





Tax Commentary 2019

An Information Guide

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Preface

This tax commentary 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 tax commentary encompasses the amendments in the Income Tax Ordinance, Sales Tax Act, Federal Excise, Customs Act and other laws. The applicable amendments in the laws after enactment are effective from July 1, 2019 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, 2019. This tax 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 tax commentary enhances your perception of Budget 2019-2020.

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

Lahore

June 11, 2019

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Contents

Chapter _____	Page
General	
Budget '19-20 _____	01-05
Commentary on the Finance Bill 2019	
Finance Bill Highlights _____	06-08
Income Tax	
Ordinance, 2001 _____	9-14
Schedules	
First _____	14-20
Second _____	20-23
Third _____	23
Sixth _____	23
Sales Tax	
Act, 1990 _____	24-25
Schedules	
Sixth _____	25
Eighth _____	25-26
Ninth _____	27
Tenth _____	27
Eleventh _____	28
Twelfth _____	28
Federal Excise	
Act, 2005 _____	29
Schedules	
First _____	29-30
Customs	
Act, 1969 _____	31-32
Schedules	
Fourth _____	32
Fifth _____	33
Other Laws _____	34-36

Budget, 2019-2020

Budget, 2019-2020

Salient Features of the Budget 2019-2020

The salient features of the budget 2019-2020 are as follows:

- Total outlay of budget 2019-20 is Rs 8,238.1 billion. This size is 38.9 percent higher than the size of budget estimates of 2018-19.
- The resource availability during 2019-20 has been estimated at Rs 7,889.1 billion against Rs 4,917.2 billion in the budget estimates of 2018-19.
- The net revenue receipts for 2019-20 have been estimated at Rs 3,462.1 billion indicating an increase of 12.8 percent over the budget estimates of 2018-19.
- The provincial share in federal taxes is estimated at Rs 3,254.5 billion during 2019-20, which is 25.7 percent higher than the budget estimates for 2018-19.
- The net capital receipts for 2019-20 have been estimated at Rs 831.7 billion against the budget estimates of Rs 443.1 billion in 2018-19 reflecting an increase of 87.7 percent.
- The external receipts in 2019-20 are estimated at Rs 3,032.3 billion. This shows an increase of 171.2% over the budget estimates for 2018-19.
- The overall expenditure during 2019-20 has been estimated at Rs 8,238.1 billion, out of which the current expenditure is Rs 7,288.1 billion.
- The expenditure on General Public Services is estimated at Rs 5,607.0 billion, which is 76.9 percent of the current expenditure.
- The development expenditure outside PSDP has been estimated at Rs 85.8 billion in the budget 2019-20.
- The size of Public Sector Development Programme (PSDP) for 2019-20 is Rs 1,613 billion. Out of this, Rs 912 billion has been allocated to provinces.
- Federal PSDP has been estimated at Rs 701 billion, out of which Rs 348.2 billion for Federal Ministries/Divisions, Rs 348.2 billion for Corporations, Rs 5 billion for Earthquake Reconstruction and Rehabilitation Authority (ERRA), Rs 17 billion for Relief and Rehabilitation of IDPs, Rs 53 billion for Security Enhancement, Rs 5 billion for Prime Minister's Youth Skill Development Initiative, Rs 2 billion for Clean Green Pakistan Movement/Tourism, Rs 1 billion for Gas Infrastructure Development Cess, Rs 48 billion for Merged Areas of FATA 10 Years Development Plan and Rs 24 billion for Pakistan Sustainable Development Goals (SDGs) and Community Development Programme.
- To meet expenditure, bank borrowing has been estimated for 2019-20 at Rs 339 billion, which is lower by 688.7 billion than the revised estimates 2018-19 reflecting decrease at 75 percent.

Budget, 2019-2020

- The gross revenue receipts in budget 2019-20 are estimated at Rs 3,254.526 billion, showing an increase of 18.7 percent over the budget estimates of 2018-19 and 33.5 percent over revised estimates of outgoing fiscal year 2018-19.
- The provincial share in taxes for 2019-20 is estimated at Rs 3,254.526 billion, which is 32.2 percent higher than the revised estimates of 2018-19. After the share of provinces in gross revenue is transferred, the net revenue of federal government has been estimated to be Rs 3,462.099 billion for fiscal year 2019-20.
- The tax revenue for 2019-20 is estimated at Rs 5,822.160 billion, which reflects an increase of 33 percent over revised estimates of 2018-19. Out of which FBR collection is Rs 5,555.000 billion. Non-tax revenue is projected at Rs 894.464 million in 2019-20 as compared to Rs 637.751 billion in revised estimates 2018-19.
- The government obtained loans and grants to bridge the gap between the receipts and expenditure. The external resources for 2019-20 have been projected at Rs 3,032.325 billion, which are higher by 171.2 percent and 116.1 percent respectively when compared with budget and revised estimates 2018-19.

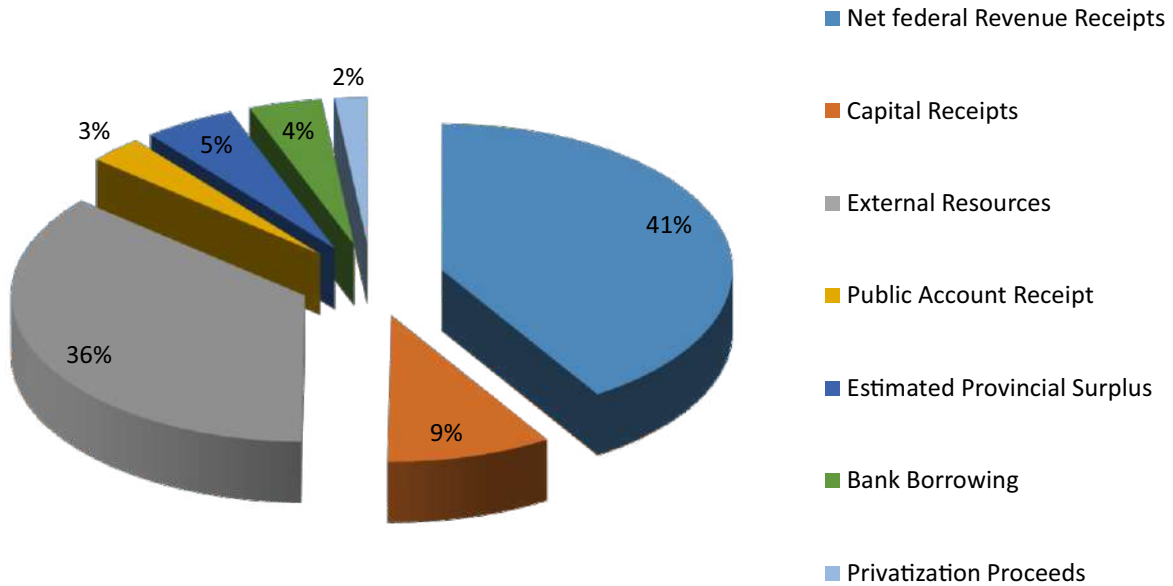
Comparative Budgetary Position 2019-2020 & 2018-2019
Receipts

	2019-20 <i>(Rs. In Billions)</i>	2018-19 <i>(Rs. In Billions)</i>
Tax Revenue	5,555.00	4,435.00
Other Taxes	267.16	453.65
Non Tax Revenue	894.46	771.86
Gross Revenue Receipts	6716.62	5,660.50
Less: Provincial Share in Taxes	(3,254.5)	(2590.67)
Net Federal Revenue Receipts (A)	3,462.12	3,070.44
Capital Receipts (B)	766.19	406.11
External Resources (C)	3,032.32	1,118.02
Public Accounts Receipts (D)	250.75	126.68
Estimated Provincial Surplus (E)	422.99	285.60
Bank Borrowings (F)	338.99	1,015.30
Privatization Proceeds (G)	150	
Total Resources (A+B+C+D+E+F+G)	8,423.36	6,022.17

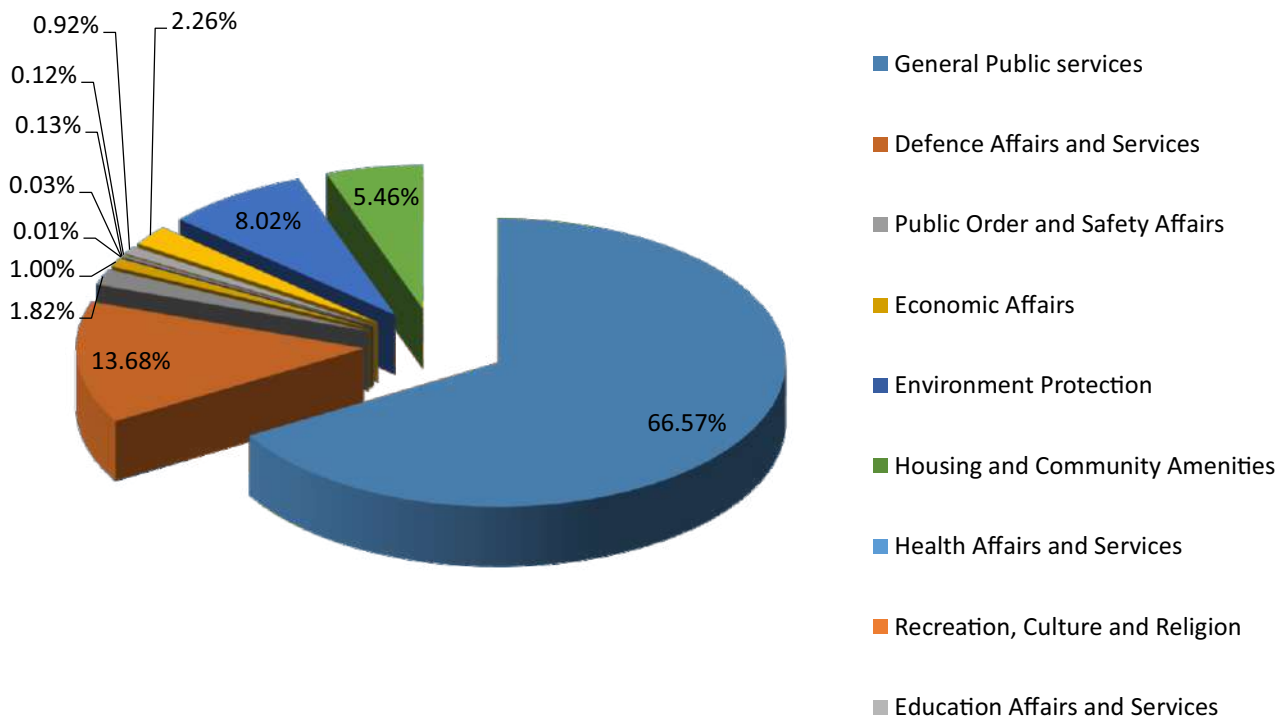
Budget, 2019-2020
Expenditures

	2019-2020	2018-2019
	(Rs. In Billion)	(Rs. In Billion)
General Public Services	5,607.04	3,340.43
Defense Affairs and Services	1,152.53	1,100.33
Public Order and Safety Affairs	152.91	132.30
Economic Affairs	84.16	80.75
Environment Protection	0.47	1.26
Housing and Community Amenities	2.29	2.34
Health Affairs and Services	11.05	13.90
Recreation, Culture and Religion	9.83	9.24
Education Affairs and Services	77.26	97.42
Social Protection	190.59	2.40
Current Expenditures	7,288.09	4,780.36
Servicing of Foreign Loans and Repayment	675.25	780.27
Current Expenditure on Revenue Account & Capital Account (A)	7963.34	5,560.63
Development Expenditures (B)	460.02	461.54
Total Expenditures (A+B)	8,423.36	6,022.17

Breakup of Receipts



Breakup of Expenditures



Commentary

Finance Bill Tax Commentary, 2019

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Finance Bill Highlights

Finance Bill Highlights

Income Tax Highlights

- Formation of FBR Refund Settlement Company Limited for payment of Income Tax refunds through Bonds
- A nominal additional tax liability has been proposed for placing the name of late filers on ATL
- Persons employing fresh graduates from HEC recognized institutions would enjoy tax credit
- Receipt of gift to be treated as income other than those received from blood relatives
- Increase in minimum tax on turnover
- Tax credit on investment in BMR reduced from 10% to 5%
- A new scheme is being introduced to penalize the persons not appearing on ATL
- Introduction of new tax slabs for income from property
- Reduced tax rate on specified services has been increased from 2% to 4%
- Withholding tax at the rate of 15% on the gross amount of royalty received by resident persons is proposed to be imposed
- Increase in tax rates for salaried individuals, AOPs and non-salaried Individuals
- Threshold of taxable income has been revised for both salaried and non-salaried individuals
- Amortization period of certain intangible assets spreaded over 25 years
- Withholding tax rate has been increased for dealers, commission agents and Arhatis
- Obligation of payment through banking channel on account of purchase of assets
- Freezing of corporate tax rate at 29%
- Introduction of simplified tax regime for certain classes of persons
- Taxation of capital gains on immovable properties enhanced
- Amendments proposed for taxation of real estate sector
- Transforming final tax regime into minimum tax regime for certain persons
- Disparity in super tax computation removed
- Tax rate on dividend income increased on certain criterion basis
- The initial allowance on buildings at the rate of 15% is being abolished
- Tax rates for profit on debt Increased up to 15%
- Commission paid in excess of 0.2% of the gross amount of the supplies shall be disallowed unless the dealer is registered under the Sales Tax Act, 1990
- The threshold for explaining the source of foreign remittance has been curtailed from Rs.10 million to Rs. 5 million

Sales Tax Highlights

- Revenue measures for five zero-rated exports-oriented sectors
- Sales tax rate has been reduced from 17% to 7.5% on food supplied by restaurants, bakeries etc. and no input tax adjustment is allowed on such items
- Electric and gas appliances, foam, confectionary, lubricants batteries, tyres etc. would be part of the Third Schedule of the Sales Tax Act, 1990 instead of falling under extra tax regime.
- Exclusion of Government Bodies from purview of extra tax and further tax
- Restoration of normal tax regime for steel sector
- Increase in fixed value of gas supplied to CNG dealers
- New sales tax regime for retailers introduced
- Rate of sales tax on sugar has been enhanced from 8% to 17%
- Sales tax regime on gold, silver, diamond and jewelry rationalized
- The scope of ICT sales tax on services to be aligned with the provinces
- Special procedure for marble industry prescribed
- Simplification of sales tax registration process introduced
- Scope of exemption allowed to Tribal Areas expanded
- 3% value addition tax on petroleum products and mobile phones withdrawn
- Brick kilns are proposed to be taxed at fixed rates
- Bar on export of PVC and PMC to Afghanistan removed
- Refund of input tax on capital assets defined
- Enabling directors, partners, shareholders to recover paid dues

FED Highlights

- Minimum production criterion introduced for discharge of duty on steel products
- FED on cigarettes increased
- FED on cement enhanced
- FED @ 10% on packed non-aerated sugary syrups introduced
- Procedures to control malpractices in tax administration prescribed
- FED on liquefied natural gas enhanced
- Powers to notify duty exemptions to be vested with the Federal Government

Customs Duty Highlights

- Risk management systems to allow custom authorities to identify and manage risk introduced
- Procedure to recover duties from exporters is proposed to be extended to five years
- Measures to control illegal transfer of funds abroad prescribed
- Time period of auction of goods not cleared within prescribed time curtailed
- The time limit for filing of goods declaration and payment of duty, taxes and other charges has been proposed to be reduced from 15 days to 10 days
- Revamping of Alternate Dispute Resolution mechanism
- Time limit is proposed to be reduced to ninety days aiming at early disposal of cases

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Income Tax Ordinance, 2001

Income Tax Ordinance, 2001

Concept of Active Taxpayer List Revamped Section 2 Clause (1A)/182A/ 100BA(1)/Tenth Schedule

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

- Hundred percent increased rate of tax for those persons not appearing on ATL
- Withholding agents will clearly specify the names, CNIC or any other identification of such persons in the withholding statement to compel such persons to make their tax filings
- Where, in the opinion of the withholding tax agent, no withholding tax is required as such person was not required to file the return, in such a situation, the withholding agent shall furnish an intimation to the Commissioner describing the basis on which the person is not required to file return.
- The Commissioner shall accept or reject the contention on the basis of existing law within 30 days
- Where the tax of a person has been deducted at the increased 100% tax rate and the person fails to file return of income for that tax year, the Commissioner shall make a provisional assessment within sixty days of the due date for filing of return by imputing income. Such income will be treated as concealed income.
- The provisional assessment shall be of no effect if the person files return within forty-five days of completion of provisional assessment.
- Where return is not filed within forty-five days of provisional assessment, it shall be treated as final assessment and the penalty proceedings would be initiated accordingly.
- By virtue of finance Bill, 2019 refund would not be available during the period when person is not included in the active taxpayers list neither entitled to additional payment for the delayed refund under section 171 and the period the person is not included in ATL list, shall not be counted for computation of additional payment for delayed refund

The Concept of Refund Settlement Company Introduced

Section 2 Clause (22C), 171A

The company with this name as incorporated under the Companies Act, 2017 (XIX of 2017), for the purposes of settlement of income tax refund claims including payment by way of issuing refund bonds.

The refund bonds from FBR Refund Settlement Company Limited. The bonds shall bear simple interest of 10% with a maturity period of three years and shall be traded freely in the country’s secondary markets.

Concept of Offshore Companies and Respective Penalties

Section 2 Clause (38AB), Section 2 Clause (5C), Section 145(5), Section 192B(1), Section 195A

By virtue of Finance Bill, 2019 “offshore asset” in relation to a person, includes any movable or immovable asset held, any gain, profit, or income derived, or any expenditure incurred outside Pakistan.

By virtue of Finance Bill 2019 “asset move” means the transfer of an offshore asset to an unspecified jurisdiction by or on behalf of a person who owns, possesses, controls, or is the beneficial owner of such offshore asset for the purpose of tax evasion.

The Finance Bill, 2019 has allowed the Commissioner to freeze domestic assets of a person likely to leave Pakistan and involved in offshore tax evasion for a period of 120 days or till the finalization of proceeding including but not limited to recovery proceeding which ever earlier.

Income Tax Ordinance, 2001

The Finance Bill, 2019 has proposed prosecution for concealment or furnishing inaccurate information of an offshore asset and due to which the revenue impact is one hundred thousand rupees or more shall commit an offence punishable on conviction with a fine of two hundred percent of tax evaded or up to seven-year imprisonment or both.

By virtue of Finance Bill, 2019 any person who without reasonable excuse fails to comply with a notice to furnish a statement of foreign income and assets statements under Section 116A (2) shall commit an offence punishable on conviction with a fine two percent of the offshore asset not declared or two year imprisonment or both.

The Concept of Offshore Enabler Introduced
Section 2 Clause (38AC), 216(6C)

By virtue of Finance Bill, 2019 “offshore enabler” means a person who owns, possesses, controls, or is the beneficial owner of an offshore asset and does not declare, or under declares or provides inaccurate particulars of such asset to the Commissioners.

By virtue of the Finance Bill, 2019 nothing contained in subsection 1 of Section 216 shall prevent the Board from publishing the name of offshore tax enablers, in the print and electronic media who have enabled offshore tax evasions

Definition of an Offshore Evader Introduced
Section 2 Clause (38AD), 216 (6B)

By virtue of Finance Bill, 2019 “offshore evader” includes any person who, enables, assists, or advises any person to plan, design, arrange or manage a transaction or declaration relating to an offshore asset, which has resulted or may result in tax evasion.

By virtue of the Finance Bill, 2019 nothing contained in subsection 1 of Section 216 shall prevent the Board from publishing the name of offshore evaders, in the print and electronic media who have evaded offshore tax equal to or exceeding Rs. 2.5 million.

Prosecution for Offshore Tax Evasion
Section 195B

By virtue of the Finance Bill ,2019 any person who help any other person to perform a transaction in such a manner which results in offshore tax evasion shall commit an offence punishable on conviction with imprisonment for a term not exceeding seven year or with a fine up to five million rupees or both.

Taxation of Profit on Debt Rationalized
Section 7B (3), 151, (Division IIIA)

By virtue of Finance Bill, 2019, Section 7B shall not apply to profit on debt that is exempt from tax under this Ordinance or if the amount of profit on debt exceeds thirty-six million rupees.

Vide Finance Bill, 2019 the tax deductible under Section 151 on profit on debt shall be a minimum tax.

The Finance Bill, 2019 proposed the following tax rates for profit on Debt

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

The profit on debt exceeding Rs. 36 million shall be taxable under normal tax regime.

The Finance Bill, 2019 proposes to enhance the rate of tax to be deducted on profit on debt under Section 151 from 10% to 15% provided that the rate shall be 10% in cases where yield or profit paid is Rs. 500,000 or less.

Income Tax Ordinance, 2001

Profit Shifting to Dealers Restricted

Section 21 Clause (CA) / Section 108AB(1)

By virtue of the Finance Bill, 2019 where the amount of commission paid exceeds 0.2 percent of gross amount of supplies thereof unless the person to whom commission is paid or payable, as the case may be, is registered under the Sales Tax Act, 1990 and is appearing in the active taxpayer list under this Ordinance. 75% dealer's margin shall be added to the income of the person who supplies product listed in the Third Schedule of the Sales Tax Act, 1990 to the dealer not registered under Sales Tax Act, 1990 and are not appearing in the ATL. For the purposes of this provision 10% of the sale price will be considered as the dealers margin.

Normal Useful Life of an Intangible Prescribed

Section 24 (4)

By virtue of Finance Bill, 2019 if an intangible does not have an ascertainable useful life, its useful life shall be 25 years.

Taxation of Immovable Properties

Section 37

The Finance Bill, 2019 proposed the capital gain arising from the immovable property shall be treated under the normal tax regime. The gain shall be computed as under Sub-section 2 of Section 37.

Gain on Disposal of Immovable Property Being an Open Plot

Section 37 (3A)

The gain on open plot shall be computed as follows.

Holding Period	Gain
Where the holding period of open plot does not exceed one year	100%
Where the holding period of open plot is exceeds one year but does not exceed ten years	75%
Where the holding period of open plot exceeds ten years	0%

Gain on Disposal of Immovable Property Being a Constructed Property

Section 37 (3B)

Gain shall be computed in following manner:

Holding Period	Gain
Where the holding period of constructed property does not exceed one year	100%
Where the holding period of constructed property exceeds one year but does not exceed five years	75%
Where the holding period of constructed property exceeds five years	0

A Gift to be Treated as an Income

Section 39 Clause (1a)

Any amount or fair market value of any property received without consideration or received as gift shall be taxed under the head income from other source, other than gift received from grandparents, parents, spouse, real brother, real sister, son or a daughter.

Concept of Tax Credit upon Employing of Fresh Graduates Introduced

Section 64C(1)/(2)/(3)/(4)

By virtue of the proposed insertion vide Finance Bill, 2019 a new concept is introduced in which tax credit is available to the person employing fresh graduates. The proposed tax credit is as follows;

Tax credit will be computed on the basis of annual salary paid with lower of 15% of the total employees or 5% of the person's taxable income.

The tax credit is allowed in respect of persons who have graduated after July 1, 2017 from aforesaid institutions.

Tax credit available under said proposal is in addition to the deductions allowed under provisions relating to admissible business expenditure

Income Tax Ordinance, 2001

Final Tax Regime Transformed to Minimum Tax Regime **Section 148(7,8A), 152(1B), 153(3)**

By virtue of the Finance Bill, 2019 the tax deducted on imports, shall be a minimum tax except for commercial importers, prizes and winning and sellers of the petroleum products on payments made to non-residents shall be a minimum tax on payments for goods and contracts shall be treated as a minimum tax instead of FTR.

Deduction of Tax on Payments of Royalty to Residents **Section 153B**

The Finance Bill, 2019 proposes deduction of tax at the time of making payments of royalty to resident persons and the tax deducted under this section shall be adjustable.

Commissioner is Empowered to Conduct a Raid **Section 175(6A)**

By virtue of Finance Bill, 2019 the Commissioner has the right to conduct a raid any premises where there is reliable source of information regarding undeclared gold, bearer security or foreign currency and may confiscate such belongings.

Displaying of Business License **Section 181D**

By virtue of Finance Bill, 2019 it has been proposed that every business, profession or vocation is required to obtain and display a business license as prescribed by the Board.

Offences and Penalties **Section 182**

Offences	Current (Rs.)	Proposed (Rs.)
Penalty on non-filing of return within the due date <i>* For salaried individual having at least 75% of income from salary and whose salary is less than Rs. 5 million, minimum amount of penalty shall be Rs. 5,000 only.</i>	20,000	40,000
Non-furnishing of wealth statement or wealth reconciliation statement	20,000	100,000
Any person who is required to apply for registration under this Ordinance but fails to make an application for registration	5,000	10,000
Any person who repeats erroneous calculation in the return for more than one year	20,000	30,000
Denying or obstructing access of the Commissioner to the premises, place, accounts, documents, computers or stocks	25,000	50,000
Concealed income or furnished inaccurate particulars of such income or any act referred to in sub section (1) of section 111	25,000	100,000
Fails to deduct or collect tax or pay the tax collected or deducted as required under section 160	25,000	40,000

Procedures to Control Malpractices Prescribed **Section 216A**

The Finance Bill 2019 proposed that the Board shall prescribe rules subject to section 227 (Bar of suits in civil courts) for initiating proceedings including criminal proceeding against any authorities (All commissioner, audit panel, Revenue officers etc. mentioned in section 207) and officer of the director general and any person subordinate to the aforesaid authorities who deliberately commits or omits an act to obtain personal benefit or undue advantage to the authority or any other person or both.

By the virtue of the Finance Bill 2019 the proceedings (as described above) have been initiated against a person or authority the Board shall simultaneously request the government agencies to initiate the criminal proceedings against the taxpayer.

By the virtue of the Finance Bill 2019 the proceedings shall be without prejudice to any liability that the authority, person or taxpayer may incur under any other law for the time being in force.

*Income Tax Ordinance, 2001****Tax Credit on Investments in BMR Restricted******Section 65B(1)***

By virtue of Finance Bill 2019, the rate of tax credit reduced to 5% of the amount of eligible investment for balancing, modernization and replacement of the plant and machinery. The unabsorbed tax credit for prior years shall continue to apply after June 30, 2019.

Payment through Banking Channel on Account of Purchase of Assets Prescribed ***Section 75(1)(3)***

By virtue of the proposed insertion vide Finance Bill, 2019 any immovable property and any asset having Fair Market Value greater than Rs. 5,000,000 and Rs. 1,000,000 respectively can only be purchased through banking channel showing transfer of amount from one bank account to another bank account.

If the transaction is not through the banking channel then no depreciation, amortization shall be allowed, and no cost shall be eligible for computing gain on such asset.

The person shall be penalized if the said transaction is not in accordance with the said rule, by 5% of the amount of stamp duty or FBR value whichever is higher.

Resident Individual Redefined***Section 82***

By virtue of the proposed insertion vide Finance Bill, 2019 a person, present in Pakistan aggregating 90 days or more in any tax year shall considered as resident and in aggregate if he spends 365 days or more in previous four tax years shall also considered as resident.

Special Procedure for Certain Persons Introduced***Section 99C***

By virtue of the proposed insertion vide Finance Bill, 2019 special procedures for scope and payment of tax, record keeping, filing of return and assessment have been introduced in the official Gazette, for small businesses, construction businesses, medical practitioners, hospitals, educational institutions and any other sectors specified by the Federal Government.

Approval of the Commissioner Trust***Section 100C(1)(e)***

By virtue of the proposed insertion vide Finance Bill, 2019 approval of the commissioner is being required for registration as NPO, trust and welfare institution. However, this clause shall take effect from first day of July, 2020.

Assets Used for Private Benefit***Section 100C(1)(f)***

By virtue of the Finance Bill, 2019 any asset of the trust or welfare institution should not be used for a private benefit of a donor or its relative otherwise benefit shall be added to the income of the donor.

Fair Market Value Assessment from Chartered Accountants***Section 108A(1)***

By virtue of the proposed insertion vide Finance Bill, 2019 if the Commissioner considers that a transaction is not at arm's length basis then the Commissioner may obtain report about the Fair Market Value from an independent CA or CMA.

If the Commissioner is satisfied from the report, then it shall be treated as definite information. However, if due to any reason the Commissioner is not satisfied with the report then he may record reasons and seek report from other CA and CMA.

Restriction of Proceedings of Assets Declaration Scheme***Section 120B***

The Finance Bill, 2019 seeks to endorse the Assets Declaration Ordinance, 2019 by restricting any proceedings to be initiated under the Income Tax Ordinance, 2001 against declarations made under the Assets Declaration Scheme. Moreover, the Bill proposes to keep the particulars of such declarants confidential.

Income Tax Ordinance, 2001
Restriction on Non-Filers for Buying Certain Assets Removed
Section 227C

By virtue of Finance Bill 2019 the restriction on non-filer for buying certain assets (New Car and Immovable Property amounting Rs. 5 million or more) now been abolished.

Tax on Purchase or Transfer of Immovable Property
Section 236W

By the virtue of Finance Bill, 2019, this section has been omitted, the purchaser or transferee shall not bear the advance tax at the rate of three percent on the differential amount of FBR prescribed rate and DC value.

Advance Tax on Purchase of Immovable Property:
Section 236K

By virtue of Finance Bill 2019, the rate of advance tax to be collected under section 236K is reduced 1% from 2% of the fair market value.

First Schedule
Increased Tax Rates for Persons Not Appearing In-Active Taxpayer's List:
Division I, Part I

The Finance Bill 2019 proposes to enhance the rates of withholding tax to be deducted on payments by 100 percent of the rates specified in the First Schedule.

Tax Rates for Non-Salaried Individual

Current Rate of Tax for Individuals Applicable on the Taxable Income		Proposed Rate of Tax for Individuals Applicable on the Taxable Income	
Where the taxable income does not exceed Rs. 400,000	0%	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. 1,000	Where the taxable income exceeds Rs. 400,000 but does not exceed Rs. 600,000	5% of the amount exceeding Rs. 400,000
Where the taxable income exceeds Rs. 800,000 but does not exceed Rs. 1,200,000	Rs. 2,000	Where the taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	Rs. 10,000 + 10% of the amount exceeding Rs. 600,000
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. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 70,000 + 15% of the amount exceeding Rs. 1,200,000
Where the taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,000,000	60,000 + 15% of the amount exceeding Rs. 2,400,000	Where the taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,000,000	Rs. 250,000 + 20% of the amount exceeding Rs. 2,400,000
Where the taxable income exceeds Rs. 3,000,000 but does not exceed Rs. 4,000,000	150,000 + 20% of the amount exceeding Rs. 3,000,000	Where the taxable income exceeds Rs. 3,000,000 but does not exceed Rs. 4,000,000	370,000 + 25% of the amount exceeding Rs. 3,000,000
Where the taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 5,000,000	350,000 + 25% of the amount exceeding Rs. 4,000,000	Where the taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 6,000,000	620,000 + 30% of the amount exceeding Rs. 4,000,000
Where the taxable income exceeds Rs. 5,000,000	600,000 + 29% of the amount exceeding Rs. 5,000,000	Where the taxable income exceeds Rs. 6,000,000	1,220,000 + 35% of the amount exceeding Rs. 6,000,000

Income Tax Ordinance, 2001

Tax Rates for Salaried Individual

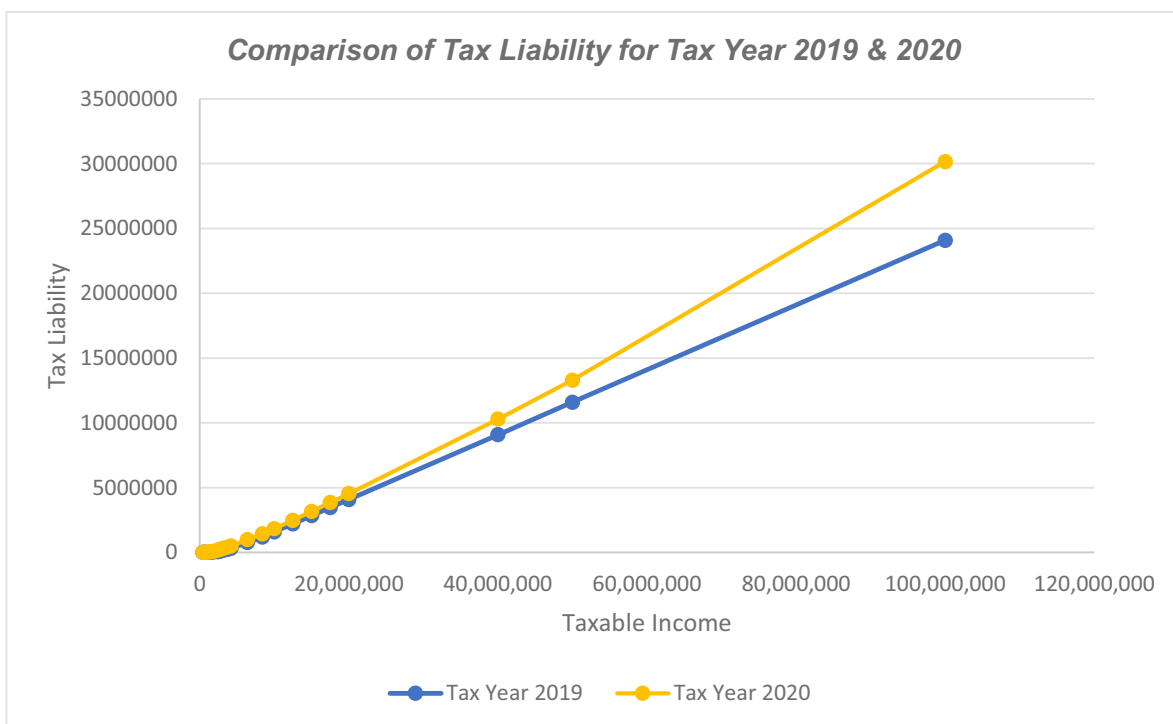
Division I, Part I

Current Rate of Tax for Salaried Individuals Applicable on the Taxable Income		Proposed Rate of Tax for Salaried Individuals Applicable on the Taxable Income	
Where the taxable income does not exceed Rs. 400,000	0%	Where the taxable income does not exceed Rs. 600,000	0%
Where the taxable income exceeds Rs. 400,000 but does not exceed Rs. 800,000	Rs. 1,000	Where the taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	5% of the amount exceeding Rs. 600,000
Where the taxable income exceeds Rs. 800,000 but does not exceed Rs. 1,200,000	Rs. 2,000	Where the taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 1,800,000	30,000 + 10% of the amount exceeding Rs. 1,200,000
Where the taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,500,000	5% of the amount exceeding Rs. 1,200,000	Where the taxable income exceeds Rs. 1,800,000 but does not exceed Rs. 2,500,000	90,000 + 15% of the amount exceeding Rs. 1,800,000
Where the taxable income exceeds Rs. 2,500,000 but does not exceed Rs. 4,000,000	65,000 + 15% of the amount exceeding Rs. 2,500,000	Where the taxable income exceeds Rs. 2,500,000 but does not exceed Rs. 3,500,000	195,000 + 17.5% of the amount exceeding Rs. 2,500,000
Where the taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 8,000,000	290,000 + 20% of the amount exceeding Rs. 4,000,000	Where the taxable income exceeds Rs. 3,500,000 but does not exceed Rs. 5,000,000	370,000 + 20% of the amount exceeding Rs. 3,500,000
Where the taxable income exceeds Rs. 8,000,000	1,090,000 + 25% of the amount exceeding Rs. 8,000,000	Where the taxable income exceeds Rs. 5,000,000 but does not exceed Rs. 8,000,000	670,000 + 22.5% of the amount exceeding Rs. 5,000,000
-	-	Where the taxable income exceeds Rs. 8,000,000 but does not exceed Rs. 12,000,000	1,345,000 + 25% of the amount exceeding Rs. 8,000,000
-	-	Where the taxable income exceeds Rs. 12,000,000 but does not exceed Rs. 30,000,000	2,345,000 + 27.5% of the amount exceeding Rs. 12,000,000
-	-	Where the taxable income exceeds Rs. 30,000,000 but does not exceed Rs. 50,000,000	7,295,000 + 30% of the amount exceeding Rs. 30,000,000
-	-	Where the taxable income exceeds Rs. 50,000,000 but does not exceed Rs. 75,000,000	13,295,000 + 32.5% of the amount exceeding Rs. 50,000,000
-	-	Where the taxable income exceeds Rs. 75,000,000	21,420,000 + 35% of the amount exceeding Rs. 75,000,000

Comparison of Tax Liability for Tax Year 2019 & 2020

(All figures are in PKR)

Taxable Income Per Annum	Tax Liability		Additional Impact
	Current Tax	Proposed Tax	
400,000	0	0	0
600,000	1,000	0	1,000
800,000	1,000	10,000	(9,000)
1,200,000	2,000	30,000	(28,000)
1,400,000	10,000	50,000	(40,000)
1,800,000	30,000	90,000	(60,000)
2,400,000	60,000	180,000	(120,000)
2,800,000	110,000	247,500	(137,500)
3,200,000	170,000	317,500	(147,500)
3,800,000	260,000	430,000	(170,000)
4,200,000	330,000	510,000	(180,000)
6,400,000	770,000	985,000	(215,000)
8,400,000	1,190,000	1,445,000	(255,000)
10,000,000	1,590,000	1,845,000	(255,000)
12,500,000	2,215,000	2,482,500	(267,500)
15,000,000	2,840,000	3,170,000	(330,000)
17,500,000	3,465,000	3,857,500	(392,500)
20,000,000	4,090,000	4,545,000	(455,000)
40,000,000	9,090,000	10,295,000	(1,205,000)
50,000,000	11,590,000	13,295,000	(1,705,000)
100,000,000	24,090,000	30,170,000	(6,080,000)



Tax Rates for AOP

Current Rate of Tax for AOP Applicable on the Taxable Income		Proposed Rate of Tax for AOP Applicable on the Taxable Income	
Where the taxable income does not exceed Rs. 400,000	0%	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. 400,000 but does not exceed Rs. 600,000	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. 600,000 but does not exceed Rs. 1,200,000	Rs. 10,000 + 10% of the amount exceeding Rs. 600,000
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. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 70,000 + 15% of the amount exceeding Rs. 1,200,000
Where the taxable income exceeds Rs. 3,600,000 but does not exceed Rs. 4,800,000	340,000 + 20% of the amount exceeding Rs. 3,600,000	Where the taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,000,000	Rs. 250,000 + 20% of the amount exceeding Rs. 2,400,000
Where the taxable income exceeds Rs. 4,800,000 but does not exceed Rs. 6,000,000	580,000 + 25% of the amount exceeding Rs. 4,800,000	Where the taxable income exceeds Rs. 3,000,000 but does not exceed Rs. 4,000,000	370,000 + 25% of the amount exceeding Rs. 3,000,000
Where the taxable income exceeds Rs. 6,000,000	880,000 + 30% of the amount exceeding Rs. 6,000,000	Where the taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 6,000,000	620,000 + 30% of the amount exceeding Rs. 4,000,000
-	-	Where the taxable income exceeds Rs. 6,000,000	1,220,000 + 35% of the amount exceeding Rs. 6,000,000

Income Tax Ordinance, 2001
Freezing of Corporate Tax Rate
(Clause I Division II)

By the virtue of Finance Bill, 2019 the rate of corporation tax shall be fixed at 29% for 2019 and onward, as it is the lowest rate in the region. It was planned to reduce the tax to 25% by reducing it 1% on yearly basis till 2023.

Taxation of Dividend Income Rationalized
(Division III)

The Finance Bill proposed the following tax rates for dividend income;

Type of Company	Current	Proposed
Power Generating Companies	7.5%	15%
Mutual Fund	10% to 12.5%	15%
Stock Funds	12.5%	15%
REIT Scheme	7.5 %	15%
Companies with Tax benefits or Tax Credits	15%	25%

Income Tax Ordinance, 2001

Amendment in Rental Income Slab Rates

(Division VIA)

The Finance Bill, 2019 has proposed the following slabs for Income from Property

Current Rate of Tax for Income from Property		Proposed Rate of Tax for Income from Property	
Where the gross amount of rent does not exceed Rs.200,000.	Nil	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 per cent of the gross amount exceeding Rs.200,000.	Where the gross amount of rent exceeds Rs.200,000 but does not exceed Rs.600,000.	5 per cent of the gross amount exceeding Rs.200,000.
Where the gross amount of rent exceeds Rs.600,000 but does not exceed Rs.1,000,000.	Rs.20,000 + 10 per cent of the gross amount exceeding Rs.600,000.	Where the gross amount of rent exceeds Rs.600,000 but does not exceed Rs.1,000,000.	Rs.20,000 + 10 per cent 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 per cent of the gross amount exceeding Rs.1,000,000.	Where the gross amount of rent exceeds Rs.1,000,000 but does not exceed Rs.2,000,000.	Rs.60,000 + 15 per cent of the gross amount exceeding Rs.1,000,000.
Where the gross amount of rent exceeds Rs.2,000,000.	Rs.210,000 + 20 per cent of the gross amount exceeding Rs.2,000,000"]	Where the gross amount of rent exceeds Rs. 2,000,000 but does not exceed Rs. 4,000,000	Rs.210,000 + 20 per cent of the gross amount exceeding Rs.2,000,000
-	-	Where the gross amount of rent exceeds Rs. 4,000,000 but does not exceed Rs. 6,000,000	Rs.610,000 + 25 per cent of the gross amount exceeding Rs.4,000,000
-	-	Where the gross amount of rent exceeds Rs. 6,000,000 but does not exceed Rs. 8,000,000	Rs.1,110,000 + 30 per cent of the gross amount exceeding Rs.6,000,000
-	-	Where the gross amount of rent exceeds Rs. 8,000,000	Rs.1,710,000 + 35 per cent of the gross amount exceeding Rs.8,000,000

Capital Gains on Disposal of Securities

(Division VII)

The tax rate for the tax year 2020 on gains arising from the sale of shares and other securities will remain same as applicable for the tax years 2018 and 2019.

The exemptions will be available for securities which hold for more than 4 years, such exemptions from deduction of tax will be available for mutual funds only or REIT scheme.

Advance tax on Dealers, Commission Agents and Arhatis, etc:

By Virtue of Finance Bill 2019, the rate of tax collection under section 236J shall be as set out in following table:

Group or Class	Current Amount of tax (per annum)	Proposed Amount of tax (per annum)
Group or Class A	Rs. 100,000	Rs. 100,000
Group or Class B	Rs. 7,500	Rs. 75,000
Group or Class C	Rs. 5,000	Rs. 50,000
Any other category	Rs. 5,000	Rs. 50,000

Second Schedule
Part I
Exemption for Armed Forces Personnel
Part I Clause 39A

Internal Security allowances and compensation in lieu of bearer allowances to Armed Forces personnel are proposed to be exempt from tax.

Deductible Donations
Part I Clause 61

Following institutions are proposed to be added to the list of NPOs. Person paying donations to these institutions will get straight deductions from the taxable income for the amount equal to the donation paid:

- Layton Rahmatullah Benevolent Trust (LRBT)
- Akhuwat

Exemption from Total Income
Part I Clause 66

The Finance Bill 2019 seeks to exempt the income of following institutions:

- Akhuwat
- Audit Oversight Board

Exemption on Sale to Rental REIT Scheme
Part I Clause 99A

The Finance Bill 2019 seek to exempt the profit and gains on sale of immovable property to a rental REIT scheme up to 30th day of June, 2021.

Exemption on Sale of Property
Part I Clause 144B

By virtue of Finance Bill 2019, a new clause is inserted according to which profit and gains accruing to persons mentioned in proviso to sub-section (1) of section 236 C in respect of first sale of immovable property acquired or allotted from Federal or Provincial Government or any authority duly certified by official allotment authority or property acquired or allotted in recognition of services rendered by Shaheed or the person who dies in service is exempt from tax.

Exemption of Income of Person's Residing in Tribal Areas of KPK and Balochistan
Part I Clause 146

By virtue of Finance Bill 2019, a new clause is inserted according to which income which was not chargeable to tax prior to the constitution Act, 2018 of the tribal resident persons of KPK and Balochistan is exempt from tax with effect from 1st day of June, 2018 to the 30th day of June, 2023.

Income Tax Ordinance, 2001

Minimum Tax Rationalized

(Division IX)

Persons	Current Rate of Tax	Proposed Rate of Tax
Oil marketing companies, Oil refineries, Sui Southern Gas Company Limited and Sui Northern Gas Pipelines Limited (for the cases where annual turnover exceeds rupees one billion.); Pakistani Airlines; and Poultry industry including poultry breeding, broiler production, egg production and poultry feed production; Dealers or distributors of fertilizer; Person running an online marketplace	0.5%	0.75%
Distributor of Pharmaceuticals, FMCG, Cigarettes; Petroleum agents and distributors registered Under the Sales Tax Act, 1990; Rice mills and dealers; Flour mills	0.2%	0.25%
Motor Cycle Dealers Registered Under the Sales Tax Act, 1990	0.25%	0.3%
In all other cases	1.25%	1.5%

Payment for Goods or Services

By Virtue of Finance Bill 2019, for Part III, Division III, clause (2) the following is substituted.

The rate of tax for rendering and providing services shall be 4% of the gross amount in case of the following services:

- Transport service
- Freight forwarding service
- Air cargo service
- Courier service
- Manpower outsourcing services
- Hotel services
- Security guard services
- Software development services
- IT services and IT enabled services
- Share registrar services
- Engineering services
- Car rental services
- Building maintenance services
- Services by Pakistan Stock Exchange Limited Inspection, Certification, Testing and training services.

Royalty Paid to Resident Persons

By virtue of Finance Bill 2019, a new Division IIIB is inserted in Part III according to which the rate of tax to be deducted under section 153B shall be 15% of the gross amount payable.

Brokerage and Commission

The Finance Bill 2019 seeks to modify the slab rates as per the following:

Person	Rate of Tax
Advertising agents	10%
Life Insurance agents where commission received is less than Rs. 0.5 million per annum	8%
Persons not covered in 1 and 2 above	12%

*Income Tax Ordinance, 2001****Reduction in Full Time Teacher Allowance******Part III Clause (2)***

Reduced Tax rate for full time teacher or a researcher is reduced from 40% to 25% and this clause will not be applicable to the teachers of medical profession who derive income from private medical practice or receive share of consideration received from patients.

Reduction of Tax on Capital Gains for Specified Persons***Part III Clause (9A)***

By virtue of Finance Bill 2019, a new clause is inserted according to which tax shall be reduced by 50% on Income chargeable under "Capital Gain" on first sale of immovable property acquired or allotted to ex-servicemen and serving personnel of Armed Forces or Federal and provincial Governments, being original allottees and this can be duly certified by allotment authority.

Fourth Schedule***Mutual Insurance Association:******Rule 6E***

By virtue of Finance Bill 2019, new rule is introduced according to which Commissioner shall be authorized to examine and amend the amount of income as disclosed in the Financial statement.

Seventh Schedule***Computation of Profits and Gains of a Banking Company:******Clause 1C***

By virtue of Finance Bill 2019, further explanation is added for removal of doubt regarding computation of a profits and gains of a banking company

- a) Advances and off balance sheet items admissible up to of 1% or 5% of the total advances
- b) Reversal of bad debts classified as loss are taxable with the effect from tax year 2020 and onward.

Taxable Income from Federal Government Securities:***Rule 6C***

Finance Bill 2019, seeks to introduce a new rule according to which banking companies shall obtain a certificate from external auditors certifying the amount of income arising from additional investment in Federal Government Securities and that income shall be taxable at the rate of 37.5% for the tax year 2020 and onward.

The commissioner may also direct the banking company to provide the details of investments in Federal Government Securities.

Exclusion of Brought Forward Losses for Banking Sector***Clause 7C***

By virtue of Finance bill 2019, any brought forward losses shall be excluded from income computed for Banking Sector

Income Tax Ordinance, 2001
Modification in Sales Tax Invoice Format
Section 23(1b)

The Finance Bill, 2019 seeks to modify the sales tax invoices by including CNIC number in case of supplies made to unregistered persons.

Time Period Restriction on Sales Tax Audit Abolished
Section 25(2)

By virtue of the proposed omission, restriction of conducting sales tax audit once in every three years will be abolished.

Filing of Revised Returns Allowed
Section 26(3)

By virtue of Finance Bill, 2019 upward revision can be made within 60 days of filing of the return without approval of the Commissioner.

Penalty on Late Filing of Return Increased
Section 33

The Finance Bill, 2019 seeks to increase the penalty on failure to file return within the due date to Rs. 10,000 from Rs. 5,000.

Procedures to Control Malpractices Prescribed
Section 33A(1)

The Finance Bill, 2019 seeks to empower the Board for initiating criminal proceedings against any authority who willfully and intentionally commits or omits an act which results in personal benefits and undue advantage to the authority or the person. Once the proceedings are initiated the Board will inform the relevant Government and authorities to initiate criminal proceedings against the taxpayer too.

Sales Tax on Retail Price Expanded
Third Schedule

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

Exemption of Sales Tax on Certain Items Prescribed
Sixth Schedule

Exemption to following entries is proposed to be available to packed supplies:

Entry No.	Description	PCT Heading
2	Meat of bovine animals, sheep and goat, excluding poultry and offal, whether or not fresh, frozen, or otherwise preserved.	02.01, 02.02 and 02.04
3	Fish and crustaceans excluding live fish whether or not fresh, frozen or otherwise preserved	03.02, 03.03, 03.04, 03.05 and 03.06

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Sales Tax Act, 1990

Sales Tax Act, 1990

Cottage Industry Redefined

Section 2(5AB)

By virtue of Finance Bill, 2019 the definition of cottage industry is proposed to be restricted to a manufacturing concern that fulfils each of the following conditions:

- does not have an industrial gas or electricity connection
- is located in a residential area
- does not have a total labor force of more than 10 workers
- annual turnover from all supplies does not exceed Rs. 2 Million

Retailers Reclassified

Section 2(43A)

By virtue of Finance Bill, 2019 a retailer is required to have a shop measuring 1,000 Sq. feet or more. It is also proposed to exclude Tier-I retailers from collection of sales tax through monthly electricity Bills. However, the said retailers will be required to comply with other provisions of the Sales Tax Act, 1990 for levy of tax on supplies. Moreover, the customers of Tier-I retailers are proposed to be entitled to receive a cash back of up to 5% of the sales tax involved in a manner and extent as may be prescribed by the Board.

The Concept of 'Value of Supply' Redefined

Section 2(46)

It is proposed in the Finance Bill, 2019 that the value of supply shall include actual consideration received by the manufacturer for the value addition carried in relation to such goods in case of manufacturing.

For the electricity power producer, the value of supply shall not include amount received on capacity purchased price, premium, excess bonus etc. and only includes the amount of energy purchase price only.

For an electricity and gas distribution company, the value of supply shall not include the amount of late payment surcharge and sales tax.

The Scope of Sales Tax Broadened

Section 3(1B), (9A)

Finance Bill, 2019 proposes mode and manner of:

- Levying and collecting tax on goods specified in Tenth Schedule as:
 - On production capacity of plants, machinery, undertakings etc.
 - On fixed basis or different rates according to nature of business and regions
- Withholding tax under Eleventh Schedule for the purpose of deposition of the same as may be prescribed in a notification in the Official Gazette
- Sales Tax shall be charged on retailers through their monthly electricity bills, at the rate of 5% where the monthly bill amount does not exceed Rs. 20,000 and at the rate of 7.5% where the monthly bill amount exceeds Rs. 20,000.

Input Tax Relating to Incomplete Sales Tax Invoices Disallowed

Section 8(1m)

The Finance Bill, 2019 seeks to restrict the credit of input tax on the goods attributable to supplies made to unregistered person for which sales tax invoices do not bear CNIC of the buyer.

Input Tax Adjustment Capping Enhanced

Section 8B

The proposed insertion empowers the Board to expand the limit of input tax adjustment up to 95% of the output tax.

Sales Tax Act, 1990
Exemption of Sales Tax on Certain Items Withdrawn
Sixth Schedule

Exemptions are proposed to be withdrawn from following imports/local supplies:

- Items as sold in retail packing or sold under a brand name or trademark:
 - wheat and meslin flour, previously covered in exemptions to cereals, HS Code 1102.1000 and products of milling industry
 - frozen, prepared or preserved sausages and similar products of poultry meat or meat offal
 - meat and similar products of prepared frozen or preserved meat or meat offal of all types including poultry meat and fish
 - fat filled milk
- Silver and gold in unworked condition
- Electricity and natural gas supplied to hospitals run by Federal or Provincial Governments or charitable operating hospitals of fifty beds or more or the teaching hospitals of statutory universities of 200 or more beds
- Local supply of ginned cotton

Exemptions proposed to be withdrawn from the Sixth Schedule are proposed to be subject to following rates:

Reduced Rates of Sales Tax
Eighth Schedule

Entry No.	Description	HS Code	Rates
59 and 60	Items as sold in retail packing or sold under a brand name or trademark: - wheat and meslin flour, previously covered in exemptions to cereals and products of milling industry - fat filled milk	1101.0010, 1101.0020, 1102.2000, 1102.9000, 1103.1100, 1103.1300, 1103.1900, 1104.2200, 1104.2300, 1104.2900, 1104.3000 and 1901.9090	10%
61 and 62	Silver and gold, in unworked condition	7106.1000, 7106.9110, 7106.9190, 7108.1100, 7108.1210 and 7108.1290	1% plus 2% value addition
64	Prepared Food, foodstuff and sweetmeats supplied by restaurants, bakeries, caterers and Sweetmeat shops	Respective Headings	7.5%
65	Local supply of ginned cotton	Respective headings	10%
66	Supplies of finished articles of textile, textile made-ups, leather and artificial leather, as made by retailers	Respective headings	15%
67	LNG imported for servicing CNG sector and local supplies thereof	2711.1100, 2711.2100	5%

Sales Tax Act, 1990

Articles of Jewelry or parts thereof under HS Code 71.13 and Prepared Food, food stuff and sweetmeats under respective headings are proposed to be taxed at rates specified.

Input Tax Adjustment on Food Supplied by Restaurants, Bakeries, Caterers etc. Disallowed

Eighth Schedule

It is proposed to reduce the sales tax rate from 17% to 7.5% on food related inputs such as meat, vegetables, flour etc. and no input tax adjustment will be allowed. Furthermore, in respect of auto parts and tyre / tubes, which are of intermediary nature and consumed by industries extra tax is proposed to be withdrawn.

Rate of Sales Tax Reduced

Eighth Schedule

The Finance Bill 2019 has proposed to withdraw following reduced rate concessions:

Entry No.	Description	HS Code
18	Reclaimed lead	Respective heading
21	Rapeseed, sunflower seed and canola seed	1205.0000 and 1206.0000
22	Soya bean seed	1201.1000
32	White crystalline Sugar	1701.9910 and 1701.9920

Exemption for following items are also proposed:

Entry No.	Description	PCT Heading
Table 1		
151	Supplies and imports of plant, machinery and equipment for installation in tribal areas and of industrial inputs by industries located therein, subject to conditions	Respective headings.
153	Supplies of electricity to all residential and commercial consumers in tribal areas excluding steel and ghee or cooking oil industries, subject to conditions	2716.0000
154	Import and supply of steel billets, ingots, ship plates, bars and other long re-rolled profiles by manufacturers which are subject to FED in sales tax mode	Respective headings.
Table 2		
25	Local supply of cottonseed oil	1512.2100 and 1512.2900
26	Local supply of wheat bran	2302.3000

Exemption already available to import or supply of uncooked poultry meat is now proposed to specifically include fresh, frozen or otherwise preserved or packed items.

Sales Tax Act, 1990
Sales Tax on Mobile Phones Reduced
Ninth Schedule

By the virtue of Finance Bill 2019, the sales tax on cellular mobile phones is proposed to be reduced.

S. No.	Description / Specification of Goods	Sales tax on import 2[or local supply]	Sales tax chargeable at the time of registration (IMEI number by CMOs)	Sales tax on supply (payable at time of supply by CMOs)
2	Cellular mobile phones or satellite phones to be charged on the basis of import value per set, or equivalent value in rupees in case of supply by the manufacturer, at the rate as indicated against each category: -			
	A. Not exceeding US\$ 30	Rs. 135	Rs. 135	
	B. Exceeding US\$ 30 but not exceeding US\$ 100	Rs. 1,320	Rs. 1,320	
	C. Exceeding US\$ 100 but not exceeding US\$ 200	Rs. 1,680	Rs. 1,680	
	D. Exceeding US\$ 200 but not exceeding US\$ 350	Rs. 1,740	Rs. 1,740	
	E. Exceeding US\$ 350 but not exceeding US\$ 500	Rs. 5,400	Rs. 5,400	
	F. Exceeding US\$ 500	Rs. 9,270	Rs. 9,270	

Fixed Tax Scheme for Bricks Kilns Introduced
Tenth Schedule

The Bill proposes to introduce Tenth Schedule in the Bill to specify fixed sales tax on manufacture and sale of bricks. The categories provided in the Schedule are based on location at rates specified below:

S No.	Region or Area	Tax Payable per month
1	Lahore, Rawalpindi and Islamabad districts	Rs. 12,500
2	Attock, Chakwal, Jehlum, Mandi Bahauddin, Sargodha, Gujrat, Sialkot, Narowal, Gujranwala, Hafizabad, Sheikhpura, Kasur, Nankana Sahib, Chiniot, Faisalabad, Jhang, Toba Tek Singh, Okara and Sahiwal districts	Rs. 10,000
3	Khushab, Mianwali, Bhakar, Layyah, Muzaffargarh, Dera Ghazi Khan, Rajanpur, Multan, Lodhran, Khanewal, Vehari, Bahawalpur, Pakpattan, Bahawalnagar, Rahim Yar Khan districts	Rs. 7,500

Sales Tax Act, 1990

Withholding Tax Rates Revised

Eleventh Schedule

The Finance Bill 2019 proposes to insert Eleventh Schedule prescribing the rates of withholding tax by specified withholding agents in manner and mode to be prescribed by the Board, presently covered in Sales Tax Special Procedure (Withholding) Rules, 2007 with certain modifications:

S No.	Withholding Agent	Supplier Category	Rate Or Extent Of Deduction
1	(a) Federal and provincial government departments; autonomous bodies and public sector organizations. (b) Companies as defined in the Income Tax Ordinance, 2001 (XLIX of 2001)	Registered Person	1/5th of Sales Tax as shown on invoice
2	(a) Federal and provincial government departments; autonomous bodies and public sector organizations (b) Companies as defined in the Income Tax Ordinance, 2001 (XLIX of 2001)	Person registered as wholesaler, dealer or distributor	1/10th of Sales Tax as shown on invoice
3	Federal and provincial government departments; autonomous bodies and public sector organizations	Unregistered persons	Whole of the tax involved or as applicable to supplies on the basis of gross value of supplies
4	Companies as defined in the Income Tax Ordinance, 2001 (XLIX of 2001)	Unregistered persons	5% of gross value of supplies
5	Registered persons as recipient of advertisement services	Person Providing advertisement services	Whole of sales tax applicable

Concept of Minimum Value Addition Introduced

Twelfth Schedule

The Finance Bill 2019 proposes to insert Twelfth Schedule specifying the goods subject to sales tax on minimum value addition and the related conditions, limitations and restrictions specified therein with certain changes. It is also proposed that the Federal Government will be empowered to make amendments in the Twelfth Schedule.

S No.	Goods or Class of Goods	PCT Heading	Rate
1	All imported goods subject to exclusions as in conditions and procedure given after the Table	Respective Heading	3% ad valorem

The sales tax on account of minimum value addition as payable under this Schedule shall be levied and collected at import stage on all taxable goods as are chargeable to tax under section 3 of the Bill.

Exclusions from Chargeability of Value Addition Tax

Twelfth Schedule

The Value Addition Tax shall not be charged on

- Raw materials and intermediary goods meant for use in an industrial process
- The petroleum products falling in Chapter 27 of Pakistan Customs Tariff
- Registered service providers importing goods for their in-house business use
- Cellular mobile phones or satellite phones.

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Federal Excise Act, 2005

Federal Excise Act, 2005

Minimum Production Criteria Introduced for Discharge of Duty on Steel Products

Section 3 (5A)

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

Penalty on Selling Cigarettes Below Retail Price Introduced

Section 19 (2)(d)

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

Procedures to Control Malpractices Prescribed

Section 19A (1)(2)

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

FED on Edible Oils Increased

First Schedule (Table I)

Currently 16% rate is applicable on edible oils excluding deoxidized soybean. It is proposed in the Finance Bill, 2019 that 17% rate for FED shall be applicable.

FED on Cooking Oils Increased

First Schedule (Table I)

By virtue of Finance Bill, 2019 levy of exercise duty on cooking oil and vegetable ghee is proposed to be enhanced from 16% to 17% of retail price. Further it is bifurcated on the basis of packing type as hereunder:

Description	Proposed Rate
In retail packing	17% of retail price
Not in retail packing	17% ad valorem.

FED on Aerated Water and Related Products Decreased

First Schedule (Table I)

By virtue of Finance Bill, 2019 the FED rate is proposed as 14% in comparison with 11.5% on aerated waters, aerated waters including sweetening materials or manufactured wholly from different ingredients.

Grower to be Protected from Burden of FED on Un-Manufactured Tobacco

First Schedule (Table I)

By virtue of Finance Bill, 2019 an explanation has been inserted which proposes that the duty payable shall always be borne by the cigarette manufacturer and burden shall not be passed on to the tobacco grower in any case.

Federal Excise Act, 2005

Revised Duty on Locally Produced Cigarettes

First Schedule (Table I)

By virtue of Finance Bill, 2019 the following proposed changes have been introduced:

Description	Existing Rate	Proposed Rate
Locally produced cigarettes printed retail price exceeds Rs. 5960 per 1000 cigarettes.	Rs. 1840 per 1000 cigarettes	Rs. 5200 per 1000 cigarettes
Locally produced cigarettes printed retail price does not exceed Rs. 5960 per 1000 cigarettes.	Rs. 1840 per 1000 cigarettes	Rs. 1650 per 1000 cigarettes

Rate of FED on Supply of Cement Increased

First Schedule (Table I)

The Bill proposes to increase the duty on cement from Rs. 1.5 to Rs. 2.5 per kilogram.

Revised Duty on LNG

First Schedule (Table I)

By virtue of Finance Bill, 2019 the duty on LNG substantially increased from Rs. 17.18 per hundred cubic meter to Rs. 10 per Million British Thermal Unit (MMBTu).

Locally Manufactured Motor Cars

First Schedule (Table I)

Currently 10% Excise Duty is applicable on locally manufactured motor vehicles of cylinder capacity of 1700cc or above. However, Finance Bill, 2019 seek the following Excise Duty Structure:

Description	Rate of excise duty
Cylinder capacity upto 1000cc	2.5% ad valorem
Cylinder capacity from 1001cc to 2000cc	5% ad valorem
Cylinder capacity from 2001cc and above	7.5% ad valorem

Packaged Non-Aerated Juices, Syrups & Squashes

First Schedule (Table I)

By virtue of the proposed insertion all types of water containing sweetening ingredients shall be chargeable at the proposed rate of 5% of their retail price.

FED on Steel Products Introduced

First Schedule (Table I)

By virtue of Finance Bill, 2019, new slot has been introduced for steel related products. Proposed excise duty shall be chargeable to tax at rate of 17%.

FED on Domestic Air Travelling Decreased

First Schedule (Table II)

According to the Finance Bill, 2019 excise duty on domestic air travel is proposed to be reduced as under:

Description	Existing amount	Proposed amount
For long routes	Rs. 2000	Rs. 1500
For short routes	Rs. 1250	Rs. 900

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Customs Act, 1969

Customs Act, 1969

Automated Monitoring Measures Introduced

Section 2

By virtue of Finance Bill, 2019 measures have been introduced to manage risks and ensure compliance by the Customs Officers or through Customs Computerized System. The proposed insertion seeks to enable the Custom Authorities to identify, analyze, evaluate, monitor, review and treat risk associated with pre arrival, custom clearance and post clearance of goods and passengers.

Federal Government Powers Delegated to the Board

Section 18D, 30, 30A, 31

The Finance Bill, 2019 switches the authority of Federal Government under section 18D to levy fee and service charges to Board with approval of the Federal Minister-in-charge including for the purposes of date of determination of rate of import duty, clearance through Customs Computerized System, and goods exported.

Empowerment to Serve Notice for Mis-Declaration of Value

Section 32C

The Finance Bill, 2019 authorizes Customs Authorities to serve notice to demand explanation from any person for the overstatement of value of imports or understatement of value of exports or vice versa within two months of seizure of goods.

Pre-Audit Condition on Refunds Arising Due to an Error

Section 33 (3A)

By virtue of Finance Bill, 2019 the claim filed under this section shall be disposed of subject to pre-audit within a period not exceeding one hundred and twenty days from the date of filing of such claim.

Refund Sanctioning Powers, Jurisdiction of Customs Officers Redefined

Section 33 (5)

The proposed insertion seeks to specify the jurisdiction and powers of the officers of Customs to sanction refund on Customs Duties and other amounts involved by notification in official Gazette.

Powers to Sale Goods Not Removed from the Port

Section 82

By virtue of Finance Bill, 2019 an officer not below the rank of Assistant Collector has authority to sale the goods in auction if not removed by the owner within 15 days from the date of arrival on the customs port and additional 5 days, after serving proper notice to the owner.

Warehousing Period Prescribed

Section 98 (1)

According to Finance Bill, 2019 the time period for keeping perishable goods in a warehouse must not exceed one month.

Penalty on Late Filing of Goods Declaration Increased

Section 156

By virtue of the proposed amendment, if the goods declaration is not filed within ten days, the owner of such goods shall be liable to impose penalty at the rate of Rs. 5,000 per day for the initial 5 days of default and at the rate of Rs. 10,000 per day for each day of default thereafter.

Revisionary Powers Delegated to Superintendent and Appraiser **Section 179 (1)**

The Finance Bill, 2019 authorizes the Superintendent and Principal Appraiser to impose penalty not exceeding rupees one hundred thousand in relation to case of confiscation of goods, recovery of duty, taxes not levied, short levied or erroneously refunded.

Time Period for Passing an Appellate Order Curtailed **Section 193A (3)**

By virtue of Finance Bill, 2019 the specified time period to pass the judgement for an appeal by the collector (appeals) has been reduced from 120 days to 90 days.

Examination Period Prescribed **Section 195 (3)**

By virtue of Finance Bill, 2019 the time period for calling and examination u/s 195 (1) shall be within 120 days further extendable by the Board for another 60 days subject to recording the reason in writing.

Alternative Dispute Resolution Mechanism Revamped **Section 195 C**

By the virtue of Finance Bill, 2019 the whole structure of Alternative Dispute Resolution has been changed. The option of seeking remedy in ADR Committee shall only be available if the applicant waives his right of appeal in the appellate authorities. Moreover, the recommendations of ADR Committee will now consequently be binding on both parties. The Committee will now be required to decide the matter within 120 days failing which the appeal will be reinstated.

Determination of Minimum Production of Steel and Related Products **Fourth Schedule**

Finance Bill, 2019 proposed to declare both actual and minimum production and local supplies in monthly return and if the minimum production exceeds actual supplies, the taxpayer shall pay FED on the basis of minimum production. Further, excess production from minimum production shall be carried forward to subsequent months.

Provided that actual tax paid for normal tax year or special tax year as the case may be, shall not be less than the liability under minimum production. Further in case of ship-breaking the liability shall be deposited on monthly proportionate basis depending on time required to break the vessel. Minimum production shall be calculated as follow:

Description	Minimum Production
Steel billets and ingots	One metric ton per 700 kwh of electricity consumed.
Steel bars and other re-rolled long profiles of steel	One metric ton per 110 kwh of electricity consumed.
Ship plates	75% of the weight of the vessel imported for breaking.

The relief in payment of FED shall only be available to ship-breakers on ship plates obtained from it. The total electricity consumption shall be based to measure minimum production of industrial units.

Customs Duty Slashed
First & Fifth Schedule

The Finance Bill, 2019 seeks to reduce customs duty for the following items:

Items	Rate %	
	Current	Proposed
Acetic acids	16	11
Oxalic acid	11	3
Sheets of veneering	11	3
Fiberboard of wood of certain specifications	16	11
Fabric (non-woven)	16	11
Aluminum cans	20	11
Chemicals used in leather or like industries	20/16	16/11
Insulation tape double sided	11	0
Shoe lasts	20	16
Other articles of Vulcanised rubber	20	5
Graphite or other carbon or mixture of these products	11	3
Other refractory ceramic goods	11	3
Other Electric motors and generators	20	16
Other automatic regulating and controlling instruments	20	16
Multi-ply (clay coated paper and paper board) and aluminum foil	18	15
Coils of aluminum alloys	8	5
Pre-fabricated room/structures for setting up new hotels/motels in Hill Stations, Gilgit-Baltistan, AJK, and Coastal Areas of Baluchistan	11	8

Exemption from Customs Duty Proposed

By virtue of the Finance Bill 2019, exemption from customs duty is proposed for following items:

- Various industrial inputs / raw materials
- Pharmaceutical products
- Plastic film medical grade
- Fertilizers
- Plant and machinery for setting up Hydrocracker plants for oil refining
- Raw skins and hides
- Machinery parts and items relating to textile industry
- Solar air water generator
- Raw material for paper industry
- Wood
- Certain raw materials used in manufacture of home appliances subject to certain conditions
- Raw materials and components for local manufacture of Hemodialyzer, used in hydrolysis equipment by kidney failure patients

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Other Laws

Other Laws

Scope of Stamp Duty Enhanced

Stamp Act, (II of 1899)

By virtue of the proposed insertion, valuation of the following instruments shall not be less than valuation table notified by such local district collector. The separate disclosure of value and structure of land would also be required for these instruments:

Schedule I	Description of Instruments
23	Composition Deed
31	Divorce
33	Exchange of property

By the application of aggrieved person, the concerned officials of said law determine the correct value given in valuation table.

The Schedule I as applicable to Islamabad Capital Territory is proposed to be substituted with significant increase as compare to existing provision.

Professional Tax Rates Revised

West Pakistan Finance Act, 1964

The Finance Bill, 2019 seeks to revamp the professional tax chargeable on trade, professions, callings and employment of Islamabad Capital Territory. The proposed rates of professional tax are as follows:

S. No.	Categories	Rate of Tax Per Annum in ICT (PKR)
1	Companies registered under the Companies Act 2017 having:	
a.	Capital Up to Rs 5 million but not exceeding Rs 10 million	7,000
b.	Capital exceeding Rs 5 million but not exceeding Rs 50 million	18,000
c.	Capital exceeding Rs 50 million but not exceeding Rs 100 million	35,000
d.	Capital exceeding Rs 100 million but not exceeding Rs 200 million	80,000
e.	Capital exceeding Rs 200 million	90,000
f.	Employees not exceeding 10	1,000
g.	Employees exceeding 10 but not exceeding 25	2,000
h.	Employees exceeding 25	5,000
2	Lawyers	1,000
3	Members of Stock Exchanges	5,000
4	Money Changer	3,000
5	Motorcycle Dealers	5,000
6	Motor Car Dealers and Real Estate Agents	10,000
7	Health Clubs, Gymnasiums & Others	5,000
8	Recruiting Agents	10,000
9	Jewelers, Departmental Stores, Electronic Goods Stores, Cable Operators, Printing Presses and Pesticide Dealers	1,000
10	Tobacco Vendors –Wholesalers	2,000
11	Medical consultants or specialists/dental surgeons	5,000
12	Registered medical practitioners	2,000
13	Others	1,000

Rate of Bed Tax Increased
West Pakistan Finance Act, 1965

The Finance Bill, 2019 proposes to enhance the levy of bed tax at the rate of 5% of the invoice or bill exclusive of sales tax and other applicable taxes by all hotels having at least twenty-five lodging units in Islamabad Capital Territory.

Transfer of Surplus Funds to Federal Consolidated Fund

The Finance Bill, 2019 proposed to amend the relevant laws of following authorities so that the surplus of their receipts over expenditure after payments of tax shall be transferred to the Federal Consolidated Fund:

- Port Qasim Authority under Port Qasim Authority Act, 1973
- Board Constituted under Abandoned Properties Act, 1975
- Pakistan Civil Aviation Authority
- National Database and Registration Authority

Mobile Handset Levy Reduced

By virtue of Finance Bill, 2019 the rate of mobile handset levy shall be reduced as per the following slabs:

Mobile Phones having C&F Value in US Dollars	Levy Per Set in Rupees	
	Current	Proposed
Up to 30	Nil	Nil
31 to 100	Nil	Nil
101 to 200	500	400
201 to 350	1,500	1,200
351 to 500	3,500	2,800
Above 500	7,000	5,600

Amendments in Islamabad Capital Territory Tax Ordinance, 2001

The Finance Bill, 2019 seeks to reduce sales tax on services by call centers from 18.5% to 17%. The proposed insertions seek to enhance the scope of ICTO by including the following services to be taxed @16%.

Other Laws

S. No	Description	PCT Heading if applicable
43	Advertisement on hoarding boards, pole signs and signboards and websites or internet	9802.9
44	Services provided by landscape designers	9814.4
45	Sponsorship services	9805.91
46	Services provided or rendered for purchase, sale or hire of immovable property	--
47	Services provided or rendered by legal practitioners and consultants	9815.2
48	Services provided by accountants and auditors	9815.3
49	Service provided or rendered by stockbrokers, future brokers and commodity brokers, money exchanger, surveyors, outdoor photographers, event photographers, videographers, art painters, auctioneers (excluding value of goods) and registrar to an issue	9819.1000, 9819.2000, 9819.5000, 9819.7000, 9819.8000, 9819.9100, 9819.9500 and 9819.9090
50	Services provided by race clubs: Entry/ admission and other services	--
51	Services provided or rendered by corporate law consultants	9815.9
52	Visa processing services, including advisory or consultancy services for migration or visa application filing services	--
53	Debt collection services and other debt recovery services	--
54	Supply chain management or distribution (including delivery) services	--
55	Services provided or rendered by persons engaged in intercity transportation or carriage of goods by road or through pipeline or conduit	--
56	Ready mix concrete services	--
57	Public relations services	--
58	Training or coaching services other than education services	--
59	Cleaning services including janitorial services, collection of waste and processing of domestic waste	9822.2000, 9822.3000 and 9822.9000

Horwath Hussain Chaudhury & Co.

Chartered Accountants

Member Crowe Global

Lahore

25-E, Main Market, Gulberg II, Lahore.

Tel: 042-35759223-6

Email: horwath@crowe.pk

Islamabad

House No. 982, Street 21, Phase 4,
Bahria Town, Islamabad.

Tel: 051-5737581-2 / 051-5732505

Email: cahabib@hotmail.com

Office # 13, 1st Floor, Ahmad Center
I-8 Markaz, Islamabad.

Tel: 051-4938139

Email: isb@crowe.pk

Karachi

F-4/2, Mustafa Avenue, Block 9, Clifton,
Karachi.

Tel: 021-35877806-09

Email: khi@crowe.pk

www.crowe.pk

For more information,
scan QR code below:

