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Amendments through Finance Act 2018



The amendments proposed by Finance Bill, 2018 have now been enacted through Finance Act, 2018 with changes made in some of the proposed amendments and also incorporating some new amendments.

This electronic flyer contains the highlights of the significant changes made in the proposals and the new amendments.

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Income Tax

Definition of “permanent establishment”

Section 2(41)

The Finance Act has further amended the definition of “permanent establishment” (PE) to make it more in line with the definition suggested by the OECD’s BEPS Action Plan 7 namely “Preventing the Artificial Avoidance of Permanent Establishment”.

As per the amended definition, PE would include an agent who has and habitually exercises an authority to conclude contracts on behalf of the other person or habitually concludes contracts or habitually plays the principal role leading to the conclusion of contracts that are routinely concluded without material modification by the person and these contracts are –

- in the name of the person; or
- for the transfer of the ownership of or for the granting of the right to use property owned by that enterprise or that the enterprise has the right to use; or
- for the provision of services by that person.

Gain on disposal of assets outside Pakistan

Section 101A

The Finance Bill sought to introduce section 101A to treat gain from disposal or alienation outside Pakistan of an asset located in Pakistan of a non-resident company and levy tax on this gain.

The Finance Act has made the following changes while enacting section 101A:

- (i) The person acquiring the asset from the non-resident person to deduct tax from the gross amount paid as consideration for the asset at

the rate of 10 percent of the fair market value of the asset instead of at the rate 15 percent as proposed by the Finance Bill.

- (ii) In case this gain is taxable under section 101A and also under any other provision of the Ordinance then the gain will be taxable under the other provision of the Ordinance.

Re-characterization of income & deductions to curb misuse of provisions of double tax treaties

Sections 107 & 109

The Finance Bill 2018 proposed to give specific powers to the Commissioner 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.

These powers have been made effective specifically from tax year 2018 and onwards.

Controlled Foreign Company

Section 109A

The Finance Bill 2018 introduced the concept of “Controlled Foreign Company” (CFC) to tax income of such CFCs in the hands of its Pakistan tax resident owner(s) and controller(s) where CFC does not earn active business income in its jurisdiction. The newly inserted section 109A provides the definition of CFC and certain other relevant aspects.

The proposed section 109A did not provide the rate of tax on income of CFC in the hands of resident person. The enacted section provides that CFC’s income will be taxed at the rate applicable to dividend income.

Tax credit to eliminate double taxation has also been allowed to resident person receiving dividend distributed by the CFC, after deduction of tax on dividend equal to the lesser of:

- (i) Foreign tax paid (including foreign withholding tax) on dividends; or
- (ii) Pakistan tax payable for the tax year in which the dividend is received by the resident taxpayer.

Alternative Dispute Resolution

Section 134A

The Finance Bill 2018 proposed certain changes in the constitution and mechanism of dispute resolution by the Alternative Dispute Resolution Committee (ADRC) provided under section 134A. Among various amendments, most importantly, the applicants have to withdraw the relevant appeal pending in any court or appellate authority and the decision of the ADRC will be binding.

The Finance Act has enacted the proposed amendments. As per taxpayers' suggestions, automatic stay against the tax payable on withdrawal of appeal has been allowed up to the date of the decision of the ADRC.

Advance tax payable by banking company

Section 147 and the Seventh Schedule

The banking companies were required to pay advance tax in monthly installments either on the basis of given formula of tax to turnover ratio of latest assessed tax year or on the basis of estimated tax liability where the estimated tax liability is more than the advance tax calculated on provisional basis.

It has been the demand of banking sector that, like other companies, banks should also be allowed to pay advance tax on the basis of lower estimated tax liability for the year.

The Finance Act has amended the provisions of section 147 and rule 5 of the Seventh Schedule to

allow the banking companies to pay advance tax on the basis of estimated tax payable. Now the banks, besides being obligated to file higher estimate, will also be able to file lower estimate and discharge their advance tax payable on the basis of such estimate.

Advance tax on the basis of lower estimated tax payable

Section 147

The taxpayers are allowed to pay quarterly advance tax on the basis of lower estimated tax payable for the year if tax payable for the year is likely to be less than the advance tax calculated on the basis of given formula i.e. by applying tax to turnover ratio to the current quarter's estimated turnover.

It was proposed vide Finance Bill that the lower estimated tax payable will have to be accompanied with turnover of completed and remaining quarters and documentary evidence of expenses or deductions resulting in reduction of advance tax.

The requirement of furnishing the documentary evidence of expenses etc. is harsh and discouraging for the taxpayers and may lead to misuse of discretionary powers of the tax authorities particularly when the advance tax has been made recoverable immediately without passing of order.

Despite various requests for withdrawal of these measures, the Finance Act has enacted this new requirement with further strengthening of the Commissioner's discretionary powers to reject the lower estimate if he is not satisfied with the documentary evidence provided.

Minimum tax regime for commercial importers

Section 148

Commercial importers (sellers of goods in the same condition as they were when imported) were proposed to be taken out of the final tax regime and to be subjected to minimum tax equal to advance tax collected on import of such goods.

The proposed regime has been enacted however the minimum tax on this income has been restricted to 5 percent of the import value as increased by customs duty, sales tax and federal excise duty.

Consequences of not filing the return within due date

Section 182A

The Finance Bill proposed to insert new section 182A to declare the persons not filing the returns within due date or extended due date by FBR or the Commissioner as “non-filer” for the relevant year and such persons will not be allowed to carry forward losses.

The Finance Act has enacted this section with an explanation that this section will apply from tax year 2018 and onwards.

Purchase of vehicles and immovable property by non-filer

Section 227C

The Finance Bill proposed restriction over purchase and registration of vehicles and immovable property by non-filers.

These restrictions have been enacted however with certain relaxations. Immovable property of Rs. 5

million or less can be purchased by or registered in the name of non-filers. Registration of imported vehicles after first registration is also allowed for non-filers.

Collection of advance tax by educational institutions

Section 236I

Educational institutions are required to collect adjustable advance tax @ 5% where the annual fee exceeds Rs. 200,000. The Finance Act has waived collection of this tax on an amount which is paid by way of scholarship.

First Schedule

Tax rate on individuals

Division I, Part I of First Schedule

According to new rates provided for taxation of individuals by the Finance Bill, tax of Rs. 2,000 is payable where taxable income exceeds Rs. 800,000 but does not exceed Rs. 1,200,000.

However, the next slab provided for tax rate of 5% where the taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000.

This resulted in a tax liability of less than Rs. 2,000 for income between Rs. 1,200,001 to Rs. 1,239,900. Therefore, the Finance Act has provided that where the taxable income exceeds Rs. 800,000 the minimum tax payable shall be Rs. 2,000.

Tax rate for small company

Division II, Part I of First Schedule

The applicable tax rate for small company is 25%.

The Finance Act has reduced the tax rate for small company, which will gradually be decreased by 1% from tax year 2019 to tax year 2023. From tax year 2023 onwards the rate shall be 20%.

Super tax

Division IIA, Part I of First Schedule

The Finance Bill proposed to extend the super tax to tax year 2020, with gradual decreased in rate by 1% each year upto tax year 2021.

The Finance Act has revised the rate for a banking company, with zero rate for tax year 2018 and gradual reduction of applicable tax rate by 1% from tax year 2019 to 2021. The rate for tax year 2019,

2020 and 2021 shall be 4%, 3% and 2%, respectively.

For tax year 2019, the banking company is obliged to pay super tax on estimate basis, by 30 June 2018.

Tax and withholding tax on dividend

Division III, Part I of First Schedule

Division I, Part III of First Schedule

Dividend received by company from a collective investment scheme, REIT Scheme or mutual fund, other than stock fund, was liable to tax and withholding tax @ 25%. The Finance has reduced this rate to 15%.

Tax and withholding tax on dividend received by a person from a Developmental REIT Scheme setup by 30 June 2018 was eligible for reduction by 50%.

The Finance Act has extended the aforesaid reduction in rate of dividend received from REIT scheme set up by 30 June 2020. Further, the reduced rate shall be available for three years from the date of setting up of the said Scheme.

Second Schedule

Part I – Exemptions

The Finance Act has inserted and modified certain exemptions in Part I of the Second Schedule, as listed below:

New Exemptions:

Taxpayers to be allowed direct deduction from taxable income on amount paid as Donations to following further institutions - Clause 61

- Sardar Trust Eye Hospital, Lahore.

Exemption of income to following further entities - Clause 66

- Habib University Foundation.
- Begum Akhtar Rukhsana Memorial Trust Hospital.
- Al-Khidmat Foundation.
- Dawat-e-Islami Trust
- Sardar Trust Eye Hospital, Lahore.

Exemption extended:

Income from export of computer software, IT Services and IT Enable Services - Clause 133

- The Finance Act has extended the exemption to income from exports of computer software or IT services or IT enabled services which was expiring on 30 June 2019 upto the period ending on 30th day of June 2025.

- Owned and managed by a company formed for operating the said project and registered under the Companies Act, 2017 (XIX of 2017) and having its registered office in Pakistan; and
- not formed by the splitting up, or the reconstruction or reconstitution, of a business already in existence or by transfer to a new business of any machinery or plant used in a business which was being carried on in Pakistan at any time before the commencement of the new business;
- a low cost housing project under which the maximum sale price of a single housing unit is two and a half million rupees.

Part III – Reduction in tax liability

Tax payable on income derived from Film-making to be reduced by 70% - Clause 8

The Finance Bill proposed that tax liability of resident companies shall be reduced by 50% on income derived from film-making. The Finance Act has enhanced the rate of reduction in tax liability from 50% to 70%.

Tax payable on profits and gains derived from low cost housing projects to be reduced by 50% - Clause 9

The Finance Act provides fifty percent reduction in tax payable on profits and gains derived by a company from low cost housing projects. The exemption shall apply to such project, which is –

Tax Rate Card

1. Tax rates for individuals

[Division I, Part I]

The tax rates for individual tax payers have been revised downward effective from 01 July 2018 without any distinction to salaried individual or otherwise.

The numbers of slabs for salaried individuals have been reduced to 6 slabs in place of existing 12 slabs and in case of non-salaried tax payers from the existing 8 slabs to 6 slabs.

The maximum tax rate applicable to salaried individual has been reduced from existing rate of 30% to 15% and in case of non-salaried tax payer the maximum tax rate has been proposed 15% in place of existing 35%.

The new tax rates applicable from tax year 2019 to individuals are tabulated below.

S.No.	Taxable income	Rate of tax
1.	Where the taxable income does not exceed Rs. 400,000	0%
2.	Where the taxable income exceeds Rs. 400,000 but does not exceed Rs.800,000	Rs. 1,000
3	Where the taxable income exceeds Rs. 800,000 but does not exceed Rs. 1,200,000	Rs. 2,000
4.	Where the taxable income exceeds Rs.1,200,000 but does not exceed Rs.2,400,000	5% of the amount exceeding Rs.1,200,000 *
5.	Where the taxable income exceeds Rs.2,400,000 but does not exceed Rs.4,800,000	Rs. 60,000 + 10% of the amount exceeding Rs.2,400,000
6.	Where the taxable income exceeds Rs.4,800,000	Rs.300,000 + 15% of the amount exceeding Rs.4,800,000

* Subject to minimum tax of Rs. 2,000/-

2. Tax rates for association of person

[Division I, Part I]

The numbers of slabs for association of person have been proposed to be reduced to 7 slabs in place of existing 8 slabs.

The maximum tax rate applicable to association person has been reduced from existing rate of 35% to 30%.

Presently, in the case of professional firm, prohibited from incorporation, the maximum tax rate is 32% as against 35%. In the wake of reduction in tax rates of association of person, resultantly the proposed maximum tax rate of 30% shall also be applicable to professional firm.

The revised rates applicable from tax year 2019 to association of person are tabulated below.

S.No.	Taxable income	Rate of tax
1.	Where the taxable income does not exceed Rs. 400,000	0%
2.	Where the taxable income exceeds Rs. 400,000 but does not exceed Rs.1,200,000	5% of the amount exceeding Rs. 400,000
3	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
4.	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
5.	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
6.	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
7	Where the taxable income exceeds Rs. 6,000,000	Rs.880,000 + 30% of the amount exceeding Rs.6,000,000

3. Reduction in tax liability

The Finance Act has withdrawn the reduction of 50% in tax liability available to senior citizen, aged sixty years or more on the first day of tax year or a disabled persons where the taxable income, other than income falling under FTR does not exceed Rs. 1,000,000.

4. Impact of reduction in tax rates

Applicable to Salaried individual.

Gross Salary (Rs.)	Tax Liability		Tax Savings	
	Existing (Rs.)	Revised (Rs.)	Amount (Rs.)	Percent age (%)
500,000	2,000	1,000	1,000	50%
1,000,000	39,500	2,000	37,500	95%
1,500,000	92,000	15,000	77,000	84%
2,000,000	172,500	40,000	132,500	77%
2,500,000	259,500	70,000	189,500	73%
3,000,000	359,500	120,000	239,500	67%
5,000,000	872,500	330,000	542,500	62%
7,000,000	1,422,000	630,000	792,000	56%
10,000,000	2,322,000	1,080,000	1,242,000	53%

Applicable to other individuals

Gross Income (Rs.)	Tax Liability		Tax Savings	
	Existing (Rs.)	Revised (Rs.)	Amount (Rs.)	Percent age (%)
500,000	7,000	1,000	6,000	86%
1,000,000	69,500	2,000	67,500	97%
1,500,000	144,500	15,000	129,500	90%
2,000,000	244,500	40,000	204,500	84%
2,500,000	344,500	70,000	274,500	80%
3,000,000	469,500	120,000	349,500	74%
5,000,000	1,019,500	330,000	689,500	68%
7,000,000	1,669,500	630,000	1,039,500	62%
10,000,000	2,719,500	1,080,000	1,639,500	60%

5. Tax rate for companies

[Division II, Part I]

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

Banking Company shall continue to be taxed at the rate of 35%.

6. Tax rate for small company

[Division II, Part I]

Tax Year	Rate
2019	24%
2020	23%
2021	22%
2022	21%
2023 and onward	20%

7. Super Tax

[Division IIA, Part I]

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

8. Rates of Dividend Tax

[Division III, Part I]

Category	Rate
Dividend distributed by purchaser of power project, or power generation company	7.5%
Dividend received from a mutual fund - If the dividend exceed Rs. 2.5 million - if the dividend is below or equal to Rs. 2.5 million	12.5% 10%
Dividend received from a stock fund (if fund's dividend receipts are less than capital gains)	12.5%
Dividend received by a company from a collective investment scheme, REIT Scheme, or a mutual fund, other than a stock fund	15%
Other cases	15%
Dividend from a Developmental REIT Scheme set up by 30 June 2020	50% of the applicable rate

9. Rates for Profit on Debt (other than a company)

[Division IIIA, Part I]

Tax rates applicable on profit on debt derived by an individual or association of persons are as follows:

S.No.	Profit on debt	Rate
1.	Where profit on debt does not exceed Rs 5,000,000	10%
2.	Where profit on debt exceeds Rs 5,000,000 but does not exceed Rs 25,000,000	12.5%
3.	Where profit on debt exceeds Rs 25,000,000	15%

10. Tax rates on return on investment in sukus

[Division IIIB, Part I]

Tax rates on return on investment in sukus received by a person from a special purpose vehicle are as follows:

S.No	Category	Rate
a)	Company	25%
b)	Individual & AOP if the return on investment is more than Rs. one million.	12.5%
c)	Individual & AOP if the return on investment is less than Rs. one million.	10%

11. Tax rates on certain payments / Income to non-residents.

[Division IV & V, Part I]

S.No	Category	Rate
a)	Royalty	15%
b)	Fee for technical services	15%
c)	Offshore digital services.	5%
d)	Shipping Income	8%
e)	Air transport Income	3%

12. Tax rates for individuals and association of persons in respect of income from property

[Division VIA, Part I]

Tax rates applicable on income from property derived by an individual or association of persons are as follows:

S.No.	Category	Rate
1	Where gross amount of rent is upto Rs.200,000	Nil
2	Where gross amount of rent exceeds Rs. 200,000 but does not exceed Rs. 600,000	5% of the amount exceeding Rs. 200,000
3	Where gross amount of rent exceeds Rs. 600,000 but does not exceed Rs. 1,000,000	Rs.20,000+ 10% of the amount exceeding Rs. 600,000
4	Where gross amount of rent exceeds Rs. 1,000,000 but does not exceed Rs. 2,000,000	Rs.60,000+ 15% of the amount exceeding Rs. 1,000,000

S.No.	Category	Rate
5	Where gross amount of rent exceeds Rs. 2,000,000	Rs.210,000 + 20% of the amount exceeding Rs. 2,000,000

13. Capital gains on disposal of securities

[Division VII, Part I]

Existing tax rates on capital gain on disposal of listed securities continue to be applied for tax year 2019. These tax rates are tabulated below:

Holding Period	Tax Year 2017		Tax Year 2018 & 2019			
			Securities acquired prior to July 1, 2016		Securities acquired after July 1, 2016	
	Filer	Non-filer	Filer	Non-filer	Filer	Non-filer
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Less than 12 months	15%	18%	15%	18%		
12 months or more but less than 24 months	12.5%	16%	12.5%	16%	15%	20%
24 months or more but security was acquired on or after July 1, 2013	7.5%	11%	7.5%	11%		
Where the security was acquired before July 1, 2013	0%	0%	0%	0%	0%	0%

Further, tax rate of cash settled derivatives traded on the stock exchange shall be 5% for tax year 2018 to 2020. For future commodity contract by members of PMEX, tax at the rate of 5% shall be applicable on gain on future commodity contract.

14. Capital gain on disposal of immovable property

Section 37(1A) – Division VIII, Par I, First Schedule

Holding period – No. of years	Rate
Upto 1	10%
1 to 2	7.5%
2 to 3	5%
More than 3	0%

Withholding tax rates table – existing and revised

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
				Existing		Revised	
		Existing	Revised	Ind & AOP	Company	Ind & AOP	Company
147A	Advance tax collection from provincial sales tax registered person						
	- Advance tax collection from provincial sales tax registered person being non-filer	3	No Change	Adjustable	Adjustable	Adjustable	Adjustable
148	Collection of tax at Imports						
(a)	Value of goods inclusive of customs duty and sales tax imported by;						
	- Industrial undertaking (Filer / Non filer)	5.5 / 8	No Change	Adjustable / Minimum	Adjustable / Minimum	Adjustable / Minimum	Adjustable / Minimum
	- Industrial undertaking importing remelttable steel (PCT Heading 72.04) & directly reduced iron for own use. (Filer / Non filer)	1 / 1.5	No Change	Adjustable	Adjustable	Adjustable	Adjustable
	- Person importing potassic fertilizers in pursuance of Economic Committee of the Cabinet decision No. ECC – 155/12/2004 dated 9 December 2004. (Filer / Non filer)	1 / 1.5	No Change	Final / adjustable subject to conditions	Final / adjustable subject to conditions	Minimum / adjustable subject to conditions	Minimum / adjustable subject to conditions
	- Person importing urea (Filer / Non filer)	1 / 1.5	No Change	Final / adjustable subject to conditions	Final / adjustable subject to conditions	Minimum / adjustable subject to conditions	Minimum / adjustable subject to conditions
	- Person importing gold (Filer / Non filer)	1 / 1.5	No Change	Final / adjustable subject to conditions	Final / adjustable subject to conditions	Minimum / adjustable subject to conditions	Minimum / adjustable subject to conditions

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
				Existing		Revised	
		Existing	Revised	Ind & AOP	Company	Ind & AOP	Company
	- Person importing cotton (Filer / Non filer)	1 / 1.5	No Change	Final / adjustable subject to conditions	Final / adjustable subject to conditions	Minimum/ adjustable subject to conditions	Minimum/ adjustable subject to conditions
	- Person importing coal (Filer / Non filer)	5.5 / 8	4 / 6	Final / adjustable subject to conditions	Final / adjustable subject to conditions	Minimum/ adjustable subject to conditions	Minimum/ adjustable subject to conditions
	- Persons importing LNG (Filer / Non filer)	1 / 1.5	No change	Final / adjustable subject to conditions	Final / adjustable subject to conditions	Minimum / adjustable subject to conditions	Minimum / adjustable subject to conditions
	- Person importing pulses (Filer / Non filer)	2 / 3	No Change	Final / adjustable subject to conditions	Final / adjustable subject to conditions	Minimum / adjustable subject to conditions	Minimum / adjustable subject to conditions
	- Other companies (Filer / Non filer)	5.5 / 8	No Change	-	Final / adjustable subject to conditions	-	Minimum / adjustable subject to conditions
	- Other taxpayers (Filer / Non filer)	6 / 9	No Change	Final / adjustable subject to conditions	-	Minimum / adjustable subject to conditions	-
	- Industrial undertaking being a filer, importing plastic raw material (PCT Heading 39.01 to 39.12) (company / others)	1.75	No Change	Adjustable	Adjustable	Minimum	Minimum
	- Commercial importer being a filer, importing plastic raw material (PCT Heading 39.01 to 39.12) (company / others)	4.5	No Change	Final / adjustable subject to conditions	Final / adjustable subject to conditions	Minimum	Minimum
(b)	Import by persons covered under SRO. 1125(I)2011 dated 31 December 2011						
	- Manufacturer (Filer / Non filer)	1 / 1.5	No Change	Adjustable	Adjustable	Adjustable	Adjustable
	- Commercial importers (Filer / Non filer)	3 / 4.5	No Change	Final / adjustable subject to conditions	Final / adjustable subject to conditions	Minimum	Minimum
(c)	Import of ships by ship breakers	4.5 / 6.5	No Change	Final	Final	Final	Final

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
				Existing		Revised	
		Existing	Revised	Ind & AOP	Company	Ind & AOP	Company
	(Filer / Non filer)						
149	Salary	Progressive rates	Change in Progressive rates	Adjustable	N/A	Adjustable	N/A
	Director fee	20	No change	Adjustable	N/A	Adjustable	N/A
150	Dividend						
(a)	Dividend distributed by purchaser of a power project privatized by WAPDA and company set up for power generation.	7.5	No change	Final	Final	Final	Final
(b)	Dividend payment by other companies (Filer / non-filer)	15 / 20	No Change	Final / Adjustable	Final / Adjustable	Final / Adjustable	Final / Adjustable
(c)	Remittance of after tax profit by a branch other than branch of a E&P companies (subject to treaty provisions, if applicable) (Filer / non-filer)	15 / 20	No Change	Final / Adjustable	Final / Adjustable	Final / Adjustable	Final / Adjustable
(d)	Dividend payment by Collective Investment Scheme, REIT Scheme or mutual fund						
	- Stock fund	12.5	No Change	Final	Final	Final	Final
	- Money market fund, income fund or REIT scheme any other fund						
	- Ind & AOP (Filer / non-filer) (* 10% rate apply where dividend does not exceed Rs. 2.5 million.) (** 7.5% rate apply to a dividend received by an individual from a REIT)	12.5 /10*/ 15	12.5 /10*/ 15 / **7.5%	Final / Adjustable	-	Final / Adjustable	-
	- Company	25	No change	-	Final	-	Final
150A	Return on investment in sukuk						

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
				Existing		Revised	
		Existing	Revised	Ind & AOP	Company	Ind & AOP	Company
	Special purpose vehicle or a company shall deduct tax on the gross amount of return on investment in sukuk.	15	No change		Adjustable		Adjustable
	- Company						
	- Ind & AOP (where the return is more than one million)	12.5	No change	Adjustable		Adjustable	
	- Ind & AOP (where the return is less than one million)	10	No change				
	- Non-filer	17.5	No change				
151	Profit on debt						
(a)	Yield on an account, deposit or a certificate under the National Savings Scheme or Post office saving account (Filer / non-filer)	10 / 17.5 (subject to condition)	No Change	Final/ Adjustable	Adjustable	Final/ Adjustable	Adjustable
(b)	Profit on a debt, being an account or deposit maintained with a banking company or a financial institution (Filer / non-filer)	10 / 17.5 (subject to condition)	No Change	Adjustable	Adjustable	Adjustable	Adjustable
(c)	Profit on any security by Federal Government issued, a Provincial Government or a local Government other than profit on National Saving Scheme or Post Office Saving account to any person (Filer / non-filer)	10 / 17.5 (subject to condition)	No Change	Adjustable	Adjustable	Adjustable	Adjustable
(d)	Profit on any bond, certificate, debenture, security or instrument of any kind (excluding loan agreement between a borrower and a banking company or a development finance institution) issued by a banking company, a	10 / 17.5 (subject to condition)	No Change	Adjustable	Adjustable	Adjustable	Adjustable

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
				Existing		Revised	
		Existing	Revised	Ind & AOP	Company	Ind & AOP	Company
	financial institution, company as defined in the Companies Ordinance, 1984 and a body corporate formed by or under any law for the time being in force, to any person other than a financial institution (Filer / non-filer)						
152	Payments to non-residents						
(a)	Royalty and technical fee	15	No change	Final	Final	Final	Final
(b)	Execution of a contract or sub-contract under the construction, assembly or installation project in Pakistan including a contract for the supply of supervisory activities in relation to such projects or any other contract for construction or services rendered relating thereto (Filer / non-filer)	7 / 13	No change	Final subject to option	Final subject to option	Final subject to option	Final subject to option
(c)	Contract for advertisement services rendered by TV Satellite channel	7 / 13	No change	Final subject to option	Final subject to option	Final subject to option	Final subject to option
(d)	Insurance premium or re-insurance premium	5	No change	Final	Final	Final	Final
(e)	Advertisement services relaying from outside Pakistan	10	No change	Adjustable	Adjustable	Adjustable	Adjustable
(f)	Profit on debt to non-resident person not having a PE in Pakistan	10	No change	Adjustable / Final in specified situations	Adjustable / Final in specified situations	Adjustable / Final in specified situations	Adjustable / Final in specified situations
(g)	Fee for offshore digital services	-	5			Final	Final
(h)	Other payments	20	No change	Adjustable	Adjustable	Adjustable	Adjustable
152(2A)	Payments to PE of a non-resident						

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
				Existing		Revised	
		Existing	Revised	Ind & AOP	Company	Ind & AOP	Company
(a)	Sale of goods						
	- Company (Filer / Non filer)	4 / 7	No change	-	Adjustable	-	Adjustable
	- Other than company (Filer / Non filer)	4.5 / 7.75	No change	Adjustable	-	Adjustable	-
(b)	Transport services	2	No change	Adjustable	Adjustable	Adjustable / minimum	Adjustable / minimum
(c)	Other services						
	- Company (Filer / Non filer)	8 / 14	No change	-	Adjustable	-	Adjustable / minimum
	- Other than company (Filer / Non filer)	10 / 17.5	No change	Adjustable	-	Adjustable / minimum	-
(d)	Execution of a contract						
	- Company (Filer / Non filer)	7 / 13	No change	-	Adjustable	-	Adjustable
	- Other than company (Filer / Non filer)	7 / 13	No change	Adjustable	-	Adjustable	-
(e)	Sports Person	10	No change	Adjustable	-	Adjustable	-
152A	Payments for foreign produced commercials						
	Payment to non-resident person directly to through an agent for foreign produced commercial for advertisement	20	No change	Final	Final	Final	Final
153	Goods, services and execution of a contract						
(a)	Sales of rice, cotton seed or edible oils	1.5	No change	Final / adjustable subject to conditions	Final / (Adjustable for manufacturer / listed company / subject to conditions)	Final / adjustable subject to conditions	Final / (Adjustable for manufacturer / listed company) / subject to conditions
(ab)	Sales of fast moving consumer goods by the distributors, in the case of; - Company	2	No change	-	Final / Adjustable subject to conditions	-	Final / Adjustable subject to conditions

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
				Existing		Revised	
		Existing	Revised	Ind & AOP	Company	Ind & AOP	Company
	- Other tax payers (Filer / Non filer)	2.5	No change	Final / adjustable subject to conditions	-	Final / adjustable subject to conditions	-
(b)	Sale of any other goods in the case of; - Company (Filer / Non filer)	4 / 7	4 / 8	-	Final / Adjustable for manufacturer / listed company subject to conditions	-	Final / Adjustable for manufacturer / listed company subject to conditions
	- Other tax payers (Filer / Non filer)	4.5 / 7.75	4.5 / 9	Final / adjustable subject to conditions	-	Final / adjustable subject to conditions	-
(c)	Passenger transport services	2	No change	Minimum	Minimum	Minimum	Minimum
(d)	Other services in the case of; - Company (Filer / Non filer)	8 / 14.5	No change	-	Minimum	-	Minimum
	- Other tax payers (Filer / Non filer)	10 / 17.5	No change	Minimum	-	Minimum	-
(e)	Electronic and print media for advertisement services in the case of; - Company (Filer / Non filer)	1.5 / 12	No change		Final		Final
	- Other tax payers (Filer / Non filer)	1.5 / 15	No change	Final	-	Final	-
(f)	Execution of a contract in the case of; - Company (Filer / Non filer)	7 / 12	7 / 14	-	Final / Adjustable for listed company / subject to conditions	-	Final / Adjustable for listed company / subject to conditions
	- Other tax payer (Filer / Non filer)	7.5 / 12.5	7.5 / 15	Final	-	Final	-
	- Sports person	10	No change	Final	-	Final	-
(g)	Deduction by exporter or an export house on payment for rendering of certain services	1	No change	Final	Final	Final	Final

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
				Existing		Revised	
		Existing	Revised	Ind & AOP	Company	Ind & AOP	Company
154	Exports						
(a)	Export proceeds, proceeds from sales of goods to an exporter under an inland back-to-back letter of credit or any other arrangement, export of goods by an industrial undertaking located in an Export Processing Zone, Collection by a collector of customs at the time of clearing of goods exported	1	No change	Final / Adjustable (minimum) subject to option	Final / Adjustable (minimum) subject to option	Final / Adjustable (minimum) subject to option	Final / Adjustable (minimum) subject to option
(b)	Indenting commission	5	No change	Final / Adjustable (minimum) subject to option	Final / Adjustable (minimum) subject to option	Final / Adjustable (minimum) subject to option	Final / Adjustable (minimum) subject to option
155	Income from Property						
	Annual rent of immovable property including rent of furniture and fixtures and amounts for services relating to such property						
	- In the case of company (Filer / Non filer)	15 / 17.5	No change		Adjustable		Adjustable
	- In the case of other tax payers	Progressive rates	Progressive rates	Adjustable		Adjustable	
156	Prizes and winnings						
(a)	Amount of prize bond winning (Filer / Non filer)	15 / 25	No change	Final	Final	Final	Final
(b)	Prize on cross-word puzzle (Filer / Non filer)	15 / 25	No change	Final	Final	Final	Final
(c)	Amount of raffle/lottery winning, prize on winning a quiz, prize offered by a company for promotion of sales	20	No change	Final	Final	Final	Final
156A	Petroleum products						
	Commission and discount to petrol pump operators (Filer / Non filer)	12 / 17.5	No change	Final	Final	Final	Final

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
				Existing		Revised	
		Existing	Revised	Ind & AOP	Company	Ind & AOP	Company
156B	Withdrawal of balance under pension fund						
	Withdrawal of amount before the retirement age or it is in excess of 50% of the accumulated balance at or after the retirement age	Average rate of preceding three years	No Change	Adjustable	N/A	Adjustable	N/A
231A	Cash withdrawal						
	Cash withdrawal exceeding Rs 50,000 from all bank accounts in a single day (Filer / Non filer)	0.3 / 0.6 of the amount withdrawn	No change	Adjustable	Adjustable	Adjustable	Adjustable
231AA	Transactions in banks						
	Sale against cash of any instrument including Demand Draft, Payment Order, Online Transfer, Telegraphic Transfer, CDR, STDR, RTC exceeding Rs 25,000 in a day (Filer / Non filer)	0.3 / 0.6 of the transaction	No change	Adjustable	Adjustable	Adjustable	Adjustable
231B	Advance tax on private motor vehicle	Varying slabs for filers and non - filers	No change	Adjustable	Adjustable	Adjustable	Adjustable
	- On registration of motor vehicle						
	- On transfer of registration or ownership of a private motor vehicle.						
	- On sale of motor vehicle						
	Leasing company or a Schedule bank or an investment bank or a DFI or a Modaraba shall at the time of leasing of	4	No change	Adjustable	Adjustable	Adjustable	Adjustable

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
				Existing		Revised	
		Existing	Revised	Ind & AOP	Company	Ind & AOP	Company
	motor vehicle to non-filer collect advance tax						
233	Brokerage & Commission						
(a)	Commission to advertisement agent (Filer / Non filer)	10 / 15	No change	Final	Final	Final	Final
(b)	Life Insurance Agent where commission is less than Rs. 0.5 million per annum (Filer / Non filer)	8 / 16	No change	Final	Final	Final	Final
(c)	Payment of brokerage and commission (Filer / Non filer)	12 / 15	No Change	Final	Final	Final	Final
233A	Collection of tax by stock exchange						
(a)	On purchase of shares, in lieu of commission of the Member	0.02 of purchase value	No change	Final	Final	Adjustable	Adjustable
(b)	On Sale of shares, in lieu of commission of the Member	0.02 of sale value	No change	Final	Final	Adjustable	Adjustable
233AA	Collection of tax by NCCPL						
	On margin financing, trading financiers and lenders	10	No change	Adjustable	Adjustable	Adjustable	Adjustable
234	Tax on motor vehicle						
	Registered laden weight/ Seating capacity/ Engine capacity	Varying rates for filer and non-filer	No Change	Adjustable	Adjustable	Adjustable	Adjustable
234A	CNG stations						
	On amount of gas & electricity bill (Filer / Non filer)	4 / 6	No change	Final	Final	Final	Final

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
				Existing		Revised	
		Existing	Revised	Ind & AOP	Company	Ind & AOP	Company
235	Electricity consumption						
(a)	Electricity bill upto Rs 20,000.	Slab rates	No change	Minimum	Adjustable	Minimum	Adjustable
(b)	On electricity bill exceeding Rs 20,000 (Industrial consumer / commercial consumer)	5 /12	No change	Minimum /Adjustable if the bill amount exceeds Rs 30,000 pm	Adjustable	Minimum /Adjustable if the bill amount exceeds Rs 360,000 pa	Adjustable
235A	Domestic electricity consumption On electricity bill exceeding Rs 75,000	7.5	No change	Adjustable	-	Adjustable	-
235B	Tax on steel melters, composite unit etc. On electricity bill of steel melters, and composite steel units.	Re. 1 per unit of electricity consumed	No change	Non-adjustable	Non-adjustable	Non-adjustable	Non-adjustable
236	Telephone & internet bill						
(a)	Telephone bill exceeding Rs 1,000	10	No change	Adjustable	Adjustable	Adjustable	Adjustable
(b)	Subscriber of internet and prepaid internet card or sale of units through any electronic medium or whatever form	12.5	No change	Adjustable	Adjustable	Adjustable	Adjustable
(c)	Mobile telephone and prepaid card for telephones or sale of units through any electronic medium or whatever form	12.5	No change	Adjustable	Adjustable	Adjustable	Adjustable
236A	Sale by auction / tender						
	Gross sale price of the property (Filer / non-filer)	10 / 15	No change	Adjustable	Adjustable	Adjustable	Adjustable
236B	Purchase of air ticket - On gross amount of purchase of domestic air ticket	5	No change	Adjustable	Adjustable	Adjustable	Adjustable
236C	Sale or transfer of immovable property – On gross amount of	1 / 2	No change	Adjustable / minimum	Adjustable / minimum	Adjustable / minimum	Adjustable / minimum

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
				Existing		Revised	
		Existing	Revised	Ind & AOP	Company	Ind & AOP	Company
	consideration (Filer / non-filer)						
236D	Advance tax on functions and gatherings – On total amount of bill of arranging or holding a function including payment of food, service or facility.	5	*5 / 10,000 /20,000 whichever is higher	Adjustable	Adjustable	Adjustable	Adjustable
236F	Advance tax on cable operators and other electronic media.						
	- On issuance or renewal of license for distribution services in case of cable operator	Varying amount	No change	Adjustable	Adjustable	Adjustable	Adjustable
	- On issuance or renewal of license for distribution services in case of IPTV, FM Radio, MMDS, Mobile TV, Satellite TV etc.	20% of permission or renewal fee	No change	Adjustable	Adjustable	Adjustable	Adjustable
	- Permission or renewal fee from every TV Channel on which foreign TV drama serial or a play in any language, other than English, is screened or viewed	50% of permission or renewal fee	No change	Adjustable	Adjustable	Adjustable	Adjustable
236G	Advance tax on sales of specified goods to distributors, dealers and wholesalers						
	- Fertilizer	0.7 / 1.4	No change	Adjustable	Adjustable	Adjustable	Adjustable
	- Other than fertilizer (Filer / Non filer)	0.1 / 0.2	No change	Adjustable	Adjustable	Adjustable	Adjustable
236H	Advance tax on sales of specified goods to retailers or wholesaler						
	- Electronics	1 / 1	No change	Adjustable	Adjustable	Adjustable	Adjustable
	- Others (Filer / Non filer)	0.5 / 1		Adjustable	Adjustable	Adjustable	Adjustable

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
				Existing		Revised	
		Existing	Revised	Ind & AOP	Company	Ind & AOP	Company
236HA	Advance tax on sale of certain petroleum products						
	On sale of petroleum products to petrol pump operator or distributor (Filer / Non filer)	-	0.5 / 1	N/A	N/A	Final	Final
236I	Collection of advance tax by educational institutions On amount of fee exceeding Rs 200,000	5	No change	Adjustable	N / A	Adjustable	N/A
236J	Advance tax on issuance or renewal of license to dealers, commission agents and arhatis etc.	Varying amount	No change	Adjustable	Adjustable	Adjustable	Adjustable
236K	Advance tax on purchase of immovable property On purchaser or transferee for registering or attesting transfer of any immovable property exceeding value Rs. 4 million (Filer / Non-filer)	2 / *4 (*subject to the date notified by the Board)	No change	Adjustable	Adjustable	Adjustable	Adjustable
	On collection of payments in installments	-	2 / *4 (*subject to the date notified by the Board)	-	-	Adjustable	Adjustable
236L	Advance tax on purchase of international air ticket On sale of international air ticket for first / executive class. (First class / others excluding economy class)	Rs. 16,000 / Rs. 12,000 per person	No Change	Adjustable	Adjustable	Adjustable	Adjustable
236M	Bonus shares issued by companies quoted on stock exchange	5	Omitted	Final	Final	N/A	N/A

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
				Existing		Revised	
		Existing	Revised	Ind & AOP	Company	Ind & AOP	Company
236N	Bonus shares issued by companies not quoted on stock exchange	5	Omitted	Final	Final	N/A	N/A
236P	Advance tax on banking transactions otherwise than through cash Advance tax from non – filer on specified banking transactions where the sum of these transactions from all bank accounts exceeds Rs. 50,000 in a day.	*0.6 (Reduce to 0.4% through various notifications issued from time to time)	0.4	Adjustable	Adjustable	Adjustable	Adjustable
236Q	Payment to residents for use of machinery and equipment - Payment to resident person for use or right to use industrial, commercial and scientific equipment	10	No Change	Final	Final	Final	Final
	- Payment to resident person on account of rent of machinery	10	No Change	Final	Final	Final	Final
236R	Collection of advance tax on education related expenses remitted abroad	5	No Change	Adjustable	Adjustable	Adjustable	Adjustable
236S	Dividend in Specie						
(a)	Dividend distributed by purchaser of a power project privatized by WAPDA and company set up for power generation.	7.5	No Change	Final	Final	Final	Final
(b)	Dividend payment by other companies (Filer / non-filer)	15 / 20	No change	Final / Adjustable	Final / Adjustable	Final / Adjustable	Final / Adjustable
(c)	Remittance of after tax profit by a branch other than branch of a E&P companies (subject to	15 / 20	No change	Final / Adjustable	Final / Adjustable	Final / Adjustable	Final / Adjustable

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
				Existing		Revised	
		Existing	Revised	Ind & AOP	Company	Ind & AOP	Company
	treaty provisions, if applicable) (Filer / non-filer)						
(d)	Dividend payment by Collective Investment Scheme, REIT Scheme or mutual fund - Stock fund	12.5	Changed	Final	Final	Final	Final
	- Money market fund, income fund or REIT scheme any other fund - Ind & AOP (Filer / non-filer) (*10% rate apply where dividend does not exceed Rs. 2.5 million.) - Company	12.5 /10*/ 15 25	No change No change	Final -	- Final	Final -	- Final
236U	Collection of tax on insurance premium from Non-filers						
	- General Insurance premium	4	No change	Adjustable	Adjustable	Adjustable	Adjustable
	- Life insurance premium if exceeding Rs. 0.3 million per annum (2016: 0.2 million)	1	No change	Adjustable	Adjustable	Adjustable	Adjustable
236V	Collection of tax on extraction of minerals						
	- Advance tax collection on value of minerals for non-filers	5	No change	Adjustable	Adjustable	Adjustable	Adjustable
236W	Collection of tax on purchase or transfer of immovable property						
	- Every person responsible for registering, recording	3	No change	Final	Final	Final	Final

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
				Existing		Revised	
		Existing	Revised	Ind & AOP	Company	Ind & AOP	Company
	or attesting transfer shall collect advance tax of the value computed with reference to section 111(4).						
236X	Advance tax on tobacco						
	- Pakistan Tobacco Board or its contractor at the time of collecting cess on tobacco shall collect tax on purchase value of tobacco.	5	No change	Adjustable	Adjustable	Adjustable	Adjustable
236Y	Advance tax on person remitting amounts through credit, debit or prepaid cards						
	Every banking company on transfer of sum remitted outside Pakistan. (Filer / non-filer)	-	1 / 3	N/A	N/A	Adjustable	Adjustable

Sales tax

Significant Amendments

Revamping of mechanism of Alternative Dispute Resolution

Section 47A

The Bill had proposed to revamp the entire mechanism of Alternative Dispute Resolution Committee (ADRC) through substitution of existing provisions. The Finance Act has again substituted the whole section in order to further reinforce the ADRC scheme. Following are the key features of the scheme.

- An aggrieved person in relation to any dispute pertaining to liability of duty against the aggrieved person, admissibility of refunds, waiver of default surcharge and penalty, or any other specific relief, may apply to the Board for appointment of a committee for resolution of the dispute stated in the application and are pending in litigations except where criminal proceedings have been initiated or where interpretation of question of law is involved having effect on other cases.
- Board after examining the application of an aggrieved person shall appoint a Committee within 60 days consisting of Commissioner and two persons comprising not below the rank of retired District & Sessions Judge, Chartered Accountant, Advocate, etc.
- The aggrieved person, or the Commissioner, or both shall withdraw the appeal pending before any Court of law or an Appellate Authority, after constitution of the Committee. The Committee shall not commence the proceedings unless the order of withdrawal by the Court of Law or an Appellate Authority is communicated to the Board. If such withdrawal order is not communicated within 75 days, the Committee shall stand dissolved.
- The Committee shall examine the issue and if necessary, conduct inquiry, seek expert opinion, or give direction to conduct an audit and shall decide the dispute by majority, within 120 days of its appointment excluding the time taken for communication of withdrawal Order.
- The recovery of duty payable by a taxpayer in connection with any dispute for which a Committee has been appointed shall be stayed on withdrawal of appeal upto the date of decision by the Committee.
- The Committee will be required to pass the order within 120 days of its appointment excluding the time taken for communication of withdrawal order. On failure of making a decision within 120 days, the appeal shall stand restored under specified procedure.
- The decision of the Committee shall be binding on the aggrieved person as well as on Commissioner.
- If the Committee fails to decide the dispute within the period of 120 days, Board shall dissolve the Committee and the matter shall be decided by the Court of Law or appellate authority and the withdrawn appeal shall stand reinstated.
- The Board may by a notification in the official Gazette, make rules for carrying out the purposes of this section.
- The Board may prescribe any amount to be paid as remuneration to members of the Committee other than the Office of Inland Revenue.

Exemptions introduced under Sixth Schedule

Table-1 (Import & Supplies)

The Finance Act has amended the Bill as under:

- i. At Sr. No. 146, the Bill proposed to exempt equipment, either manufactured locally or imported by M/s China Railway Corporation to be furnished in Lahore Orange Line Metro Train.

The Finance Act has restricted the exemption to imported equipment only.

- ii. At Sr. No. 148, the Bill proposed to exempt construction materials imported by M/s China State Construction Engineering Corporation Limited for construction of Karachi-Peshawar Motorway (Sukkur-Multan Section) provided that total incidence of exemptions of all duties and taxes in respect of construction materials and imported goods shall not exceed ten thousand eight hundred ninety-eight million rupees.

The Finance Act has clarified that the above stated limit will include the exemption availed before 30 June 2018 under the provisions of the Sales Tax Act, 1990, the Customs Act, 1969, the Federal Excise Act, 2005 and the Income Tax Ordinance, 2001 and Notifications issued thereunder.

- iii. The Finance Act has inserted following new entry:

S. No.	Description	PCT Heading
149	Micro feeder equipment	8437.8000

Table-2 (Local supplies)

The Finance Act has inserted following new entry:

S. No.	Description of goods	PCT Heading
23	Match boxes	Respective heading

Reduced rates introduced under Eight Schedule

Table-1

The Finance Act has amended the Bill as under:

- i. At Sr. No. 50, the Bill proposed to reduce rate of sales tax to 12% for LNG if imported by M/s Pakistan State Oil and M/s Pakistan LNG Limited.

Now, the Finance Act has deleted the condition of import specifically by the above entities and has also reduced the rate for RLNG. Now import of both LNG and RLNG will be subject to reduced rate of 12% for all imports.

- ii. At Sr. No. 51, the Bill proposed to reduce rate of sales tax at 12% for RLNG supplied by M/s Pakistan State Oil and M/s Pakistan LNG Limited.

The Finance Act has deleted the condition of supply specifically by the said entities. Now supply of RLNG will be subject to reduced rate of 12%.

- iii. At Sr. No. 52, the Bill had proposed a reduced rate of sales tax on Fertilizers of 3% which has further been reduced to 2% by the Finance Act.

- iv. The Finance Act has inserted following new entries:

S. No.	Description	PCT Heading	Rate of tax	Conditions
55	Fish babies/ seedlings	Respective headings	5%	Nil

S. No.	Description	PCT Heading	Rate of tax	Conditions
56	Potassium Chlorate (KCLO3)	Respective headings	17% along with rupees 40 per kilogram	Import and supply thereof. Provided that rate of rupees 40 per kilogram shall not apply on imports made by and supplies made to organizations under the control of Ministry of Defence Production
57	Rock phosphate	Respective headings	10%	If imported by fertilizer manufacturers for use in the manufacturing of fertilizers."

Federal Excise

Significant Amendments

Federal Government's powers reinforced

Sections 3(1)(c), 3(4) and 16(2)

The Bill empowered the Federal Government to issue notifications under various provisions of the Act. Through Finance Act, 2017, the Board with the approval of the Minister Incharge was delegated such powers in the backdrop of the landmark judgment of the Honourable Supreme Court of Pakistan in Civil Appeals 1428 to 1436 of 2016, dated 18 August 2016 in connection with the following provisions / matters:

- Excise duties shall be charged on notified goods as are produced or manufactured in the non-tariff areas and are brought to the tariff areas for sale or consumption therein.
- Levy and collection of duty on any class or classes of goods or services at such higher or lower rates as specified in the notification.
- Exemption on specific circumstances

Under Section 16(2), the Bill substituted the words 'with the approval of Federal Minister-in-charge' with the words 'Federal Government'. The Finance Act has clarified the substitution by replacing words 'Board with the approval of the Federal Minister-in-charge may, pursuant to the approval to the Economic Coordination Committee of the Cabinet' with the words 'Federal Government'.

Assessment giving effect to an order

Section 14B

Under proposed insertion, it is provided that where the original assessment order is set-aside wholly or partly, the Commissioner IR or Commissioner (Appeals) or adjudicating authority shall pass a fresh assessment order within one year from the

end of the financial year in which the order of the higher authority is served. However, the time limit of one year shall not apply if department prefers appeal against the order passed by the higher appellate / litigation authority.

In order to remove the technical and legal complications the Finance Act has substituted word 'set aside' with 'remanded'.

Revamping of mechanism of Alternative Dispute Resolution

Section 38

The Bill proposed to substitute the present provisions of Alternative Dispute Resolution [ADR] and has tried to revamp the entire mechanism. However, Finance Act has again substituted the whole section in order to further reinforce the ADR Scheme. Following are the key features of the scheme:

- An aggrieved person in relation to any dispute pertaining to liability of duty against the aggrieved person, admissibility of refunds, waiver of default surcharge and penalty, or any other specific relief, may apply to the Board for appointment of a committee for resolution of the dispute stated in the application and are pending in litigations except where criminal proceedings have been initiated or where interpretation of question of law is involved having effect on other cases.
- Board after examining the application of an aggrieved person shall appoint a Committee within 60 days consisting of Commissioner and two persons comprising not below the rank of retired District & Sessions Judge, Chartered Accountant, Advocate, etc.
- The aggrieved person, or the Commissioner, or both shall withdraw the appeal pending before any Court of law or an Appellate Authority, after

constitution of the Committee. The Committee shall not commence the proceedings unless the order of withdrawal by the Court of Law or an Appellate Authority is communicated to the Board. If such withdrawal order is not communicated within 75 days, the Committee shall stand dissolved.

- The Committee shall examine the issue and if necessary, conduct inquiry, seek expert opinion, or give direction to conduct an audit and shall decide the dispute by majority, within 120 days of its appointment excluding the time taken for communication of withdrawal Order.
- The recovery of duty payable by a taxpayer in connection with any dispute for which a Committee has been appointed shall be stayed on withdrawal of appeal upto the date of decision by the Committee.
- The Committee will be required to pass the order within 120 days of its appointment excluding the time taken for communication of withdrawal order. On failure of making a decision within 120 days, the appeal shall stand restored under specified procedure.
- The decision of the Committee shall be binding on the aggrieved person as well as on Commissioner.
- If the Committee fails to decide the dispute within the period of 120 days, Board shall dissolve the Committee and the matter shall be decided by the Court of Law or appellate authority and the withdrawn appeal shall stand reinstated.
- The Board may by a notification in the official Gazette, make rules for carrying out the purposes of this section.

FED rates revised

Table-I of the First Schedule

Comparison of FED rates proposed by the Bill and revised by the Act is given below.

S. No.	Description of goods	Proposed by Bill FED Rate	Revised by Act FED Rate
9	Locally produced cigarettes if their on-pack printed retail price exceeds four thousand five hundred rupees per thousand cigarettes.	Rs. 3,964 per 1000 cigarettes	Rs. 3,970 per 1000 cigarettes
10	Locally produced cigarettes if their on-pack printed retail price exceeds two thousand nine hundred and twenty-five rupees per thousand cigarettes but does not exceed four thousand five hundred rupees per thousand cigarettes.	Rs. 1,770 per 1000 cigarettes	Rs. 1,776 per 1000 cigarettes
10a	Locally produced cigarettes if their on-pack printed retail price does not exceed two thousand nine hundred and	Rs. 848 per 1000 cigarettes	Rs. 854 per 1000 cigarettes

S. No.	Description of goods	Proposed by Bill FED Rate	Revised by Act FED Rate
	twenty-five rupees per thousand cigarettes.		

Table-II of the First Schedule

S. No.	Description of goods	Proposed by Bill FED	Revised by Act FED
3	Facilities for Travel (a) Services provided or rendered in respect of travel by air of passengers within the territorial jurisdiction of Pakistan (i) Long Routes	Rs. 2,500	Rs. 2,000

Health levy on tobacco

The Bill proposed to introduce the health levy to be collected on tobacco at the rate of ten rupees per kilogram of tobacco from every person purchasing tobacco including manufacturers of cigarettes by the Pakistan Tobacco Board or its contractors at the time of collection of cess on tobacco.

The Finance Act has withdrawn Health levy on tobacco.

Customs

Significant Amendments

Power to use data exchange information for determination of customs value

Section 25AA

Section 25AA was inserted through Bill by giving legal coverage for utilizing any information or data sharing obtained through mutual bilateral or multilateral agreements under clause (b) of sub-section (1) of section 219A for the purpose of assessment and valuation.

The Finance Act has substituted the word 'obtained' with the word 'available'. The purpose of amendment appears to be online sharing of data / information with other countries under mutual bilateral or multilateral agreement for the purpose of assessment and valuation.

Power to take over the imported goods

Section 25C

Presently, any person who makes an offer in writing to buy the imported goods sought to be cleared at value declared by an importer in the goods declaration and the Collector of Customs is satisfied that the declared value is not the actual transactional value, he may after approval of the Board order to entertain the offer of the person to buy these goods at substantially higher value than the declared value.

The Bill proposed to transfer the power of approval from the Board to the Chief Collector.

Through Finance Act, the proposed amendment has been omitted which means the power of approval shall remain with the Board.

Disposal of refund claim

Section 33(3A)

Presently, the time limit for applying refund on the part of taxpayer is one year. However, there is no time limit for the disposal of the refund claim on the part of Customs Authorities.

It was proposed that the refund claim to be disposed of within 180 days by the Customs Authorities. However, the Collector of Customs may, for reasons to be recorded in writing, extended the time limit for further 90 days.

The Finance Act has reduced the period from 180 days to 120 days for the disposal of refund claim in order to facilitate the taxpayer.

First Schedule

Changes in Customs Duty Rates

PCT Code	Description	Existing rate	Revised rate
03.04	Fish Fillets and Other Fish meat (whether or not minced), fresh, chilled or frozen	11%	20%
1507.1000	Crude Oil, whether or not degummed	12000 /MT	10550/MT
1507.9000	Others	13200/MT	11700/MT
2520.1010	Anhydrite	11%	3%
2710.1919	Other in relation to Kerosene and Jet Fuel	3%	20%
2915.3600	Dinoseb (ISO) acetate	20%	16%
2915.3940	Methyl acetate	20%	16%
3206.4930	Pigments and preparations based on hexacyanifer rates (ferrocyanides and ferricyanides)	16%	11%

PCT Code	Description	Existing rate	Revised rate
3403.1120	Of a kind used in the paper or like industries	20%	16%
3403.1139	Other	20%	16%
3403.1190	Other	20%	16%
3403.9120	Of a kind used in the paper or like industries	20%	16%
3403.9139	Other	20%	16%
3403.9190	Other	20%	16%
3824.4000	Prepared additives for cements, mortars or concretes	20%	16%
3824.6000	Sorbitol other than that of subheading No. 2905.44	20%	16%
3904.2100	Non-plasticised	20%	16%
3905.1900	Other	20%	16%
3906.9010	Cyanoacrylate	20%	16%
3906.9020	Acrylic binders	20%	16%
3919.1010	Double sided tape	3%	11%
3920.7100	Of regenerated cellulose	20%	16%
3920.7300	Of cellulose acetate	20%	16%
3920.9100	Of poly(vinyl butyral)	20%	16%
3920.9200	Of polyamides	20%	16%
3920.9300	Of amino resins	20%	16%
5204.1100	Containing 85 % or more by weight of cotton	20%	16%
5204.1900	Other	20%	16%
5204.2010	For sewing	20%	16%
5204.2090	Other	20%	16%
5901.1000	Textile fabrics coated with gum or amylaceous substances, of a kind used for the	20%	16%

PCT Code	Description	Existing rate	Revised rate
	outer covers of books or the like		
5901.9090	Other	20%	16%
5904.9000	Other	20%	16%
5906.9100	Knitted or crocheted	20%	16%
5906.9900	Other	20%	16%
5907.0000	Textile fabrics otherwise impregnated, coated or covered; painted canvas being theatrical scenery, studio back- cloths or the like.	20%	16%
6006.1000	Of wool or fine animal hair	20%	16%
6006.2110	Unbleached	20%	16%
6006.2120	Bleached	20%	16%
6006.2200	Dyed	20%	16%
6006.2300	Of yarns of different colours	20%	16%
6006.2400	Printed	20%	16%
6006.3110	Unbleached	20%	16%
6006.3120	Bleached	20%	16%
6006.3200	Dyed	20%	16%
6006.3300	Of yarns of different colours	20%	16%
6006.3400	Printed	20%	16%
6006.4110	Unbleached	20%	16%
6006.4120	Bleached	20%	16%
6006.4200	Dyed	20%	16%
6006.4300	Of yarns of different colours	20%	16%
6006.4400	Printed	20%	16%
6006.9090	Other	20%	16%
76020010	Aluminum waste or scrap of auto parts	35%	30%
9606.1000	Press- fasteners, snap- fasteners	20%	16%

PCT Code	Description	Existing rate	Revised rate
	and press- studs and parts therefor		
9606.2200	Of base metal, not covered with textile material	20%	16%
9606.2920	Buttons	20%	16%
9606.2990	Other	20%	16%
9606.3010	Button moulds and other parts of buttons	20%	16%
9607.2000	Parts	20%	16%

Fifth Schedule

Table of the Part III (Raw materials/inputs for poultry and textile sector; other Goods)

PCT Code	S. No.	Description	Customs Duty	Condition
2510.1000 New Insertion	31	Unground	0%	If imported by the Phosphatic Fertilizer Industry, notified by the Ministry of Industries

Table-A of the Part VII (Miscellaneous)

PCT Code	S. No.	Description	Customs Duty	Remarks
2710.1914	57	Other jet fuels	0%	Substituted with "Goods of this Chapter (Fertilizers including crude oil, etc.) in tablets or similar forms or in packages of a gross weight not exceeding 10 kg

Table-B of the Part VII (Miscellaneous) – New Insertion

PCT Code	S. No.	Description	Duty
5703.2020	22	Of a kind used in motor cars of heading 87.03 and vehicles of sub-headings 8703.2113, 8703.2193, 8703.2195, 8703.2240, 8703.2323, 8703.3223, 8704.2190, 8704.3130, 8704.3190 (cut to size and shaped)	15%
5703.2030	23	Other for motor cars and vehicles	15%
5703.2090	24	Other	15%
5703.3020	25	Of a kind used in vehicles of heading 87.03 and vehicles of sub-headings 8703.2113, 8703.2193, 8703.2195, 8703.2240, 8703.2323, 8703.3223, 8704.2190, 8704.3130, 8704.3190 (cut to size and shaped)	15%
5703.3030	26	Other for motor cars and vehicles	15%
5703.3090	27	Other	15%
5704.1000	28	Tiles, having a maximum surface area of 0.3 m ²	15%

Protection of Economic Reforms Act, 1992 – [PERA]

Act to override other laws

Section 3

The provision of PERA had an overriding effect over Foreign Exchange Regulation Act, 1947, the Customs Act, 1969 and the Income Tax Ordinance, 1979, or any other law for the time being in force.

The Finance Act has restricted this overriding effect only to the extent of Foreign Currency Accounts (Protection) Ordinance, 2001.

Freedom to bring, hold, sell and take out foreign currency

Section 4

The PERA provided freedom to bring, hold, sell and take out foreign currency within or out of Pakistan in any form without any declaration or question except for certain specified transactions.

The aforesaid immunity given to movement of foreign currency from declaration or being questioned has been taken away by the Finance Act.

In addition to any foreign currency purchased from an authorized dealer in Pakistan, foreign currency purchased from money changer or exchange company has also been made subject to declaration and questioning.

Similarly, cross border or inland movement of foreign currencies in cash exceeding US\$ 10,000 or equivalent subject to such annual ceiling as may be prescribed by the State Bank of Pakistan have also been made liable to declaration and questioning.

Immunities to foreign currency accounts

Section 5

The foreign currency accounts were given immunity against any enquiry from Income Tax Department or any other taxation authority as to the source of financing of the foreign currency accounts. The banks were also required to maintain complete secrecy in respect of foreign currency accounts.

The Finance Act has now restricted the requirement for banks of maintaining secrecy only to the extent required under the Foreign Exchange Regulation Act, 1947 or the Income Tax Ordinance, 2001.

The Finance Act further provides restriction on deposit of cash in foreign currency accounts by a citizen of Pakistan, resident in Pakistan, unless the account holder is a filer as defined in the Income Tax Ordinance, 2001.

The Federal Government has also been empowered to make rules governing deposits in and withdrawals from the foreign currency accounts.



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