund are less than capital gain</li><li>Development REIT scheme for the development and construction of residential building set up by thirtieth day of June 2018</li><li>Rental REIT Scheme</li></ul>	7.5% <table><tr><th>Filer</th><th>Non Filer</th></tr><tr><td>15%</td><td>20%</td></tr></table>       <table><tr><th>Filer</th><th>Non Filer</th></tr><tr><td>12.5%</td><td>15%</td></tr><tr><td>25%</td><td>25%</td></tr><tr><td>12.5%</td><td>15%</td></tr></table>  A rate of 12.5% is reduced by 50% for 3 years from the 30th day of June 2018  7.5%	Filer	Non Filer	15%	20%	Filer	Non Filer	12.5%	15%	25%	25%	12.5%	15%	Final	Nil	Every person who pays the dividend	Monthly
	Filer	Non Filer																
	15%	20%																
	Filer	Non Filer																
	12.5%	15%																
	25%	25%																
	12.5%	15%																
	150A	<b>Return on Investment in Sukuks if Sukuks Holder is:</b> <ul style="list-style-type: none"><li>Company</li><li>Individual or AOP, If:<ul style="list-style-type: none"><li>i. Return on Investment is more than 1Million</li><li>ii. Return on Investment is less than 1Million</li></ul></li><li>In case of Non Filer</li></ul>	15% 12.5% 10% 17.5% (of Gross Amount)	Final	Nil	Every Special Purpose Vehicle (SPV)												
		151	<b>Profit on Debt:</b> <ul style="list-style-type: none"><li>For filers</li><li>For non-filers, If:<ul style="list-style-type: none"><li>i. Where the amount of profit on debt exceeds Rs. 500,000</li><li>ii. Where the amount of profit on debt is equal to or less than Rs. 500,000</li></ul></li></ul>	10% 17.5% 10% (of Gross Amount after deduction of Zakat)	Final Adjustable (in case of companies and profit on debt taxable under section 7B)	Nil	Persons pays Profit											

## Income Tax

[illegible]

## Income Tax

Section / Subsection of Income Tax Ordinance	Nature of Payment / Transaction	Standard Tax Rate	Adjustable / Final Discharge	Exemption Limit	Persons Required to Deduct / Collect Tax	Statement of Tax Collected / Deducted
153	Payment to resident company or permanent establishment of non resident on account of:					
	Sale of Goods:					
	• Sale of rice, cotton seed or edible oil		1.5%			
	• Supply made by distributors of Fast Moving Consumer Products:		2%			
154	• Sale of any other goods		2.5%			
	-in case of companies	Filer	Non Filer			
	-in any other case	4%	8%			
		4.5%	9%			
	• Sale of edible oil to manufacturer of cooking & vegetable ghee mills		2%			
	Rendering of Services:		2%			
	• Passenger transport services	Filer	Non Filer			
	• Other services	8%	14.5%			
	-in case of companies	10%	17.5%			
	-in any other case					
• Payment to electric or printing media for advertisement service:						
Execution of Contract (other than supply of goods & rendering of services)						
• Execution of contract by sports persons						
Cases other than sports persons						
• In case of companies	Filer	Non Filer				
• In any other case	7%	14%				
	7.5%	15%				
• Export of goods		1%				
• Proceeds on account of indenting commission		1%				
• For sale proceeds of goods to exporter under Back to Back LC or any other arrangement		1%				
• Export processing zone		1%				
• Direct exporter and registered export house		1%				
• Collector of customs		1%				
• Exporter or export house for rendering of service of stitching, dying, printing, embroidery, washing, sizing and weaving.						
• Collector / Banking Company or Authorized dealer in foreign exchange						

## Income Tax

## Deductions / Collection of Tax at Source

Section / Subsection of Income Tax Ordinance	Nature of Payment / Transaction	Standard Tax Rate	Adjustable / Final Discharge	Exemption Limit	Persons Required to Deduct / Collect Tax	Statement of Tax Collected / Deducted				
155	<b>Income from Property:</b> <ul style="list-style-type: none"><li>In case of individuals and AOP</li><li>In Case of Company:</li></ul>	As per slabs <table><tr><td>Filer</td><td>15%</td><td>Non Filer</td><td>17.5%</td></tr></table>	Filer	15%	Non Filer	17.5%	Adjustable	Rs. 200,000 (In case of non-corporate taxpayer)	Federal Govt., Provincial Govt., Local Authority, a company, and a few others	Monthly
Filer	15%	Non Filer	17.5%							
156	Prize on prize bonds or crossword puzzle  Prize on winning of the quiz, winning from raffle, lottery & prize offered by companies for promotion on sales	<table><tr><td>Filer</td><td>15%</td><td>Non Filer</td><td>25%</td></tr></table> 20%	Filer	15%	Non Filer	25%	Final	Nil	Person making payment	Monthly
Filer	15%	Non Filer	25%							
156A	Payment of commission to petrol pump operators	<table><tr><td>Filer</td><td>12%</td><td>Non Filer</td><td>17.5%</td></tr></table>	Filer	12%	Non Filer	17.5%	Final	Nil	Every person selling petroleum products	Monthly
Filer	12%	Non Filer	17.5%							
156B	Payment on account of approved pension fund (before retirement other than due to disability or death)	Average rate of tax	Final	50% of accumulated balance at retirement.	Pension fund manager	Monthly				
231A	Cash withdrawals from bank: (Rate of tax under this section shall not be applicable in case of Branchless Banking agents)	<table><tr><td>Filer</td><td>0.3%</td><td>Non Filer</td><td>0.6%</td></tr></table>	Filer	0.3%	Non Filer	0.6%	Adjustable	Rs. 50,000/day from all bank accounts in same day	Every banking company	Monthly
Filer	0.3%	Non Filer	0.6%							
231AA	Sale against cash of any instrument-DD, Payorder, CDR and STDR etc	<table><tr><td>Filer</td><td>0.3%</td><td>Non Filer</td><td>0.6%</td></tr></table>	Filer	0.3%	Non Filer	0.6%	Adjustable	Rs. 25,000/Day	Every banking company non banking financial institution	Monthly
Filer	0.3%	Non Filer	0.6%							
231B	<b>Purchase of motor vehicle with engine capacity:</b> <ul style="list-style-type: none"><li>Up to 850CC<ul style="list-style-type: none"><li>For filers</li><li>For non-filers</li></ul></li><li>851CC to 1000CC<ul style="list-style-type: none"><li>For filers</li><li>For non-filers</li></ul></li><li>1001CC to 1300CC<ul style="list-style-type: none"><li>For filers</li><li>For non-filers</li></ul></li><li>1301CC to 1600CC<ul style="list-style-type: none"><li>For filers</li><li>For non-filers</li></ul></li><li>1601CC to 1800CC<ul style="list-style-type: none"><li>For filers</li><li>For non-filers</li></ul></li></ul>	Rs. 7,500 Rs. 10,000  Rs. 15,000 Rs. 25,000  Rs. 25,000 Rs. 40,000  Rs. 50,000 Rs. 100,000  Rs. 75,000 Rs. 150,000	Adjustable	Advance Tax shall not be collected after the end of five years from 1 <sup>st</sup> Registration	Registration Authority at the time of Registration	Monthly				

Deductions / Collection of Tax at Source
**Income Tax**

Section / Subsection of Income Tax Ordinance	Nature of Payment / Transaction	Standard Tax Rate	Adjustable / Final Discharge	Exemption Limit	Persons Required to Deduct / Collect Tax	Statement of Tax Collected / Deducted
231B	<ul style="list-style-type: none"><li>1801CC to 2000CC<ul style="list-style-type: none"><li>For filers</li><li>For non-filers</li></ul></li><li>2001CC to 2500CC<ul style="list-style-type: none"><li>For filers</li><li>For non-filers</li></ul></li><li>2501CC to 3000CC<ul style="list-style-type: none"><li>For filers</li><li>For non-filers</li></ul></li><li>Above 3000CC<ul style="list-style-type: none"><li>For filers</li><li>For non-filers</li></ul></li></ul>	Rs. 100,000 Rs. 200,000  Rs. 150,000 Rs. 300,000  Rs. 200,000 Rs. 400,000  Rs. 250,000 Rs. 450,000	Adjustable	Advance Tax shall not be collected after the end of five years from 1 <sup>st</sup> Registration	Registration Authority at the time of Registration	
	<b>For Leased Motor Vehicles</b> <ul style="list-style-type: none"><li>Not Filers</li></ul>	4% of Value of Motor Vehicle			Leasing company, Investment Bank, Development Finance Institution and Mudaraba	Company at the time of leasing of motor vehicle
	<b>(provided that section 231B (1A) shall not be applicable on Prime Minister Youth Scheme)</b>					
	<b>Transfer of registration or ownership of a private motor vehicle manufactured locally with engine capacity:</b>					
	<ul style="list-style-type: none"><li>Up to 850CC<ul style="list-style-type: none"><li>For filers</li><li>For non-filers</li></ul></li><li>851CC to 1000CC<ul style="list-style-type: none"><li>For filers</li><li>For non-filers</li></ul></li><li>1001CC to 1300CC<ul style="list-style-type: none"><li>For filers</li><li>For non-filers</li></ul></li><li>1301CC to 1600CC<ul style="list-style-type: none"><li>For filers</li><li>For non-filers</li></ul></li><li>1601CC to 1800CC<ul style="list-style-type: none"><li>For filers</li><li>For non-filers</li></ul></li><li>1801CC to 2000CC<ul style="list-style-type: none"><li>For filers</li><li>For non-filers</li></ul></li><li>2001CC to 2500CC<ul style="list-style-type: none"><li>For filers</li><li>For non-filers</li></ul></li><li>2501CC to 3000CC<ul style="list-style-type: none"><li>For filers</li><li>For non-filers</li></ul></li><li>Above 3000CC<ul style="list-style-type: none"><li>For filers</li><li>For non-filers</li></ul></li></ul>	Rs. 0 Rs. 5,000  Rs. 5,000 Rs. 15,000  Rs. 7,500 Rs. 25,000  Rs. 12,500 Rs. 65,000  Rs. 18,750 Rs. 100,000  Rs. 25,000 Rs. 135,000  Rs. 37,500 Rs. 200,000  Rs. 50,000 Rs. 270,000  Rs. 62,500 Rs. 300,000	Adjustable	10% reduction in the amount of Tax by each year from the date of first registration		



Income Tax																		
Deductions / Collection of Tax at Source																		
Section / Subsection of Income Tax Ordinance	Nature of Payment / Transaction	Standard Tax Rate	Adjustable / Final Discharge	Exemption Limit	Persons Required to Deduct / Collect Tax	Statement of Tax Collected / Deducted												
233	<b>Brokerage and Commission:</b> <ul style="list-style-type: none"><li>➤ Advertising agents</li><li>➤ All others</li><li>➤ Life Insurance Agents where commission received is less than Rs. 0.5 Million per annum</li></ul>	<table><tr><th>Filer</th><th>Non Filer</th></tr><tr><td>10%</td><td>15%</td></tr><tr><td>12%</td><td>15%</td></tr><tr><td>8%</td><td>16%</td></tr></table>	Filer	Non Filer	10%	15%	12%	15%	8%	16%	Final	Nil	Principal (Federal Govt., Provincial Govt., Local Govt., AOP and Company)	Monthly				
		Filer	Non Filer															
		10%	15%															
12%	15%																	
8%	16%																	
233A	<b>Collection of tax by stock exchange registered in Pakistan on account of:</b> <ul style="list-style-type: none"><li>• Purchase of shares</li><li>• Sale of shares</li></ul>	0.02% 0.02%	Final	Nil	Stock Exchange	Monthly												
233AA	Collection of advance tax By NCCPL on account of profit earned by Margain Financiers, Trading Financiers and Securities Lenders	10% of Profit/ Markup	Final	Nil	NCCPL													
234	<b>Tax on motor vehicle</b> <b>Goods transport vehicle:</b> <ul style="list-style-type: none"><li>• Laden weight till 8119 kg</li><li>• Laden weight 8120 kg or more</li></ul> <b>In case of passenger transport vehicle with seating capacity of:</b> <ul style="list-style-type: none"><li>• 4 or more person but less than 10 person</li><li>• 10 or more person but less than 20 person</li><li>• 20 or more person</li></ul> <b>Other private motor car with engine capacity of:</b> <ul style="list-style-type: none"><li>• Up to 1000CC<ul style="list-style-type: none"><li>➤ For filers</li><li>➤ For non-filers</li></ul></li><li>• 1001CC to 1199CC<ul style="list-style-type: none"><li>➤ For filers</li><li>➤ For non-filers</li></ul></li><li>• 1200CC to 1299CC<ul style="list-style-type: none"><li>➤ For filers</li><li>➤ For non-filers</li></ul></li><li>• 1300CC to 1499CC<ul style="list-style-type: none"><li>➤ For filers</li></ul></li></ul>	<table><tr><th>Filer</th><th>Non Filer</th></tr><tr><td>Rs.2.5/kg of laden weight</td><td>Rs.4/kg of laden weight</td></tr></table> Rs.1200 per annum after 10 years from the date of 1 <sup>st</sup> registration <table><tr><th>Filer</th><th>Non Filer</th></tr><tr><td>Rs. 50 per seat</td><td>Rs. 100 per seat</td></tr><tr><td>Rs. 100 per seat</td><td>Rs. 200 per seat</td></tr><tr><td>Rs 300 per seat</td><td>Rs 500 per seat</td></tr></table> Rs. 800 Rs. 1,200 Rs. 1,500 Rs. 4,000 Rs. 1,750 Rs. 5,000 Rs. 2,500	Filer	Non Filer	Rs.2.5/kg of laden weight	Rs.4/kg of laden weight	Filer	Non Filer	Rs. 50 per seat	Rs. 100 per seat	Rs. 100 per seat	Rs. 200 per seat	Rs 300 per seat	Rs 500 per seat	Final/Adjustable	Nil	Excise and Taxation Department	Annually
		Filer	Non Filer															
		Rs.2.5/kg of laden weight	Rs.4/kg of laden weight															
Filer	Non Filer																	
Rs. 50 per seat	Rs. 100 per seat																	
Rs. 100 per seat	Rs. 200 per seat																	
Rs 300 per seat	Rs 500 per seat																	

# Deductions / Collection of Tax at Source

## Income Tax

Section / Subsection of Income Tax Ordinance	Nature of Payment / Transaction	Standard Tax Rate	Adjustable / Final Discharge	Exemption Limit	Persons Required to Deduct / Collect Tax	Statement of Tax Collected / Deducted					
234	<div><div>➤ For non-filers</div><div>• 1500CC to 1599CC</div><div>➤ For filers</div><div>➤ For non-filers</div><div>• 1600CC to 1999CC</div><div>➤ For filers</div><div>➤ For non-filers</div><div>• 2000CC and above</div><div>➤ For filers</div><div>➤ For non-filers</div></div> <div>Where the motor vehicle tax is collected in lump sum,-</div> <div><div>• Up to 1000CC</div><div>➤ For filers</div><div>➤ For non-filers</div><div>• 1001CC to 1199CC</div><div>➤ For filers</div><div>➤ For non-filers</div><div>• 1200CC to 1299CC</div><div>➤ For filers</div><div>➤ For non-filers</div><div>• 1300CC to 1499CC</div><div>➤ For filers</div><div>➤ For non-filers</div><div>• 1500CC to 1599CC</div><div>➤ For filers</div><div>➤ For non-filers</div><div>• 1600CC to 1999CC</div><div>➤ For filers</div><div>➤ For non-filers</div><div>• 2000CC and above</div><div>➤ For filers</div><div>➤ For non-filers</div></div>	<div>Rs. 7,500</div> <div>Rs. 3,750</div> <div>Rs. 12,000</div> <div>Rs. 4,500</div> <div>Rs. 15,000</div> <div>Rs. 10,000</div> <div>Rs. 30,000</div> <div>Rs. 10,000</div> <div>Rs. 10,000</div> <div>Rs. 18,000</div> <div>Rs. 36,000</div> <div>Rs. 20,000</div> <div>Rs. 40,000</div> <div>Rs. 30,000</div> <div>Rs. 60,000</div> <div>Rs. 45,000</div> <div>Rs. 90,000</div> <div>Rs. 60,000</div> <div>Rs. 120,000</div> <div>Rs. 120,000</div> <div>Rs. 240,000</div>	Final/Adjustable	Nil	Excise and Taxation Department	Annually					
	234A	Tax on gas consumption charges of a Compressed Natural Gas (CNG) Station	<table><tr><th>Filer</th><th>Non Filer</th></tr><tr><td>4%</td><td>6%</td></tr></table>	Filer	Non Filer	4%	6%	Final	Nil	Person Preparing gas consumption bill	Monthly
	Filer	Non Filer									
	4%	6%									
	235	<b>Electricity Consumption</b> Where the amount of bill: <div><div>• Does not exceed Rs. 400</div><div>• Exceeds Rs. 400 but does not exceed Rs. 600</div><div>• Exceeds Rs. 600 but does not exceed Rs. 800</div><div>• Exceeds Rs. 800 but does not exceeds Rs. 1,000</div><div>• Exceeds Rs. 1,000 but does not exceed Rs. 1,500</div><div>• Exceeds Rs. 1,500 but does not exceed Rs. 3,000</div><div>• Exceeds Rs. 3,000 but does not exceed Rs. 4,500</div><div>• Exceeds Rs. 4,500 but does not exceed Rs. 6,000</div><div>• Exceeds Rs. 6,000 but does not exceed Rs. 10,000</div><div>• Exceeds Rs. 10,000 but does not exceed Rs. 15,000</div><div>• Exceeds Rs. 15,000 but does not exceed Rs. 20,000</div><div>• Exceeds Rs. 20,000</div></div>	<div>Rs. 0</div> <div>Rs. 80</div> <div>Rs. 100</div> <div>Rs. 160</div> <div>Rs. 300</div> <div>Rs. 350</div> <div>Rs. 450</div> <div>Rs. 500</div> <div>Rs. 650</div> <div>Rs. 1,000</div> <div>Rs. 1,500</div> <div>At 5%( Industrial consumer )</div> <div>At 12%( Commercial consumer )</div>	1). Fully adjustable for companies 2). In other cases: ➤ Where amount of the bill does not 360,000 per annum, tax collected shall be minimum ➤ Where amount of the bill exceeds 30,000 per month, tax collected shall be adjustable	Nil	Person preparing Electricity bills	Monthly				

## Income Tax

### Deductions / Collection of Tax at Source

Section / Subsection of Income Tax Ordinance	Nature of Payment / Transaction	Standard Tax Rate	Adjustable / Final Discharge	Exemption Limit	Persons Required to Deduct / Collect Tax	Statement of Tax Collected / Deducted																																																
235A	Domestic electricity consumption	7.5% (if the amount of bill is equal or more than Rs.75,000	Adjustable	Where the amount of monthly bill is less than Rs. 75,000	Person preparing electricity consumption bill	Monthly																																																
236	<ul style="list-style-type: none"><li>Telephone subscriber where the monthly bill exceeds Rs. 1,000</li><li>Subscriber of internet, mobile telephone and pre-paid internet or telephone cards</li></ul>	<div>10%12.5%</div>	Fully adjustable for companies, whereas adjustable upto the extent of tax liability for individuals and AOPs	Rs. 1,000 for telephone subscriber	Person preparing mobile and phone bills and person selling prepaid cards	Monthly																																																
236A	<ul style="list-style-type: none"><li>Sale of any property or goods by auction</li><li>Tax collected on the lease of the right to collect tolls</li></ul>	<table><tr><th>Filer</th><th>Non Filer</th></tr><tr><td>10%</td><td>15%</td></tr></table> 10%	Filer	Non Filer	10%	15%	Adjustable Final	Nil	Person making sale by auction	Monthly																																												
Filer	Non Filer																																																					
10%	15%																																																					
236 B	Purchase of air ticket	5%	Adjustable	Nil	Airline preparing air ticket	Monthly																																																
236 C	Sale or transfer of immovable property:	<table><tr><th>Filer</th><th>Non Filer</th></tr><tr><td>1%</td><td>2%</td></tr></table>	Filer	Non Filer	1%	2%	Adjustable/ Minimum in certain cases	Immovable property is held for the period exceeding three years	Person responsible for registering, recording and transfer of immovable property	Monthly																																												
Filer	Non Filer																																																					
1%	2%																																																					
236D	Advance tax on functions and gatherings	Higher of 5% on bill or Rs. 20,000 per function in major cities and Rs. 10,000 in other cities	Adjustable	Nil	Owner, operator of hall hotel etc	Monthly																																																
236F	Tax on cable operator and other electronic media	<table><tr><th>License category as provided in PEMRA rules</th><th>Tax on License fee</th><th>Tax on Renewal</th></tr><tr><td>H</td><td>Rs 7,500</td><td>Rs 10,000</td></tr><tr><td>H-1</td><td>Rs 10,000</td><td>Rs 15,000</td></tr><tr><td>H-2</td><td>Rs 25,000</td><td>Rs 30,000</td></tr><tr><td>R</td><td>Rs 5,000</td><td>Rs 12,000</td></tr><tr><td>B</td><td>Rs 5,000</td><td>Rs 40,000</td></tr><tr><td>B-1</td><td>Rs 30,000</td><td>Rs 35,000</td></tr><tr><td>B-2</td><td>Rs 40,000</td><td>Rs 45,000</td></tr><tr><td>B-3</td><td>Rs 50,000</td><td>Rs 75,000</td></tr><tr><td>B-4</td><td>Rs 75,000</td><td>Rs 100,000</td></tr><tr><td>B-5</td><td>Rs 87,500</td><td>Rs 150,000</td></tr><tr><td>B-6</td><td>Rs 175,000</td><td>Rs 200,000</td></tr><tr><td>B-7</td><td>Rs 262,500</td><td>Rs 300,000</td></tr><tr><td>B-8</td><td>Rs 437,500</td><td>Rs 500,000</td></tr><tr><td>B-9</td><td>Rs 700,000</td><td>Rs 800,000</td></tr><tr><td>B-10</td><td>Rs 875,500</td><td>Rs 900,000</td></tr></table>	License category as provided in PEMRA rules	Tax on License fee	Tax on Renewal	H	Rs 7,500	Rs 10,000	H-1	Rs 10,000	Rs 15,000	H-2	Rs 25,000	Rs 30,000	R	Rs 5,000	Rs 12,000	B	Rs 5,000	Rs 40,000	B-1	Rs 30,000	Rs 35,000	B-2	Rs 40,000	Rs 45,000	B-3	Rs 50,000	Rs 75,000	B-4	Rs 75,000	Rs 100,000	B-5	Rs 87,500	Rs 150,000	B-6	Rs 175,000	Rs 200,000	B-7	Rs 262,500	Rs 300,000	B-8	Rs 437,500	Rs 500,000	B-9	Rs 700,000	Rs 800,000	B-10	Rs 875,500	Rs 900,000	Adjustable	Nil	PEMRA	Monthly
License category as provided in PEMRA rules	Tax on License fee	Tax on Renewal																																																				
H	Rs 7,500	Rs 10,000																																																				
H-1	Rs 10,000	Rs 15,000																																																				
H-2	Rs 25,000	Rs 30,000																																																				
R	Rs 5,000	Rs 12,000																																																				
B	Rs 5,000	Rs 40,000																																																				
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Deductions / Collection of Tax at Source
**Income Tax**

Section / Subsection of Income Tax Ordinance	Nature of Payment / Transaction	Standard Tax Rate	Adjustable / Final Discharge	Exemption Limit	Persons Required to Deduct / Collect Tax	Statement of Tax Collected / Deducted											
236 G	Tax on sales to dealer, retailers, wholesalers and distributor	<table><tr><th rowspan="2">Category of sale</th><th colspan="2">Rate of Tax</th></tr><tr><th>Filer</th><th>Non-Filer</th></tr><tr><td>Fertilizers</td><td>0.7%</td><td>1.4%</td></tr><tr><td>Other than fertilizers</td><td>0.1%</td><td>0.2%</td></tr></table>	Category of sale	Rate of Tax		Filer	Non-Filer	Fertilizers	0.7%	1.4%	Other than fertilizers	0.1%	0.2%	Adjustable	Nil	Manufacturer or commercial importer of electronics, sugar, cement, iron steel producer, fertilizers, motorcycle, pesticides, cigarettes, glass, textile, beverages, paint	Monthly
Category of sale	Rate of Tax																
	Filer	Non-Filer															
Fertilizers	0.7%	1.4%															
Other than fertilizers	0.1%	0.2%															
236H	Sale to retailers	<table><tr><th rowspan="2">Categories of Sale</th><th colspan="2">Rate of Tax</th></tr><tr><th>Filer</th><th>Non Filer</th></tr><tr><td>Electronics</td><td>1%</td><td>1%</td></tr><tr><td>Others</td><td>0.5%</td><td>1%</td></tr></table>	Categories of Sale	Rate of Tax		Filer	Non Filer	Electronics	1%	1%	Others	0.5%	1%	Adjustable	Nil	Manufacturer or commercial importer of electronics, sugar, cement, iron steel producer, motorc cycle,pesticides,ci garrettes,glass,t extile,beverages, paint	Monthly
Categories of Sale	Rate of Tax																
	Filer	Non Filer															
Electronics	1%	1%															
Others	0.5%	1%															
236HA	<b>Tax on sale of certain petroleum products</b> On sales to a petrol pump operator or distributor, where commission or discount is not allowed	<table><tr><th>Filer</th><th>Non Filer</th></tr><tr><td>0.5%</td><td>1%</td></tr></table>	Filer	Non Filer	0.5%	1%	Final	Nil	Every person selling petroleum products	Monthly							
Filer	Non Filer																
0.5%	1%																
236I	Tax on fee paid by a resident person to an educational institution	5% of the amount of fee excluding the amount which refundable	Adjustable	200,000 per annum	Person preparing fee challan	Monthly											
236J	Tax on dealers, commission agents and Arhtis	<table><tr><th>Groups</th><th>Amount of tax (per annum)</th></tr><tr><td>Group or class A</td><td>Rs 10,000</td></tr><tr><td>Group or class B</td><td>Rs 7,500</td></tr><tr><td>Group or class c</td><td>Rs 5,000</td></tr><tr><td>Any other category</td><td>Rs 5,000</td></tr></table>	Groups	Amount of tax (per annum)	Group or class A	Rs 10,000	Group or class B	Rs 7,500	Group or class c	Rs 5,000	Any other category	Rs 5,000	Adjustable		Every Market committee	Monthly	
Groups	Amount of tax (per annum)																
Group or class A	Rs 10,000																
Group or class B	Rs 7,500																
Group or class c	Rs 5,000																
Any other category	Rs 5,000																

## Deductions / Collection of Tax at Source

## Income Tax

Section / Subsection of Income Tax Ordinance	Nature of Payment / Transaction	Standard Tax Rate	Adjustable / Final Discharge	Exemption Limit	Persons Required to Deduct / Collect Tax	Statement of Tax Collected / Deducted				
236K	<b>Advance tax on purchase or transfer of immovable property:</b> If the value of immovable property is more than 4 Million:	<table><tr><th>Filer</th><th>Non Filer</th></tr><tr><td>2%</td><td>4%</td></tr></table>	Filer	Non Filer	2%	4%	Adjustable	Federal Government, Provincial Government, an authority established under a Federal or Provincial law for expatriate Pakistanis and where value of immovable property is up to Rs. 4 million	Any person responsible for registering, recording or attesting the transfer of any immovable property	Monthly
Filer	Non Filer									
2%	4%									
236L	<b>Advance tax on purchase of international air ticket:</b> ➤ First/ Executive Class ➤ Other excluding Economy ➤ Economy	Rs.16,000 per person Rs.12,000 per person 0	Adjustable	Air ticket of economy class	Airline preparing air ticket	Monthly				
236P	<b>Advance tax on banking transactions otherwise than through cash</b> For Non-filer	0.4%	Adjustable	Rs. 50,000 per day for the sum of all transactions	Every Banking Company	Monthly				
236Q	Payment to residents for use of machinery and equipment	10% of the amount of payment	Final	N/A	Federal Government, Company, a registered AOP, foreign contractor or consultant or a consortium or a joint venture, Individual with turnover exceeding 50 million, AOP with turnover exceeding 50 million and exporter of export house	Monthly				
236R	Collection of advance tax on education related expenses remitted abroad	5% of the amount of total education related expenses	Adjustable	N/A	Banks, financial institutions, foreign exchange companies or any other person responsible for remitting foreign currency abroad	Monthly				

# Deductions / Collection of Tax at Source

## Income Tax

Section / Subsection of Income Tax Ordinance	Nature of Payment / Transaction	Standard Tax Rate	Adjustable / Final Discharge	Exemption Limit	Persons Required to Deduct / Collect Tax	Statement of Tax Collected / Deducted								
236S	<b>Dividend in specie</b> <ul style="list-style-type: none"><li>In case of dividends declared or distributed by purchaser of a power project privatized by WAPDA or on shares of a company supplying coal exclusively to power generation projects</li><li>in case of a stock fund</li><li>In case of dividends to other persons:</li></ul>	7.5%	Final	If a Development REIT Scheme with the object of development and construction of residential buildings is set up by 30th day of June 2018, dividend received by a person from such Development REIT Scheme shall be reduced by 50% from 30th day of June 2018	Every person making the payment of dividend.	Monthly								
		12.5%												
		<table><tr><td>Filer</td><td>Non Filers</td></tr><tr><td>15%</td><td>20%</td></tr></table>					Filer	Non Filers	15%	20%				
		Filer					Non Filers							
15%	20%													
236U	<b>Advance tax on insurance premium:</b> The rate of tax to be deducted from non-filer shall be as prescribed	<table><tr><td colspan="2">Non-filer</td></tr><tr><td>General insurance premium</td><td>4%</td></tr><tr><td>Life insurance premium if exceeding Rs 0.3 million in aggregate per annum</td><td>1%</td></tr><tr><td>Others</td><td>0%</td></tr></table>	Non-filer		General insurance premium	4%	Life insurance premium if exceeding Rs 0.3 million in aggregate per annum	1%	Others	0%	Adjustable	N/A	Insurance company	Monthly
Non-filer														
General insurance premium	4%													
Life insurance premium if exceeding Rs 0.3 million in aggregate per annum	1%													
Others	0%													
236V	Advance tax on extraction of minerals	<table><tr><td>Filer</td><td>Non-filer</td></tr><tr><td>0%</td><td>5% of the value of the minerals</td></tr></table>	Filer	Non-filer	0%	5% of the value of the minerals	Adjustable	N/A	Provincial authority	Monthly				
Filer	Non-filer													
0%	5% of the value of the minerals													
236W	Tax on purchase or transfer of immovable property	3% from purchaser or transferee	Final	N/A	Registering or Testing Authority	Monthly								
236X	Advance Tax on Tobacco.	5% of Purchase value	Adjustable	N/A	Pakistan Tobacco Board									
236Y	Advance tax on amount remitted abroad through credit, debit or prepaid cards	<table><tr><td>Filer</td><td>Non Filers</td></tr><tr><td>1%</td><td>3%</td></tr></table>	Filer	Non Filers	1%	3%	Adjustable	N/A	Every banking company	Monthly				
Filer	Non Filers													
1%	3%													

## Sales Tax

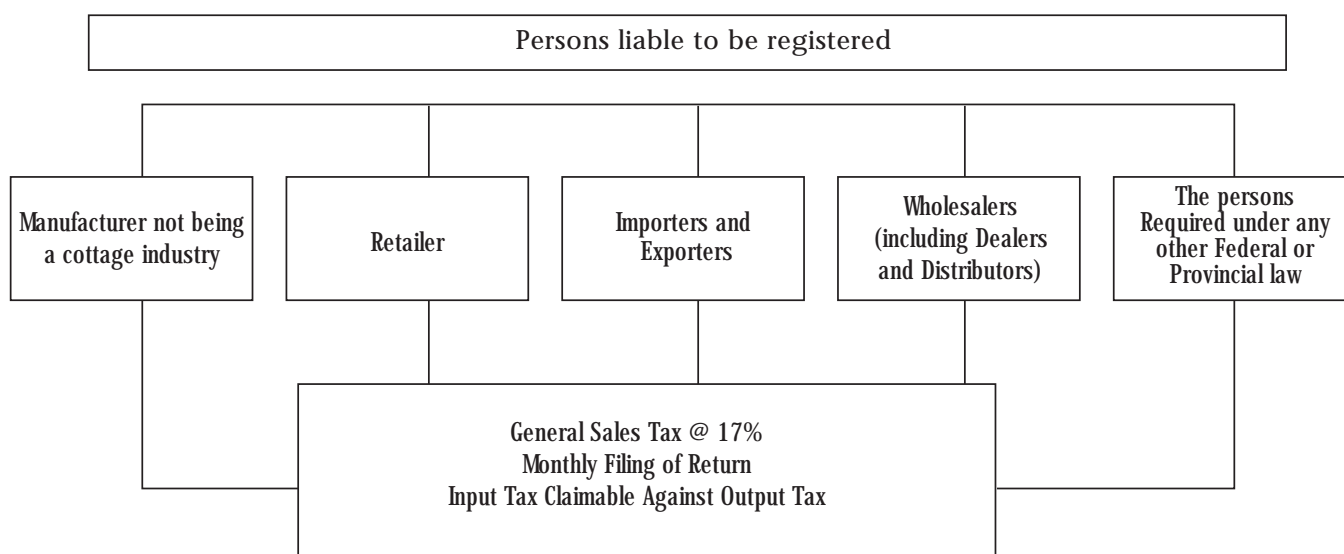
*Sales Tax*

### Filing of Sales tax Return

The sales tax return is to be filed within 18 days from the close of month by the registered persons.

The sales tax liability has to be deposited within 15 days from the close of month.

### Sales Tax Registration Threshold



Input Tax Non-claimable on following Goods:

- Provincial sales tax on services.
- Vehicles falling in chapter 87 of the first schedule to the customs Act, 1969.
- Food, Beverages, garments, fabrics and consumption on entertainment.
- Gifts giveaways.
- Building materials including cement, bricks, paints, varnishes, distempers.
- Office equipment and machines(excluding electronic fiscal cash registers), furniture, structure, fixture and furnishing excluding those directly used in taxable activity.
- Electric and gas appliances, pipes, fittings excluding those directly used in taxable activities.
- Wires, cables, ordinary electrical fittings and sanitary fittings excluding those directly used in taxable activity.
- Crockery, cutlery, utensils etc., excluding those directly used in taxable activity.
- Milk, fat-filled milk and certain stationary items.
- Premises for growth stunting, Laptop computers, notebooks and personal computers.
- Pesticides and their active ingredients registered under the Agricultural Pesticides Ordinance, 1971.
- Scrap of compressors.

## Capital Value Tax (CVT)

*Capital Value Tax*

### Certificates / Instruments of Redeemable Capital

Capital Value Tax is levied on the transactions of certificates or any instrument of redeemable capital as under:

Purchase	Rate of CVT	Collected by
Modaraba certificates or any instrument of redeemable capital	0.02% of purchase value	Personal responsible for registering or attesting the transfer of asset.
Purchase of shares of a public company listed on a registered Stock Exchange	0.01% of purchase value	Personal responsible for registering or attesting the transfer of asset.

### CVT on Real Estate Transactions

Capital Value Tax is leviable on the real estate transactions of sale and purchase in the following manner:

Nature of Transaction	Rate of CVT
<ul style="list-style-type: none"> <li>Residential immovable property (other than flats) situated in urban area, measuring at least 500 square yards or one kanal whichever is less <ul style="list-style-type: none"> <li>Where the value of Immovable property is recorded</li> <li>Where the value of immovable property is not recorded</li> <li>Where the immovable property is a constructed property</li> </ul> </li> <li>Commercial immovable of any size situated in urban area <ul style="list-style-type: none"> <li>Where the value of immovable property is recorded</li> <li>Where the value of immovable property is not recorded</li> <li>Where the immovable property is a constructed</li> </ul> </li> <li>Residential flats <ul style="list-style-type: none"> <li>Where the value of immovable property is recorded</li> <li>Where the value of immovable property is not recorded</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>2 % of the recorded value</li> <li>Rs.100 per square yard of the landed area</li> <li>Rs.10 per square feet of the constructed area in addition to the value worked out above</li> <li>2 % of the recorded value of land</li> <li>Rs.100 per square feet of the landed area</li> <li>Rs.10 per square feet of the constructed area in property addition to the value worked out above</li> <li>2 % of the recorded value</li> <li>Rs.100 per square feet of the covered area</li> </ul>



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