

# Highlights on Finance Bill 2011

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Direct  
Tax

Indirect  
Taxes



## Highlights on the Finance Bill, 2011

This document summarizes significant changes proposed to be brought to statute vide the Finance Bill, 2011 (Bill) relating to Income Tax, Sales Tax, Federal Excise Duty, Customs and Capital Value Tax.

Effective date of applicability of these changes will be July 1, 2011, unless otherwise mentioned.

For ascertaining any effect of these changes in a particular case, the wordings in the Bill should carefully be examined, taking into consideration the applicable laws and regulations, and precise advice should be sought before taking any decision based on, or acting up on any of the contents hereof.

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June 4, 2011

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## SECTION I BUDGET AT A GLANCE

SOURCES OF FUNDS	2011-12	2010-11	Change	
	Rupees in Billion		%	
Net Revenue Receipts*	1,529	1,377	11.0	
Net Capital Receipts	395	325	21.5	
External Receipts	414	387	6.9	
Self Financing of PSDP by Provinces	430	342	25.9	
Provincial Surplus	125	167	(25.1)	
Bank Borrowings	304	166	82.6	
<b>Total</b>	<b>3,197</b>	<b>2,764</b>	<b>15.7</b>	

APPLICATION OF FUNDS	2011-12	2010-11	Change	
	Rupees in Billion		%	
General Public Service including Debt Servicing	1,820	1,556	16.9	
Defense Affairs and Services	495	442	12.0	
Development Expenditure	882	766	15.1	
<b>Total</b>	<b>3,197</b>	<b>2,764</b>	<b>15.7</b>	

*NET REVENUE RECEIPTS	2011-12	2010-11	Change	
	Rupees in Billion		%	
Tax Revenue	2,074	1,779	16.6	
Non-tax Revenue	658	632	4.1	
Gross Revenue	2,732	2,411	13.3	
Less: Provincial Share in Taxes	1,203	1,034	16.3	
<b>Total</b>	<b>1,529</b>	<b>1,377</b>	<b>11.0</b>	

## **SECTION 2 OVERVIEW OF THE ECONOMY**

The economy of Pakistan has been undergoing a difficult phase since the last three years. The restoration of macroeconomic stability is important and necessary to provide the platform for generating growth, jobs, and improving the quality of life of the people.

These years have been marked by the continuing and intensified security challenges. It is estimated that the direct and indirect costs of the war for the current year are approximately \$ 17.8 billion in the current financial year (2010-11). In addition, the country faced multiple adverse shocks of commodity and oil prices and the fallout of the global financial crisis.

The current year also witnessed the unprecedented calamity of the great floods. It is estimated that these floods wiped out about 2 percentage points from the growth as well as inflicted a massive damage of US\$10 billion on country's economic structure.

Following is an overview of Pakistan economy during the fiscal year 2010-11:

- Although the GDP grew marginally, total investment increased by 6% however, inflation continued to be in double digits.
- Trade Deficit and Current Account Deficit declined substantially and the Foreign Currency Reserves increased to US\$ 17 billion and the value of Rupee remained stable against the US \$.
- Although the country continued to borrow locally and internationally, it was still able to reduce the debt to GDP ratio while the Credit Rating of the country remained at B-.
- The Capital market also indicated economic recovery with KSE – 100 Index increasing by 21.5%.

Summary of key performance indicators are as follows:

<b>Description</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11 P</b>
Gross Domestic Product (GDP) – Growth %	3.7	1.7	3.8	2.4
Total Investment – Growth %	15.6	2.6	(1.6)	6.2
Consumer Price Index (CPI) %	12.0	20.8	11.7	14.1 A
Trade Deficit	54.2	(15.7)	(8.6)	(2.2) M
Current Account Deficit	104.7	(33.3)	(57.4)	(96.8) M
Total Public Debt to GDP Ratio	59.0	59.6	60.2	55.5 M
Foreign Exchange Reserves – US\$ billion	11.4	12.4	16.7	17.0 A
Depreciation in Rupee Value against US\$ %	14.4	19.2	5.0	- M
International Credit Rating – S&P		CCC+	B-	B-
KSE – 100 Index	2.6	(41.0)	35.7	21.5

P = Provisional; M = March 2011; A = April 2011

### **GROWTH**

- The economy has considerably lost significant growth momentum during last three years as the economic growth averaged just 2.6 percent as against 5.3 percent in the preceding eight years.
- Growth during the year is estimated to be a mere 2.4% as compared to 3.8% last year. The Services Sector has a predominant share in the overall growth rate by contributing 90% while Agricultural Sector contributed 10%. The Industrial Sector's contribution was (1%) in the overall growth rate.

- In terms of composition of GDP Growth Rate, consumption expenditure was the only contributing factor with 5.8 points contributed while Total Investments declined slightly and Net Exports declined considerably contributing negative 3.4 points reducing the overall growth rate to only 2.4%. Private Consumption accounts for 88% of the growth in the consumption.
- The reasons for dismal growth performance include devastating floods, deteriorating security situation, and acute energy shortages.

Description	2007-08 Growth %	2008-09 Growth %	2009-10 Growth %	2010-11 Growth % P
Gross Domestic Product (GDP)	3.7	1.7	3.8	2.4
Agriculture	1.0	4.0	0.6	1.2
Manufacturing	4.8	(3.6)	5.5	3.0
Services Sector	6.0	1.7	2.9	4.1

P = Provisional

### INVESTMENT & SAVING

- Growth Rate of Total Investment has slightly increased in the current year after being almost stagnant for the last two years. Total Investment has declined from 22.5 percent of GDP in 2006-07 to 13.4 percent of GDP in 2010-11.
- Public sector investment is crucial for catalyzing economic development and it has created spillover effects for private sector investment through massive increase in development spending particularly on infrastructure in the past. However, squeeze on development expenditures made it to decelerate at a brisk pace. It decelerated from 5.6 percent of GDP in 2006-07 to just 3.3 percent in 2010-11.
- National Savings at 13.8 percent of GDP in 2010-11 is reflecting one of the lowest savings in peer economies. Domestic savings has also declined substantially from 18.1 percent of GDP in 2001-01 to 9.5 percent of GDP in 2010-11.

Description	2007-08 Growth %	2008-09 Growth %	2009-10 Growth %	2010-11 P Growth %
Total Investment	15.6	2.6	(1.6)	6.2
Fixed Investment	15.4	0.9	(3.4)	4.4
Public Investment	15.2	(0.5)	(3.9)	13.9
Private Investment	15.3	1.4	(3.2)	1.1
National Saving - % of GDP	11.5	9.8	9.3	9.5

P = Provisional

### CAPITAL MARKETS

- After two decades, the aggregate market capitalization increased manifold and stood at Rs. 3,148 billion by the end-March 2011 and market strengthened by 15.2% more than last year.
- Investment in capital market during the period July-March 2010-11 by the foreign investors depicted a net inflow of US\$ 301.5 million.
- Only six new companies were listed on all three Stock Exchanges during the current year by end March 2011. Some of the relevant statistics related to the Karachi Stock Exchange are as follows:

Description	2007-08 Growth %	2008-09 Growth %	2009-10 Growth %	2010-11 Growth % M
KSE – 100 Index	2.6	(41.0)	35.7	21.5
Aggregate Market Capitalization	17.0	(43.0)	27.5	15.2
Paid up Capital	11.9	10.6	16.4	1.1
Turnover of Shares	17.2	(55.5)	52.5	(50.6) M
Funds Mobilized (Rs. Billion)	62.9	44.9	135.1	14.8

M = March 2011

## INFLATION

- After declining last year, the Inflation rate has increased again to 14% during the current year until April 2011. Major reasons for inflation include increase in commodity prices in the world and the region, increase in energy prices (electricity, petroleum products, gas and CNG), massive floods in the country causing damages to crops, livestock and infrastructure.
- Food inflation is persistently rising and recorded at 18.4 percent as against 12.0 percent in the comparable period of last year. Non-food component witnessed an increase of 10.4 percent in this period which shows some adjustment against 11 percent in the comparable period of last year. Various inflations indices over the last three years are as follows:

Description	2007-08	2008-09	2009-10	2010-11 P
CPI (Consumer Price Index)	12.0	20.8	11.7	14.1 A
Food Inflation	17.5		12.0 A	18.4 A
Non-food Inflation	7.9		11.0 A	10.4 A
SPI (Sensitive Price Index)	16.8	23.4	13.3	18.5
WPI (Wholesale Price Index)	16.6	18.2	12.6	23.3

P = Provisional

## BALANCE OF PAYMENTS & RESERVES

- The Trade Deficit has improved over the last three years due to increase in exports and relative lower increase in imports. The current account deficit has also decreased substantially over the last three years due to improvement in Trade Deficit and increase in workers' remittances.
- The foreign currency reserve situation also improved due to lower current account deficit and higher remittances. Improvement in reserves brought relative stability in the exchange rate.
- It is expected that the current account situation would further improve in the future owing to expected decrease in international commodity prices. Some of the relevant statistics related to balance of payments and foreign exchange reserves are as follows:

Description	2007-08 Growth %	2008-09 Growth %	2009-10 Growth %	2010-11 M Growth %
Current Account Deficit	104.7	(33.3)	(57.4)	(96.8)
Trade Deficit	54.2	(15.7)	(8.6)	(2.2)
Exports	18.2	(6.4)	2.9	25.0

Description	2007-08	2008-09	2009-10	2010-11 M
	Growth %	Growth %	Growth %	Growth %
Imports	31.2	(10.3)	(1.7)	15.1
Workers' Remittances	17.4	21.1	14.0	22.3
Foreign Direct Investment (FDI)	5,410	3,720	2,151	1,081
Foreign Exchange Reserves – US\$ billion	11.4	12.4	16.7	17.0 A

P = Provisional; M = March 2011; A = April 2011

### PUBLIC DEBT

- Although the Total Public Debt (TPD) of the country has been ever increasing, it is interesting to note that in comparison to previous years, the increase in the TPD during the last two years has been mostly through domestic sources.
- Despite the persistent increase in the Public Debt, the TPD to GDP ratio has decreased slightly due to increase in the GDP. Similarly the ratio of interest payment to the GDP has also decreased slightly.
- Although the Guarantees issued during the year were below the legal upper limit of 2% of the GDP, total outstanding guarantees are Rs. 541.4 billion at April 2010 which is around 3.1% of the GDP.

Description	2007-08	2008-09	2009-10	2010-11
	%	%	%	%
Domestic Currency Debt – Growth	25.5	17.8	20.7	17.4 M
Foreign Currency Debt – Growth	45.3	34.4	14.7	6.4 M
Foreign Currency Debt to Total Public Debt Ratio	45.9	49.2	49.6	45.5 M
Total Public Debt to GDP Ratio	59.0	59.6	60.2	55.5 M
Depreciation in the Value of Rupee against US\$	14.4	19.2	5.0	- M
Domestic Interest Payment as a ratio of GDP	4.2	4.4	3.0	2.5 M
International Credit Rating – S&P	-	CCC+	B-	B-
New Guarantees issued as a percentage of GDP	1.4	2.2	1.5	0.1 A

M = March 2011 A = April 2011

### TAXATION EXEMPTIONS

- Total Taxation exemptions have increased by 11% mainly due to increase in exemptions related to Custom Duties by 24%.
- More than 56% of the total exemptions are in the Custom Duties while 28% relate to the Income Tax and the remaining to the Sales Tax.
- Capital Gains exemptions comprise of 46% of the Income Tax exemptions, while 42% exemptions related to Sector and enterprise specific exemptions.
- Key exemptions of Sales Tax are fertilizer (17%), tractors (19%) and pharmaceutical products (16%), however since 15 March 2011 all three have been made chargeable to Sales Tax.

- Custom exemptions are mainly given on raw materials and components; plant, machinery and equipment imported by high-tech, priority and value added industries; import for energy sector projects; and exemptions to exploration and production companies. Some of these exemptions are due to international contractual obligations.

Description	Rs. Billion			
	2007-08	2008-09	2009-10	2010-11 P
Income Tax	27.6	40.8	46.5	46.5
Sales Tax	17.6	17.5	27.4	25.3
Custom Duties	41.4	61.3	76.3	94.9
<b>Total</b>	<b>86.6</b>	<b>119.6</b>	<b>150.2</b>	<b>166.7</b>

P = Provisional

## SECTION 3 SALIENT FEATURES

### Income Tax

The Bill seeks to:

1. Enhance the **basic exemption limit for individuals** Rs. 300,000 to Rs. 350,000;
2. Allow **tax credit on life insurance premia** and allow extended relaxations for tax **credit on investments** and premia, while increasing the minimum holding period for shares for the purpose of credit to 36 months as against the prevailing period of 12 months;
3. Withdrawal of the monetary limit of Rs. 500,000 on **contribution to approved pension funds** for the purpose of tax credit thereon;
4. Enhance the **tax credit on enlistment** from existing 5% to 15% of tax payable;
5. Allow **tax credit for equity investment** up to 100% of tax payable in case of companies;
6. Increasing the carry-forward period of **minimum tax u/s 113** from existing 3 years to 5 years;
7. Persons subscribing to a commercial or industrial electricity connection with annual bill of Rs. 1 Million and also the cases of business individuals having income between Rs. 300,000 and Rs. 350,000 to file **return of income**;
8. Enhance the threshold for **filing of wealth statements** from Rs. 0.5 Million to Rs. 1 Million. The requirement to file also to cover members of AOPs if their pre-tax share of income is Rs. 1 Million or more;
9. Relax the **timeframe for payment of advance tax on capital gain** to non-individual investors from sale of securities from 7 to 21 days;
10. **Tax deducted on profit on debt** on Government securities to be treated as final tax for non-corporate cases;
11. **6% tax on services** to be brought under the ambit of **minimum tax for companies** also;
12. Enhance the **non-taxable limit for withdrawal from pension funds** at or after the retirement age from existing 25% to 50%;
13. **Filing of withholding statements** on monthly basis instead of prevailing quarterly frequencies;
14. Limit the **scope of advance ruling** to those cases of non-residents which don't have a permanent establishment in Pakistan;
15. Empower FBR or the Chief Commissioner to transfer **case jurisdictions**;
16. Clarify that provisions of section 236A would also apply to **auction by tenders** as they apply to public auctions;
17. Clarify that **tax on purchase of air tickets** is in the nature of advance tax;
18. Bring the tax deducted on certain types of **profit on debt received by non-resident persons** under the ambit of final tax;
19. Grant the exemption from provisions of minimum tax to **pension funds** registered under the Voluntary Pension System Rules, 2005;
20. Enhance the allowable limit for provisioning up to 5% of total **advances for consumers and small and medium enterprises** (SMEs);
21. Increase in tax rate on **dividend received by a banking company** from its asset management company from existing 10% to 20%.

### Sales Tax & Federal Excise

#### Enhancements & Fresh Levies effective June 04, 2011

1. The bill seeks to propose levy of sales tax on **computer software, aircrafts and its spare parts, ambulance fire fighting vehicles, ships of specific tonnage, equipment & machinery for air navigation & for pilotage, salvage or towage for use in ports or airports etc.**, previously being exempt from chargeability of sales tax;
2. The bill seeks to levy Sales Tax on **CNG Kits, Cylinders & Valves for CNG kits** (if supplied for automotive vehicles) and on **import/ supply of commercial catalogues** previously being exempt from chargeability of sales tax;
3. It has been sought to allow **full adjustment of input tax** on **imported or locally purchased fixed assets or capital goods** which previously was adjustable to the extent of ninety percent of the output tax in twelve installments;

4. It has been proposed to charge Sales Tax on **import and supplies of heavy vehicles** including but not limited to **CNG buses, trucks & dumpers, trailers, road tractors, semi-trailers** etc. subject to the conditions specified therein;
5. It has been sought to levy Sales Tax on **defence stores at import stage and local supply, cement/ concrete blocks & bricks, ready mix blocks** previously being exempt from chargeability of sales tax;
6. It has been proposed to enhance the **value addition tax** to the tune of **3%** from existing **2%** chargeable to **commercial importers at import stage**;
7. The bill seeks to impose sales tax **on surgical tapes, ultra sound gel, diapers for adults, agricultural implements etc.**, previously enjoying exemption under the **Sixth Schedule** of the Sales Tax Act, 1990;

#### **Enhancements & Fresh Levies effective July 01, 2011**

1. The bill seeks to enhance the rate of Federal Excise Duty on **cigarettes** to **20% ad val** from existing rate of **Rs.1 per filter rod**; and
2. It has been sought to enhance the rate of Federal Excise Duty on **unmanufactured tobacco** to **Rs.10/- kg from existing Rs.5/kg**.

#### **Withdrawals and Reduction in Rates & Duty**

1. The bill seeks to **reduce the rate of Sales Tax to 16% from existing 17%**;
2. It has been proposed to **abolish the Special Excise Duty**.
3. The bill seeks to reduce rate of Federal Excise Duty on **aerated beverages** from existing **12% to 6%**;
4. The bill seeks to withdraw sales tax on **White Crystalline Sugar at import and local supply** stage and to be replaced by **imposing Federal Excise Duty @ 8%**;
5. It has been proposed to withdraw the Federal Excise Duty on **white cement** while reducing the rate to **Rs.500/ ton** from existing **Rs.700/ ton** on other type of **cements**; and
6. It has been suggested to withdraw the Federal Excise Duty chargeable on **services provided by property developers and promoters**.
7. It has been sought to withdraw Federal Excise Duty of 10% **on motor vehicle, air conditioners, deep freezers & other specified goods**.

#### **Customs**

1. It is proposed to allow repayment of custom duty paid on the importation of **goods used in manufacturing of goods supplied against international tenders**;
2. It is proposed to extend the limitation period under section 32 up to 5 years for taking cognizance of offences relating to **short-paid duty and taxes** in cases unearthed during audit;
3. It is proposed to allow claim of **refund within one year from the date of decision/ judgment** by any officer/ Board/ Tribunal/ Court;
4. It is proposed to empower **FBR to levy transit fee** on any goods or class of goods in transit across Pakistan to a foreign territory;
5. **Reduction in Duties** Custom duty has been proposed to be reduced on raw materials, sub-components, components, sub-assemblies, assemblies of manufacturers of Audio/ Video cassettes, welded steel pipes, wire rope, wire tensile etc, Glass manufacturing, butyle acetate and CNG Compressors;
6. **Withdrawal of concession** Concessionary rate of Custom Duty has been withdrawn on raw materials, sub-components, components, sub-assemblies, assemblies of manufacturers of washing machines , welded steel pipes and CNG Compressors;
7. Customs duty on **active pharmaceutical ingredients** has been reduced to five percent (5%);
8. Custom duty of 5% has been withdrawn on **drugs** viz-a viz Tetanus Toxoid, for prevention of Hepatitis-B;
9. Custom duty has been reduced from 15% ad val. to 10% ad val. leviable on x-mass trees, well-head and integral components and parts thereof imported by **Oil Exploration businesses**;
10. **Sales tax exemption has been withdrawn** in respect items of plant , machinery , equipments and apparatus including capital goods viz-a-viz **agriculture machinery, CNG related machinery, fire fighting vehicles** and **equipment imported by town and municipal authorities, imports by Civil Aviation Authority** for air traffic services and training, aircraft spares & allied items etc;

11. **Withdrawal of Regulatory Duty** Regulatory duty applicable in the range of 5% to 35% has been withdrawn in respect of various dairy products, fruits (fresh & dried), sausage, confectionary, food preparations of flour, fruit/vegetable & allied items, Sauces, water & beverages, vinegar/perfumes & toilet papers, cosmetics, soap & allied, paper & paper board, natural stone & allied, glassware, glass beads & allied, padlocks & allied, pumps/ fans/ washing machines/ AC / freezers, electric appliances & allied, furniture & allied, scents sprays & allied items.

### **Capital Value Tax**

It has been sought to withdraw CVT on purchase of modaraba certificates and instruments of redeemable capital listed on a stock exchange in Pakistan.

## **SECTION 4 INCOME TAX**

### **1. INDIVIDUALS**

**Basic exemption limit** **[First Schedule Part I Div I]**  
The bill seeks to enhance the basic exemption limit for individuals Rs. 300,000 to Rs. 350,000.

### **2. DEFINITIONS**

**Assessment** **[Section 2(5)]**  
The concept of Provisional Assessment was brought to the statute vide the Finance Act, 2010. The Bill now seeks to amend the definition of assessment by including provisional assessment in the definition of assessment.

**Collective Investment Scheme** **[Section 2(11C)]**  
For clarity, it has been sought to adopt the definition of Collective Investment Scheme from the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

### **3. INCOME FROM BUSINESS**

**Scope of income covered under income from business** **[Section 18(d)]**  
The fair market value of any benefit or perquisite, whether convertible into money or not, derived by a person in the course of, or by virtue of, a past, present, or prospective business relationship is covered under the head income from business. It has now been sought to clarify by way of an explanation that for the purposes of this clause, the word 'benefit' includes any benefit derived by way of waiver of profit on debt or the debt itself under the State Bank of Pakistan, Banking Policy Department, Circular No.29 of 2002 or in any other scheme issued by the State Bank of Pakistan.

### **4. TAX CREDITS**

**Tax credit for investment in shares and insurance** **[Section 62]**  
The Bill seeks to extend the scope of tax credits to life insurance premia paid by resident salaried and business individuals to insurance companies registered with Securities and Exchange Commission of Pakistan under the Insurance Ordinance, 2000.

Moreover, the following amendments have been proposed:

***Eligible amount for tax credit***

- a. relaxing the restriction of 10% on person's taxable income for the year to 15%;
- b. enhancing the monetary threshold of Rs. 300,000 to Rs. 500,000.

***Minimum holding period for investment***

Increasing the minimum holding period for investment from prevailing 12 months to 36 months.

**Contribution to an Approved Pension Fund** **[Section 63]**  
It has been sought to withdraw the monetary limit of Rs. 500,000 on contribution to approved pension funds.

**Tax credit for enlistment** **[Section 65C]**  
Finance Act, 2010 introduced a tax credit at 5% of tax payable to entities going for fresh enlistment at registered stock exchanges in Pakistan. The Bill now seeks to enhance this credit to 15% of tax payable.

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**Tax credit for equity investment**

**[Section 65D]**

The Bill seeks to introduce a new credit to the cases of companies equal to 100% of the tax payable for:

- a. establishing a new industrial undertaking for manufacturing in Pakistan; or
- b. investing any amount in the purchase and installation of plant and machinery, for the purposes of balancing, modernization and replacement of the plant and machinery, already installed therein, in an industrial undertaking set up in Pakistan with 100% equity ownership,

The credit is proposed to be allowed for investments on or after first day of July, 2011, for a period of 5 years or commencement of commercial production, whichever is later.

It has also been sought that where any credit is allowed under this section and subsequently it is discovered by the Commissioner Inland Revenue that any of the condition specified in the proposed section was not fulfilled, the Commissioner Inland Revenue may re-compute the tax.

**5. ANTI-AVOIDANCE**

**Unexplained income or assets**

**[Section 111(d)]**

It has been sought to enhance the purview of un-explained income to cases where a person has concealed income or furnished inaccurate particulars of income including:

- a. the suppression of any production, sales or any amount chargeable to tax; or
- b. the suppression of any item of receipt liable to tax in whole or in part.

**6. MINIMUM TAX**

**Minimum tax on the income of certain persons**

**[Section 113]**

Minimum tax is presently applicable to the cases of resident companies and individuals & AOPs (both having turnover of Rs. 50 Million or above) irrespective of loss or certain other specified reasons. Moreover, this minimum tax is allowable to be carried forward and adjusted against tax liability for three tax years immediately succeeding the tax year for which the amount was paid.

The Bill now proposes that a relaxation of five years be granted to these cases as against the prevailing carry-forward and adjustment period of three years.

It has also been proposed to include gross sales, presumably as a matter of clarification, to the purview of turnover.

**Taxation of income of certain retailers**

**[Section 113B]**

It has been sought to do away with the correction of reference to updated sales tax statute for special procedures.

**7. FILING OF RETURNS**

**Return of income**

**[Section 114]**

It has been proposed that the following cases be required to furnish return of income:

- a. persons who are holder of commercial or industrial connection of electricity where the amount of annual bill exceeds Rs. 1 Million;
- b. business individuals having income between Rs. 300,000 and Rs. 350,000.

The Bill also seeks to clarify that return of income need to be accompanied by:

- a. due payment of tax; and
- b. wealth statement, as required under section 116.

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**Wealth statement**

**[Section 116]**

The Bill seeks to enhance the threshold for filing of wealth statements, along with wealth reconciliation statement, from existing cases with income of Rs. 0.5 Million to Rs. 1 Million and also seeks to clarify that this requirement applies to cases of individuals only.

It has also been sought that the requirement for filing wealth statement, along with wealth reconciliation statement, be made applicable to members of an association of persons (AOP) whose share from the income of such AOP, before tax, for the year is Rs. 1 Million or more. These statements need to be filed along with the return of income of the AOP.

It has also been sought to clarify that a wealth reconciliation statement also needs to be filed along with wealth statement upon furnishing return in response to provisional assessment u/s 122C.

It has further been sought that where the return of income of an AOP is furnished in response to provisional assessment, its members would also be required to file wealth statements along with wealth reconciliation statements.

**8. APPEALS**

**Appeal to the Commissioner (Appeals)**

**[Section 127]**

It has been sought to clarify that the right of appeal against a provisional assessment order framed under section 122C is not available as a remedy since the person is entitled to file the return of income along with required statements within a period of sixty days in these cases.

**Appointment of the Appellate Tribunal**

**[Section 130]**

The Bill seeks to make administrative change to accommodate gender for the Chair. It has also been sought to reduce the financial threshold from Rs. 5 Million to Rs. 1 Million in respect of powers of the Chairperson and other member of the Appellate Tribunal authorized by the Chairperson in this regard.

**Disposal of appeals by the Appellate Tribunal**

**[Section 132]**

It has been sought to limit the procedure on default by a party to ex-parte order by the Tribunal by proposing to omit the option for dismissal of the appeal.

**9. COLLECTION AND RECOVERY OF TAX**

**Due date for payment of tax**

**[Section 137]**

Without proposing to change the 15 days' time allowed for payment under an assessment order or an amended assessment order or any other order issued by the Commissioner, the Bill seeks to mention the immediate nature of this payment.

**10. ADVANCE TAX AND DEDUCTION OF TAX AT SOURCE**

**Advance tax paid by the taxpayer**

**[Section 147]**

It has been sought to increase the timeframe for payment of advance tax on capital gain from sale of securities for non-individual investors from 7 to 21 days.

**Profit on debt**

**[Section 151]**

Tax deducted on profit on debt received on securities issued by Federal, Provincial & Local Governments was presently advance tax. The Bill now seeks to bring this under final tax for non-corporate cases.

**Payments for goods, services and contracts**

**[Section 153]**

The Bill seeks to re-organize section 153, which was much needed since repeated amendments to this section over the years, in addition to consolidating related matters already covered in other sections of the Ordinance.

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However, it appears that the only conceptual change is to the case of companies rendering services which are proposed to be considered at par with non-corporate cases by bringing them under the ambit of minimum tax.

It has also been sought to include a definition of 'turnover' for the purpose of section 153. The apparent contradiction between the proposed definition in this section and that given in section 113 is that the proposed definition is based on *including* Sales Tax and Federal Excise Duty and, most particularly, any trade discounts shown on invoices or bills while the definition as per section 113 *excludes* these items for calculating turnover.

**Withdrawal of balance under Pension Fund**

**[Section 156B]**

It has been sought to enhance the non-taxable limit for withdrawal from pension funds at or after the retirement age from existing 25% to 50%.

**Statements**

**[Section 165]**

It has been proposed to revert to filing of withholding statements on monthly basis, however, it appears that the word 'quarter' in section 165(1)(a) has erroneously been ignored.

In line with the proposed change, it has also been proposed that the filing timelines be set by the 15<sup>th</sup> day of succeeding month.

It has also been proposed to include cases of employees where income is between Rs. 300,000 to Rs. 350,000 in the annual statement of tax on salary.

**Tax collected or deducted as a final tax**

**[Section 169]**

Pursuant to the proposed changes on taxability of profit on debt and re-organization of section on payments for goods, services and contracts; the Bill seeks to make consequential changes to section 169.

**11. ADVANCE RULING**

**[Section 206A]**

The Bill proposes to limit the scope of advance ruling to those cases of non-residents which don't have a permanent establishment in Pakistan.

**12. ADMINISTRATION**

**[Section 206A]**

The Bill seeks to empower the Federal Board of Revenue or the Chief Commissioner, as the case may be, to transfer jurisdiction in respect of cases or persons from one Commissioner to another.

**13. TRANSITIONAL ADVANCE TAX PROVISIONS**

**Advance tax at the time of sale by auction**

**[Section 236A]**

Further to the issuance of Circular No. 10 dated July 16, 2010, it has now been sought to formally bring on statute that provisions of section 236A would also apply to auction by tenders as they apply to public auctions.

**Advance tax on purchase of air ticket**

**[Section 236B]**

Further to the issuance of Circular No. 10 dated July 16, 2010, it has now been sought to formally bring on statute that tax on purchase of air tickets is in the nature of advance tax. It has been sought to adopt from the said Circular that this advance tax shall not be collected from:

- a. the Federal Government or a Provincial Government; and
- b. a person who produces a certificate from the Commissioner Inland Revenue that income of such person during the tax year is exempt.

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**14. EXEMPTIONS FROM TOTAL INCOME**

**[Second Schedule Part I]**

**Exemption granted**

Any income derived by the Islamic Development Bank from its operations in Pakistan in connection with its social and economic development activities. **[Clause (107A)]**

**Omissions (withdrawals) proposed**

1. Donations paid to:
  - a. Bank of Commerce and Credit International Foundation for Advancement of Science and Technology; **[Clause (61)(xi)]**
  - b. BCCI Foundation; **[Clause (61)(xxv)]**
2. Certain expired, time barred exemptions presently appearing on statue are also proposed to be omitted.

**15. REDUCTION IN TAX RATES**

**[Second Schedule Part II]**

It has been sought to bring the tax deducted on profit on debt received by a non-resident person having no permanent establishment in Pakistan under the purview of final tax, provided that it is received on debt instruments, Government securities including treasury bills and Pakistan Investment Bonds where the investments are exclusively made through a Special Rupee Convertible Account maintained with a Bank in Pakistan. **[Proviso to Clause (5A)]**

**16. REDUCTION IN TAX LIABILITY**

**[Second Schedule Part III]**

The Bill seeks to clarify that tax under section 148 shall not exceed the amount specified in Notification No. S.R.O. 577(I)/2005, dated the 6th June, 2005 in respect of old and used automotive vehicles.

**[Clause (4)]**

**17. EXEMPTION FROM SPECIFIC PROVISIONS**

**[Second Schedule Part IV]**

**Exemptions granted**

1. It has been sought to extend the exemption from provisions of minimum tax to pension funds registered under the Voluntary Pension System Rules, 2005. **[Clause (11A)]**
2. The Bill seeks to grant exemption to the Islamic Development Bank from the provisions of section 151 (profit on debt), 152 (payments to non-residents), 153 (payments for goods and services) and 233 (brokerage and commission). **[Clause (38C)]**

**10. SEVENTH SCHEDULE**

- a. It has been proposed to enhance the allowable limit for provisioning up to 5% of total advances for consumers and small and medium enterprises (SMEs), which was previously available at 1% at par with other cases. **[Rule 1(c)]**
- b. The Bill seeks to add a new proviso that Dividend received by a banking company from its asset management company shall be taxed at the rate of 20% as against the normal rate of 10% for other cases. **[Rule 6]**

## **SECTION 5 SALES TAX & FEDERAL EXCISE DUTY**

### **1. SALES TAX ACT, 1990**

#### **Scope of Tax**

**[Section 3]**

It has been sought to reduce the rate of sales tax to 16% from the existing 17%.

#### **Adjustable Input Tax**

**[Section 8B]**

In respect of fixed assets and capital goods, the bill seeks to facilitate the tax payer by abolishing:

- a. the existing restriction, which limits the adjustment of input tax to the extent of 90% of output tax, thereby making the full amount of input tax adjustable against the output tax; and
- b. the requirement to claim these adjustments over 12 months.

#### **De-Registration, Blacklisting & Suspension of Registration**

**[Section 21]**

With a view to add clarity, it has been proposed to include the enunciations of Rule 12 of Sales Tax Rules, 2006.

#### **Return**

**[Section 26]**

The bill seeks to facilitate by allowing revision in the special return, filed under relevant provisions of the Sales Tax Act 1990, within 120 days of the filing of the special return.

#### **Refund to be claimed within One Year**

**[Section 66]**

It has been sought to insert a proviso to disallow refund if the incidence of tax has been passed directly or indirectly to the consumer.

#### **Exemptions**

**[Sixth Schedule]**

**Exemptions withdrawn w.e.f. June 04, 2011:**

**[Table I – Imports or Supplies]**

S #.	Description	Heading/ Sub-Heading No.
29A.	Surgical tapes	30.05
29B.	Ultrasound gel	3006.7000
30.	Diaper for adults (patients)	4818.4010
34.	Bricks	6901.0000
35.	Building blocks of cements including ready mix concrete blocks	6810.1100
41.	Computer software	8523.2990, 8523.4010, 8523.4090, 8523.5990 & 8523.8090
42.	Ambulances, firefighting vehicles, waste disposal trucks, break down lorries, special purposes vehicles for the maintenance of street lights & overhead cables	87.02, 87.03, 8704.2200, 8704.2300, 8705.3000
43.	Aircrafts	8802.2000, 8802.3000 & 8802.4000
44.	Ships, of gross tonnage exceeding 15 LDTs, excluding those for recreational or pleasure purpose	8901.2000, 8901.3000 & 8901.9000
62.	Defence stores, whether manufactured locally or imported by the Federal Government against foreign exchange allocation for defence, including trucks, trailers & vehicles falling under PCT heading 87.04 of the first schedule to the Customs Act, 1969 (IV of 1969), specially modified for mounting defence equipment's, their parts and accessories for supply to Armed Forces.	Respective Headings
64.	Spare parts & equipment's for aircraft & ships covered by serial number 43 & 44 above.	Respective Headings

65.	Equipment's & machinery for pilotage, salvage or towage for use in ports or airports	Respective Headings
66.	Equipment's & machinery for air navigation	Respective Headings
67.	Equipment's & machinery used for service provided for handling of ships or aircrafts in a customs-port or customs-airport	Respective Headings
68.	Such plant & machinery as is notified by the federal Government in the official Gazette but if imported, these shall be entitled to exemption from sales tax on importation if these are not manufactured in Pakistan.	Respective Headings
69.	Bulldozers and combined harvesters and components (which include sub-components, components, sub-assemblies and assemblies but exclude consumables) imported in any kit form and irect materials or assembly or manufacture thereof, subject to the same conditions as are envisaged for the purpose of exemption under the Customs Act 1969 (IV of 1969)	Respective Headings
70.	Import and supply of fully dedicated CNG Euro-2 buses whether in CBU or CKD condition.	8702.9010 & 8702.9090

**[Table II – Local Supplies]**

S #.	Description	Heading/ Sub-Heading No.
5.	Supply of other such agricultural implements as may be specified in a notification to be issued by the Federal government in the official gazette	Respective headings

## 2. SALES TAX SPECIAL PROCEDURES RULES, 2007

### Payment of Sales Tax on Account of Minimum Value Addition

**[Rule 58B]**

It has been proposed to enhance the sales tax **to 3% from existing 2% chargeable on account of minimum value addition levied & collected at import stage of goods**, other than those imported by manufacturer for in-house consumption.

## 3. SALES TAX NOTIFICATIONS (SROS)

<b>S.R.O 480(I)/ 2011</b>	<b>Withdrawal of Exemptions from Sales Tax</b>	
	To direct that the following (SROs) to be rescinded w.e.f June 04, 2011:	
	<b>S.R.O 1240(I)/ 2005</b>	Sales Tax Exemption on Dump Trucks
	<b>S.R.O 542(I)/ 2006</b>	Sales Tax Exemption on supply of locally manufactured agricultural machinery, equipment & implements and import of agricultural machinery, equipment & implements as specified under the respective custom concessionary notification;
	<b>S.R.O 275(I)/ 2008</b>	Sales Tax Exemption on import and supply of CKD kits of single cylinder agricultural diesel engine of 3 to 36 HP
	<b>S.R.O 551(I)/ 2008</b>	Withdrawing sales tax exemption on CNG Kits, cylinders and valve for CNG Kits to be used for automotive vehicles and import and supply of commercial catalogues;
	<b>Notification # 1(3) STM/ 2004 (PT-II)</b>	Sales tax at 8% on sugar
<b>S.R.O 481(I)/ 2011</b>	<b>Amendments to SROs</b>	
	The SRO seeks to amend clauses in the following SROs w.e.f. June 04, 2011:	
	<b>S.R.O 551(I)/ 2008</b>	<b>Change in mode of tax</b> – Withdrawing sales tax chargeable at the reduce rate of 8% on white crystalline sugar on local supply stage and the same has now been subject to federal excise duty in sales tax mode @ 8%. It appears that through the said amendment, white crystalline sugar will be taxable @ 8% at import & manufacturing stage & all other types of sugar will be taxable @ 16% at import & supply stage.  <b>Sales tax exemption</b> has been granted on reclaimed lead if supplied to recognized manufacturers of lead batteries;
<b>S.R.O 482(I)/ 2011</b>	<b>Enhancement of rate of value addition tax on Commercial Importers</b>	
	The SRO proposes to amend the special procedure rules 2007 by substituting the rate of value addition tax chargeable to commercial importers to 3% instead of the existing 2%.	

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<b>S.R.O</b> <b>485(I)/ 2011</b>	<b>Withdrawal of Zero Rating Facility available to Manufacturer cum Importer</b> To direct that S.R.O.1161(1)/ 2007 dated November 30, 2007 relating to chargeability of sales tax at the rate of zero percent on fulfillment of specified conditions in respect of goods imported for the manufacture of diapers to be rescinded w.e.f June 04, 2011:
<b>S.R.O</b> <b>486(I)/ 2011</b>	<b>Withdrawal of Zero Rating Facility on items available through SRO 549(I)/2008</b> It has been sought to amend S.R.O 549(1)/2008 by withdrawing chargeability of sales tax at the rate of zero percent on dedicated CNG buses for transportation of passengers, truck & dumpers, trailers and semi trailers and road tractors, prime movers whether in CBU condition or kit form w.e.f June 04, 2011
<b>S.R.O</b> <b>487(I)/ 2011</b>	a. The S.R.O seeks to withdraw the provision of Sales Tax Rule 14(A) relating to revision of sales tax return by a registered person irrespective of the fact whether or not such person has filed to the commissioner any application for such revision; and  b. The time limit available to the committee for passing order under the Alternate Dispute Resolution has been enhanced to ninety days (90) from existing sixty (60) days

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#### 4. FEDERAL EXCISE ACT, 2005

##### **Definition**

**[Section 2(16b)]**

The Bill seeks to clarify that the scope of definition of manufacturing by including the process of preparation of unmanufactured tobacco by drying, cutting and thrashing of raw tobacco under the purview of manufacture.

##### **Special Excise Duty**

**[Section 3A]**

It has been proposed to abolish the special excisable duty presently chargeable on goods produced or manufactured in Pakistan and goods imported into Pakistan.

##### **Default Surcharge**

**[Section 8]**

The Bill seeks to insert an explanation by including the words of per annum with respect to rate of interest for the calculation of default surcharge under the Federal Excise Act 2005.

##### **Recovery of Unpaid Duty or of Erroneously Refunded Duty or Arrears of Duty, etc. [Section 14]**

It has been suggested to harmonize the Federal Excise Act with the Sales Tax Act, 1990 by enhancing the time period from 3 to 5 years for issuance of show-cause in case of duty short levied, unpaid or erroneously refunded, as the case may be.

Further, the bill seeks to specify a period of 120 days from the issuance of show cause notice or such extended period as may be notified by the commissioner (provided the extended period not to exceed 60 days), for passing an order as deemed appropriate.

However, proceedings if adjourned for a period not exceeding 30 days, due to a stay order or Alternate Dispute Resolution shall be excluded from the computation of the periods for passing of the order.

##### **Power to Seize**

**[Section 26]**

The Bill seeks to widen the scope of seizure of counterfeited and unlawfully manufactured goods and empower to seize beverages if counterfeited or unlawfully manufactured.

##### **Alternative Dispute Resolution**

**[Section 38]**

With a view to bring uniformity with the Sales Tax Act, 1990, the time period for passing of an order under the Federal Excise Act, 2005 by the board pertaining to a matter referred to alternate dispute resolution has been specified to be within 45 days from the receipt of recommendation of the committee constituted by the board in this respect.

**Rates of Duty**

a. The Bill also seeks to propose following changes to the rates of duty.

**[Table 1 to First Schedule to the Act]**

S #.	Description	Heading/ Sub-Heading No.	Existing	Proposed
4.	Aerated waters	2201.1020	12%	6%
5.	Aerated waters, containing added sugar or other sweetening matter or flavor	2202.1010	12%	6%
6.	Aerated waters if manufactured wholly from juices or pulp of vegetables, food grains or fruits and which do not contain any other ingredients, other than sugar, coloring material, preservatives or additives in quantities as specified;	Respective headings	10%	6%
7.	Unmanufactured Tobacco	24.01	Rs.5/ kg	Rs.10/ kg
13.	Portland cement, Aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not colored or in the form of clinkers	25.23	Rs.700 per metric ton	Rs.500 per metric ton
50.	Filter rod for cigrates	2201.1020	Rs.1 per filter rod	20% Ad Val

b. The Bill seeks to propose following changes to the description and rate of the Federal Excise Duty.

**[Table 1 to First Schedule to the Act]**

Existing		Proposed	
Description of goods	Rate of FED	Description of goods	Rate of FED
9.	Locally produced cigarettes if their retail price exceeds nineteen rupees and fifty paise per ten cigarettes 65% of retail price	Locally produced cigarettes if their retail price exceeds twenty one rupees per ten cigarettes	65% of retail price
10.	Locally produced cigarettes if their retail price exceeds Ten rupees per ten cigarettes but does not exceed nineteen rupees and fifty paise per ten cigarettes Rs.5.25 per 10 cigarettes plus 70% per incremental rupee or part thereof	Locally produced cigarettes if their retail price exceeds Eleven rupees and fifty paise per ten cigarettes but does not exceed twenty one rupees per ten cigarettes	Rs.6.04 per 10 cigarettes plus 70% per incremental rupee or part thereof
11.	Locally produced cigarettes if their retail price does not exceed Ten rupees per ten cigarettes Rs.5.25 per 10 cigarettes	Locally produced cigarettes if their retail price does not exceed Eleven rupees and fifty paise per ten cigarettes	Rs.6.04 per 10 cigarettes

c. While the sales tax on White Crystalline Sugar has been withdrawn, the Bill seeks to levy Federal Excise Duty on this item at the rate of 8% ad valorem under sales tax mode with entitlement for adjustment with the sales tax.

**[Second Schedule]**

**Exemptions**

The bill seeks to exempt the whole amount of Federal Excise Duty leviable on the certain items by omitting certain entries in to the First Schedule.

**[Table 1]**

S #.	Description	Heading/ Sub-Heading No.	Existing
17.	Solvent oil (non-composite)	2710.1150	Rs.13 per Litre
18.	Other	2710.1190	88 paise per Litre

21.	Other fuel oils	2710.1949	Rs.185 per metric ton
26.	Mineral greases	2710.1992	Rs.25 per kilogram
28.	Transformer oil	2710.1997	10% of retail price or Rs.7.15 per litre whichever is higher
29.	Other mineral oils excluding sweing machine oil	2710.1999	15% ad val
30.	Waste oil	2710.9100 & 2710.9900	10% of retail price or Rs.7.15 per litre whichever is higher
39.	Carbon black oil (carbon black feed stock) including residue carbon oil	2707.9910, 2713.9010 & 2713.9020	Rs.7.15 per Litre
40.	Methyl Tertiary Butyale Ether (MBTE)	2909.1910	88 paise per Litre
46.	Greases	3403.1910	Rs.25 per kilogram
47.	Organic composite solvents & thinners, not elsewhere specified or included; prepared paint or warrnished removers:	3814.0000	
	(i) Solvent oil (composite)		Rs.13 per litre
	(ii) Other (excluding thinners)		10% of retail price
48.	Viscose staple fibre	Respective heading	10% ad val
49.	Motor cars & other motor vehicles principally designed for the transport of persons (other than those of heading 87.02), including station wagons & racing cars of cylinder capacity exceeding 850cc	87.03	5% ad val
51.	Air conditioners	Respective heading	10% Ad Val
52.	Deep freezers	Respective heading	10% Ad Val

**[Table II]**

S #.	Description	Heading/ Sub-Heading No.	Existing
12.	Services provided by property developers or promoters for:		
	(a) Development of purchased or leased land for conversion into residential or commercial plots	9814.3000	Rs.100 per sq. yard
	(b) Construction of residential or commercial units	9814.3000	Rs.50 per sq. foot of covered area

## 5. FEDERAL EXCISE SROs

<b>S.R.O 489(I)/ 2011</b>	<b>Withdrawal on S.E.D on Import and Local Manufacturer</b> To direct that S.R.O.655(1)/ 2007 dated June 29, 2007 relating to chargeability of special excise duty be rescinded w.e.f. July 01, 2011;
<b>S.R.O 484(I)/ 2011</b>	<b>F.E.D on Cable Operators</b> It has been sought to rescind SRO 364(1)/ 2007 dated may 03, 2007 relating to chargeability of federal excise duty on cable T.V operators at the rate of Rs.8 per subscriber per month;
<b>S.R.O 488(I)/ 2011</b>	<b>F.E.D on Franchise Fee or Technical Fee or Royalty, Franchise Agreement</b> The SRO seeks to enhance the rate of Federal Excise Duty chargeable on franchise fee or technical fee or royalty under a franchise agreement to 10% from the existing rate of 5% of the value of taxable services;

## **SECTION 6 CUSTOMS**

### **3. CUSTOMS ACT, 1969**

#### **Prohibitions**

**[Section 15(c)]**

The Bill seeks to omit from clause c of section 15 “, or goods imported or exported in contravention of the provision of Section 32” to eliminate the possibility of misuse of powers by relevant authorities.

#### **Power to deliver certain goods without payment of duty and to repay duty on certain goods**

**[Section 21(c)]**

The Bill seeks to insert “ or for supplies against international tenders,” after the word and comma “ exportation” to allow repayment of customs duties paid on the importation of any goods used in the manufacturing of goods supplied against international tenders.

#### **Re-importation of goods produced or manufactured in Pakistan.**

**[Section 22]**

The Bill seeks to amend proviso of section 22 by omitting “, or Deputy Collector” to remove existing superfluity.

#### **False statement, error, etc.**

**[Section 32(3A)]**

The Bill seeks to substitute the word “three” by the word “five” to align sub-section 3A with the provisions of sub-section 2 where time limit for taking cognizance of cases is already five years.

#### **Refund to be claimed within one year**

**[Section 33]**

The Bill seeks to insert a new sub-section to allow claim of refund within one year from the date of decision or judgment by any officer/ Board/ Appellate Tribunal /Court.

#### **Power to give credit for, and keep account-current of duties and charges**

**[Section 34]**

The Bill seeks to amend section 34 by omitting “, or Deputy Collector” to remove existing superfluity.

#### **Payment of rent and warehouse dues**

**[Section 96(1)]**

The Bill seeks to amend sub-section 1 by omitting “, or Deputy Collector” to remove existing superfluity.

#### **Levy of transit fee**

**[Section 129A]**

The Bill seeks to insert a new section to empower the Board to levy a transit fee on any goods or class of goods in transit across Pakistan to a foreign territory at such rates as may be notified.

#### **First Schedule**

The Bill seeks to amend the first schedule to Customs Act, 1969, with respect to following;

#### **Corrections in description** of following PCT Codes

PCT Codes	Description	CD%
(1)	(2)	(3)
2923.9010	- - -Betaine	5
2930.9060	- - -O.O. diethyl O (3,5,6-trichloro 2-pyridyl) phosphorothioate	5

**Creation of new PCT codes** for following items along with proposed rate of custom duty

PCT Codes	Description	CD%
(1)	(2)	(3)
7404.0010	--- Brass scrap	0
7404.0090	--- Others	0
7407.1010	--- Bars	5
7407.2100	-- Of copper-zinc base alloys(brass)	5
8710.0010	--- Armored cash carrying vehicles	20
8710.0090	--- Other	20

It has also been proposed to substitute the word "Machinery" for the word "Goods" in PCT Code 9918 to remove ambiguity in re-import scheme.

**4. CUSTOMS NOTIFICATIONS**

**Withdrawals, exemptions & reductions**

**Reduction in Customs Duty** on raw materials, sub-components, components, sub-assemblies, assemblies of the following is reduced: **[SRO 475(I)2011]**

PCT Code	Description	Revised Custom Duty (w.e.f. June 4, 2011)	Existing Custom Duty	Manufacturer of Goods
8523.2990	Others	10% ad val	20%	Audio/video cassettes
7208.3790	HRC (prime quality) of a thickness of 4.75 mm or more but not exceeding 10 mm.	5% ad val.	10%	
7208.3890	HRC (prime quality) of a thickness of 3 mm or more but less than 4.75 mm.	5% ad val.	10%	
7208.3990	HRC (prime quality) of a thickness of less than 3 mm.	5% ad val.	10%	
7209.1690	CRC (prime quality) of a thickness exceeding 1mm but less than 3 mm.	5% ad val.	10%	Welded Steel Pipes
7209.1790	CRC (prime quality) of a thickness of 0.5 mm or more but not exceeding 1 mm.	5% ad val.	10%	
7227.9000	Others	5% ad val.	20%	Wire rope, Wire (High Tensile), High Carbon and pre-stressed concrete wire/ strands, Core wire for ACSR spring wires.
3208.1010	Mirror Backing Plant	10% ad val.	20%	
7001.0000	Cullet and other waste/scrap of glass	5% ad val.	10%	Glass Manufacturing
3814.0000	Sabutol	5% ad val.	20%	Butyl Acetate
8482.2000	Bearings	0% ad val.	20%	
8482.4000	Bearings	0% ad val.	15%	
8413.8110	Geared pump	0% ad val.	15%	
8481.3000	Valves	0% ad val.	15%	
8481.4000	Valves	0% ad val.	15%	
8413.8190	Forced feed lubricator pump	0% ad val.	20%	CNG Compressors
9026.2000	Pressure and temperature gauges	0% ad val.	25%	
9026.1000	Water flow switch	0% ad val.	20%	
8501.5290	Electric motor	0% ad val.	20%	
8501.5310	Electric motor	0% ad val.	20%	
8536.3000	Junction box, Glands	0% ad val.	20%	

8414.9090	Oil filter assembly	0% ad val.	15%
4009.2190	Flexible pressure hoses	0% ad val.	20%
4009.1190	Flexible water hoses (SS braided)	0% ad val.	20%
7304.4100	SS Tubes/ Pipes	0% ad val.	5%
7306.9000		0% ad val.	15%
7604.2910	Aluminum bars 6082, 7075, T-6	0% ad val.	10%
8414.9090	Connecting rods forged 8.5 Kg	0% ad val.	15%
8414.9090	Pistons pins, Rods and Rings	0% ad val.	15%

**Withdrawal of concession** Following raw materials, sub-components, components, sub-assemblies, assemblies have been omitted from SRO 565(1)/2006 dated 5<sup>th</sup> June 2006; **[SRO 475(I)2011]**

PCT Code	Description	Custom Duty as per Tariff	Custom Duty as per SRO	Manufacturer of Goods
7208.3690	Hot Rolled Steel Sheets	10%	5% ad val	Washing machines
7208.1090	Hot rolled steel coils/strips.	10%	5% ad val	Welded Steel Pipes
7209.1590	Cold Rolled Steel Coils (Prime Quality)	10%	5% ad val	
4009.4200	High Pressure Gas Pipes	20%	0% ad val.	CNG Compressors
7306.9000	Steel Pipes	15%	0% ad val.	
8414.9090	Cylinder Block Assy.	15%	0% ad val.	
8414.9090	Frame Assy.	15%	0% ad val.	
8414.9090	Skid Assy.	15%	0% ad val.	
8419.8990	Cooler Assy.	20%	0% ad val.	
8421.3990	Separator Assy.	25%	0% ad val.	
8501.5310	Electric Motor	20%	0% ad val.	
8538.1000	Switch Cabinet Assy.	20%	0% ad val.	
8538.1000	Control Cabinet Assy.	20%	0% ad val.	

**Reduction of Customs Duty** Custom duty has been reduced on the following pharmaceutical items: **[SRO 476(I)2011]**

HS Code	Description	Revised Rate of Duty	Existing Duty as per Tariff
<b>ACTIVE PHARMACEUTICALS INGREDIENTS</b>			
2933.3990	Fexofenadine	5%	10%
2933.3990	Ebastine	5%	10%
2933.3990	Isoniazid	5%	10%
2933.3990	Omeprazole Pellets	5%	10%
2933.5990	Sparfloxacin	5%	10%
2933.9990	Amiloride HCL	5%	10%
2933.9990	Candesartan Cilextle	5%	10%
2933.9990	Pheneramine Maleate	5%	10%
2934.1090	Pioglitazone HCL	5%	10%
2935.0090	Glibenclamide	5%	10%
2935.0090	Thiocolchicoside	5%	10%

2935.0090	Hydrochlorothiazide	5%	10%
2941.5000	Roxithromycin	5%	10%
2941.5000	Clarithromycine Granules	5%	10%
2941.9090	Ceftriaxone	5%	10%
2941.9090	Cefotaxime	5%	10%
2941.9090	D-Cycloserine	5%	10%
3005.9010	Acrinol Pad	5%	10%
3005.9090	Benzalkonium Chloride Pad (BKC)	5%	25%
3824.9099	Losartan Potassium	5%	10%
3913.9090	Chondrotin Sulphate	5%	10%
3920.9900	Polyethylene Film	5%	20%
<b>DRUGS</b>			
3002.2010	Tetanus Toxide	0%	5%
3002.2020	For Prevention of Hepatits-B	0%	5%

**Reduction in Customs Duty** Customs duty has been reduced from 15% ad val. to 10% ad val. Leviable on X-mass trees, well-head and integral components and parts thereof imported by E&P Companies, their Contractors, sub-contractors and service companies. **[SRO 478(I)2011]**

**Withdrawal of Sales tax Exemption** Sales tax exemption has been withdrawn in respect of the following items of plant, machinery, equipments and apparatus including capital goods specified in SRO 575(1)/2006 dated 5<sup>th</sup> June 2006. **[SRO 477(I)2011]**

- a) Agriculture Machinery.
- b) Imports of items by the local assemblers of vehicles and companies having CNG licenses viz-a viz Compressors, Mass Flow CNG dispensers, Storage cylinders, CNG vehicle Cylinders, CNG vehicle conversion kits. LPG Dispensers imported by a company having LPG licenses.
- c) Off-highway dump trucks of 320 hp and above, On Highway Dump Trucks of 320 HP and above, Cement bulk semi-trailers without prime movers.
- d) Imports of items by municipal authorities/local bodies/cantonment boards viz-a-viz Ambulances, Firefighting vehicles, Waste disposal truck, Incinerators for disposal waste management, Motorized sweepers, Breakdown Lorries, Special purpose vehicles for the maintenance of street lights & overhead cables, Snow ploughs and Road sweeping lorries.
- e) Fire fighting vehicles and equipment imported by town and municipal authorities.
- f) Aircraft spares, parts, tyres, navigational equipment, accessories for maintenance and operations of aircrafts, chemicals, lubricants and paints, air tickets, aircraft carpet, aircraft fabric, skydrol (brake fluid), laminated sheet, aluminum alloy sheets, aluminum alloy extrusions, aircrafts seats, tools, test equipment, life jackets, spares of TGS vehicle, meals trolley, ball hand seal, standard units, exterior washing liquid, air head set electronics, air head set pneumatic and sealants.
- g) Imports by Civil Aviation Authority (CAA) for air traffic services and training of items viz-a viz Navigation equipment, Surveillance Equipment, Rescue and Fire Fighting Equipment, Display System, Training equipment, Calibration equipment, 3[Communication & Broadcast Equipment.

**Withdrawal of Regulatory Duty** Regulatory duty levied vide SRO 482(I)/2009 dated 13<sup>th</sup> June 2009 has been withdrawn in respect of items falling under the respective heading of following Chapters of Custom Tariff **[SRO 479(I) 2011]**

Tariff Chapter Ref	Type	Description	Range of Regulatory Duty
04	Dairy Products	Buttermilk, curdled milk and cream, yogurt, kephir, acidified milk and cream, Butter and other fats and oils derived from milk; dairy spread. Cheese and curd, Natural honey	15%
08	Fruits (Fresh, Dried)	Dates, figs, pineapples, avocados, guavas, mangoes and mangos teens, Citrus fruit, Grapes, Melons (including watermelons) and papaws (papayas), Apples, pears and quinces, Apricots, cherries, peaches (including nectarines), plums and sloes, Other fruit, fruit and nuts (cooked, un-cooked, boiled etc), provisionally preserved fruit and nuts but unsuitable in that state for immediate consumption; Peel of citrus fruit or melons (Including watermelons) fresh, frozen, dried or provisionally preserved etc	15%
16	Sausage	Sausages and similar products of meat, meat offal or blood; food preparations based on these products; Other prepared or preserved meat, meat offal or blood; Extracts and juices of meat, fish or crustaceans, molluscs or other aquatic invertebrates; Prepared or preserved fish; caviar and caviar substitutes prepared from fish eggs; Crustaceans, molluscs and other aquatic invertebrates, prepared or preserved	25% to 30%
17	Confectionary	Sugar confectionery (including white chocolate), not containing cocoa;	15%
18	Confectionary	Chocolate and other food preparations containing cocoa;	20%
19	Food Preparations of Flour etc	Malt extract; food preparations of flour, groats, meal, starch or malt extract etc, food preparations of goods such as spaghetti, macaroni, noodles, lasagne, gnocchi, ravioli, cannelloni ; couscous, whether or not prepared; Prepared foods obtained by the swelling or roasting of cereals or cereal products (for example, corn flakes). cereals (other than maize (corn)) in grain form or in the form of flakes or other worked grains (except flour, groats and meal), pre-cooked or otherwise prepared; Bread, pastry, cakes, biscuits and other bakers' wares ; communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products; Vegetables, fruit, nuts and other edible parts of plants, prepared or preserved by vinegar or acetic acid	15%-35%
20	Fruits, Vegetables & allied items	Vegetables, fruit, nuts and other edible parts of plants, prepared or preserved by vinegar or acetic acid; Mushrooms and truffles; Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, frozen; Other vegetables; Vegetables, fruit, nuts, fruit-peel and other parts of plants, preserved by sugar (drained, glaze or crystallized); Jams, fruit jellies, marmalades, fruit or nut puree and fruit or nut pastes, obtained by cooking; Fruit juices (including grape must) and vegetable juices, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter;	15%-35%
21	Sauces	Sauces and preparations therefore; mixed condiments and mixed seasonings; mustard flour and meal and prepared mustard; Soups and broths and preparations therefore; homogenized composite food preparations; Ice cream and other edible ice, whether or not containing cocoa; Food preparations not elsewhere specified or included;	15%
22	Water, beverages	Waters, including natural or artificial mineral waters and aerated waters, not containing added sugar or other sweetening matter nor flavored; ice and snow; Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavored, and other non-alcoholic beverages	15%
23	Vinegar, Perfumes & Toilet Papers	Vinegar and substitutes for vinegar obtained from acetic acid; Perfumes and toilet waters	20%
33	Cosmetics	Perfumes and toilet waters; Beauty or make-up preparations and preparations for the care of the skin (other than medicaments), including sunscreen or sun tan preparations; manicure or pedicure preparations; Preparations for use on the hair; Preparations for oral or dental hygiene, including denture fixative pastes and powders; yarn used to clean between	15%

		the teeth (dental floss), in individual retail packages; Pre-shave, shaving or after-shave preparations, personal deodorants, bath preparations, depilatories and other perfumery, cosmetic or toilet preparations, not elsewhere specified or included; prepared room deodorizers, whether or not perfumed or having disinfectant properties;	
34	Soap & Allied	Soap; organic surface-active products and preparations for use as soap, in the form of bars, cakes, moulded pieces or shapes, whether or not containing soap; organic surface-active products and preparations for washing the skin, in the form of liquid or cream and put up for retail sale, whether or not containing soap; paper, wadding, felt and nonwovens, impregnated, coated or covered with soap or detergent	15%
48	Paper, paperboard & allied	Uncoated kraft paper and paperboard, in rolls or sheets, Paper and paperboard, corrugated, creped, crinkled, embossed or perforated, in rolls or sheets, Paper and paperboard, corrugated, creped, crinkled, embossed or perforated, in rolls or sheets; Paper and paperboard, coated on one or both sides with kaolin (China clay) or other inorganic substances, in rolls or rectangular (including square) sheets, of any size;	15%
68	Natural Stone & allied	Worked monumental or building stone and articles thereof; mosaic cubes and the like, of natural stone (including slate), artificially colored granules, chippings and powder, of natural stone (including slate)	15%
70	Glassware	Glassware of a kind used for table, kitchen, toilet, office, indoor decoration or similar purposes	25%
73	Glass beads & allied	Glass beads, imitation pearls, imitation precious or semi-precious stones and similar glass small wares, and articles thereof other than imitation jewellery; glass eyes other than prosthetic articles; statuettes and other ornaments of lamp-worked glass, other than imitation jewellery; glass microspheres not exceeding 1 mm in diameter.	15%
83	Padlocks & allied	Padlocks and locks (key, combination or electrically operated), of base metal; clasps and frames with clasps, incorporating locks, of base metal; keys for any of the foregoing articles, of base metal.	5%
84	Pumps, fans, washing machines, freezers,	Air or vacuum pumps, air or other gas compressors and fans; ventilating or recycling hoods incorporating a fan, whether or not fitted; Air conditioning machines; Refrigerators, freezers and other refrigerating or freezing equipment; heat pumps; Household or laundry-type washing machines etc	15%
85	Electric Appliances & allied items	Electro-mechanical domestic appliances, Electric instantaneous or storage water heaters and immersion heaters; electric space heating apparatus and soil heating apparatus; electro-thermic hair-dressing apparatus etc; electric smoothing irons; other electro-thermic appliances of a kind used for domestic purposes; electric heating resistors etc; Telephone sets etc; other apparatus for the transmission or reception of voice, images or other data, including apparatus for communication in a wired or wireless network; Reception apparatus for radio-broadcasting, Monitors and projectors, not incorporating television reception apparatus; reception apparatus for television, whether or not incorporating radio-broadcast receivers or sound or video recording or reproducing apparatus;	15%-20%
94	Furniture & allied items	Other furniture and parts thereof; Lamps and lighting fittings including searchlights and spotlights and parts thereof etc; illuminated signs, illuminated name-plates and the like, having a permanently fixed light source, and parts etc	15%
96	Scents Sprays & Allied Items	Scent sprays and similar toilet sprays, and mounts and heads therefore; powder-puffs and pads for the application of cosmetics or toilet preparations; Vacuum flasks and other vacuum vessels, complete with cases; parts thereof other than glass inners	15%-20%

## **SECTION 7 CAPITAL VALUE TAX**

The Bill seeks to withdraw the levy of Capital Value Tax (CVT) on purchase of Modaraba Certificates and Instruments of Redeemable Capital listed on a registered stock exchange in Pakistan. Consequently, it has also been sought to withdraw the enabling provisions to collecting of CVT by stock exchanges.

ANN-I

**RATES OF TAX**

[First Schedule &  
Corresponding Sections]

**INDIVIDUALS (Salaried and Non-salaried)**

[First Schedule Part I]

Salaried individuals			Non-salaried individuals		
<i>Taxable Income (Rupees)</i>		<i>Rate of Tax</i>	<i>Taxable Income (Rupees)</i>		<i>Rate of Tax</i>
From	To		From	To	
	Up to 350,000	0%		Up to 350,000	0%
350,001	400,000	1.50%			
400,001	450,000	2.50%	350,001	500,000	7.50%
450,001	550,000	3.50%			
550,001	650,000	4.50%	500,001	750,000	10.00%
650,001	750,000	6.00%			
750,001	900,000	7.50%	750,001	1,000,000	15.00%
900,001	1,050,000	9.00%			
1,050,001	1,200,000	10.00%	1,000,001	1,500,000	20.00%
1,200,001	1,450,000	11.00%			
1,450,001	1,700,000	12.50%		Above 1,500,000	25.00%
1,700,001	1,950,000	14.00%			
1,950,001	2,250,000	15.00%			
2,250,001	2,850,000	16.00%			
2,850,001	3,550,000	17.50%			
3,550,001	4,550,000	18.50%			
	Above 4,550,000	20.00%			

**Treatment of marginal limits (for salaried cases only)**

Taxable Income (Rupees)	Total Tax Liability	
	Tax Liability on the Maximum Amount of the Previous Slab	Tax Liability on the Marginal Amount
Up to 0.55 M		20%
Up to 1.05 M		30%
Up to 2.25 M	As per Respective	40%
Up to 4.55 M	Slab Rates	50%
Above 4.55 M		60%

**Tax Rate for Association of Persons: 25%**

**Tax Rates for Companies:** General rate for companies is 35% and rate for small companies is 25%.

**Capital Gains on disposal of securities**

Year	2011	2012	2013	2014	2015
Where holding period of a security is less than 6 months.	10%	10%	12.5%	15%	17.5%
Where holding period of a security is more than 6 months but less than 12 months.	7.5%	8%	8.5%	9%	9.5%
Where holding period of a security is 1 year or more			0%		

ANN-II

APPLICABLE RATES FOR WITHHOLDING (FINAL/ ADVANCE/ MINIMUM) TAX

[First Schedule & Corresponding Sections]

	Nature of Payment	Tax Rate	Advance/ Final/ Minimum Tax
Cases of residents & permanent establishment of non-residents	<b>Dividend paid to:</b>		
	- Companies under group relief scheme	Exempt	
	- Power Companies (dividends distributed by power generation companies & purchaser of power projects privatized by WAPDA)	7.50%	Advance tax for companies, Final Tax for other cases
	- Other cases	10%	
	Dividends received by a banking companies from its asset management company	20%	Final Tax
	<b>Imports</b>		
	- General	5%	Final Tax (General)
	- Import of Raw Material by Industrial undertaking for its own use	3%	Advance Tax in the case of:
	- Import of all fiber, yarns and fabrics and goods covered by the Zero Rating regime of Sale Tax	1%	- import of Raw Material by Industrial undertaking for its own use;
	- Import of potassic fertilizer	1%	- an industrial undertaking importing goods as Raw material or plant & machinery for own use;
	- Items mentioned in Clause (13G) of Part II of 2nd Schedule	1%	- fertilizer imported by the manufacturer of fertilizer
			- import of motor vehicles in CBU condition by the manufacturer of motor vehicles.
			Minimum Tax in case of Import of edible oil packing material.
	<b>Profit on debt:</b>		
	- Profit on debt from Debt instruments, Government securities including Treasury Bills and Pakistan Investment Bonds	10%	Advance tax for companies, Final Tax for cases other than companies
- Others			
<b>Payments for goods other than imported goods in case of:</b>			
- sale of rice, cotton seed, edible oil,	1.50%	Advance Tax in case of listed companies and companies engaged in manufacturing and Final Tax for other cases	
- sale of any other goods	3.50%	Final Tax	
- Rice sold by Rice Exporters Association of Pakistan to Utility Stores Corporation	1.00%	Final Tax	
- Sale by distributors of cigarettes and pharmaceutical products	1.00%	Final Tax	
<b>Payments for services</b>			
- To owner of Newspaper & magazines Advertisement	6%	Advance Tax	
- Transports Services	2%	Minimum Tax	
- All others	6%	Minimum Tax	
<b>Payment on account of execution of contract</b>	6%	Advance Tax in case of listed companies Final Tax in other cases	
<b>Exports</b>			
- Payments by export houses for services rendered for stitching, dying, printing, embroidery, washing & weaving	0.50%		
- At the time of realization of proceeds on export of goods [Exemption to cooking oil or vegetable ghee exported to Afghanistan if tax u/s 148 is paid.]	1%	Final Tax	
<b>Indenting commission</b> on realization of proceeds on account of commission to:-			
- non-export indenting agent	5%		
- Export indenting agent /export buying house.	1%		
- an exporter on sale of goods under inland back to back LC or any other arrangement as may be prescribed by FBR.	1%	Final Tax	
<b>Export of goods by units located in EPZ</b>	1%		
<b>Payment for a firm contract</b> (direct exporter or export registered under DTRE rules 2001)	1%		
<b>Rental of property income</b>	various as per slabs	Advance Tax	
<b>Purchase of Air Domestic Tickets</b>	5%	Advance Tax	

ANN-II

APPLICABLE RATES FOR WITHHOLDING (FINAL/ ADVANCE/ MINIMUM) TAX

[First Schedule & Corresponding Sections]

Nature of Payment		Tax Rate	Advance/ Final/ Minimum Tax
Cases of residents & permanent establishment of non-residents	<b>Prizes and winnings:</b> - Prize on prize bonds and cross-word puzzle - Winnings from a raffle, lottery, prize on winning a quiz or prizes related to companies' sales promotion schemes	10% 20%	Final Tax
	<b>Petrol Pump Operators</b>	10% on Commission	Final Tax
	<b>Withdrawal of balance under pension fund</b> - Withdrawal before retirement age - Withdrawal in excess of 50% of accumulated balance at or after the retirement age	Avg. rate of tax for 3 preceding years or rate applicable for the year, whichever is lower	Final Tax (as Separate Block of Income)
	<b>Cash withdrawals from banks (daily limit Rs. 25,000/-)</b>	0.2%	Advance Tax
	<b>Other cash transactions with banks, excluding deposit of cash (daily limit Rs. 25,000/-)</b>	0.3%	Advance Tax
	<b>Tax on purchase of locally manufactured Motor Vehicles</b> – Exemption is available to Federal, Provincial and Local Govts., Foreign Diplomatic Mission in Pakistan and persons whose income is exempt	Various rates based on engine capacity	Advance Tax
	<b>Tax on motor vehicle</b> (to be collected with motor vehicle tax)	Various rates	Advance Tax (for Passenger transport & private motor cars) & Final (in other cases)
	<b>Brokerage and commission</b> - General (including resident agent) - In case of advertising agent	10% 5%	Final Tax
	<b>Collection of tax by stock exchanges from members</b> - on purchase/sale of shares in lieu of the commission earned - in respect of trading of shares - in respect of financing of carryover trade in shares business	0.01% 0.01% 10%	Advance Tax
	<b>CNG Station</b> - on the amount of gas bill of a CNG station	4%	Final Tax
	<b>Tax on electricity Bills</b>	Various rates	- Minimum Tax (for Non-corporate tax payers up to bill amount of 30K) - Advance Tax (for other cases)
	<b>Telephone Bills</b> - Mobile phone Bills and prepaid telephone cards - General	10% Bill upto Rs.1,000 is exempt & Bill exceeding Rs.1,000, taxable @ 10%	Advance Tax
	<b>Capital gain from sale of securities</b> - Where holding is less than 6 months - Where holding is more than 6 months but less than 12 months	2% 1.5%	Advance Tax
	<b>Sale by public auction and tender</b>	5%	Advance Tax
	Cases of non-residents	<b>Payment for profit on debt</b> - on debt instruments, Govt. securities including T.Bills & PIBs where the investment is made through a local Special Rupee Convertible A/C - others	10% 10%
<b>Dividends</b> (including repatriation of profits by branches)		10%	Final Tax
<b>Contracts</b>		6%	Final Tax (if option exercised under clause (41), Part IV, 2nd Schedule) otherwise Advance Tax
<b>Royalties/ Fee for Technical Services</b>		15% of the gross amount or reduced rate under DTA	Final Tax
<b>Shipping income</b>		8%	Final Tax
<b>Air transport income</b>		3%	Final Tax
<b>Insurance or re-insurance premium</b>		5%	Final Tax
<b>Payments to non-resident media persons</b>		10%	Final Tax
<b>Any other receipt</b>	20% of the gross amount or reduce rate under DTA	Advance Tax	

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Cost of Doing  
Business

Cost of  
Living

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