

Budget 2018-19

Highlights & Comments

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Foreword



This memorandum contains an economic review, highlights of fiscal proposals and explanatory description of the significant changes in the Income Tax, Sales Tax, Federal Excise and Customs Duty laws proposed through Finance Bill, 2018. It also contains our comments on the recently introduced Ordinances for implementing the Economic Reforms Package.

Amendments proposed in the Finance Bill, 2018 will take effect from July 01, 2018, unless stated otherwise, once it is approved by the Parliament.

The memorandum is aimed at providing general guidance with the objective of keeping our clients and staff abreast of the changes in the aforementioned law. Deloitte Pakistan accepts no duty of care or liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication. The users are therefore advised to seek professional advice before exercising any judgment, interpretation of any legal provision and acting thereupon.

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Contents

Budget at a Glance	03
Economic Review	04
Highlights of Important Fiscal Proposals	11
Significant Amendments Proposed In	
Income Tax Ordinance, 2001	19
Sales Tax Act, 1990	43
Federal Excise Act, 2005	53
Customs Act, 1969	58
Petroleum Products (Petroleum Levy) Ordinance, 1969	63
The Foreign Assets (Declaration and Repatriation) Ordinance, 2018	64
Voluntary Declaration of Domestic Assets Ordinance, 2018	67
Amendment in the Protection of Economic Reforms Act, 1992 (PERA), vide the Protection of Economic Reforms (Amendment) Ordinance, 2018	70

Budget at a Glance

	(Budget) Rupees in billion 2018-19	(Revised) Rupees in billion 2017-18
Tax revenue	4,888	4,147
Non-tax revenue	772	845
Gross revenue receipts	5,660	4,992
Public account receipt – net	127	69
Total receipts	5,787	5,061
Less: Provincial share in Federal taxes	2,590	2,316
Net revenue receipts	3,197	2,745
Expenditure		
Current expenditure	5,023	4,450
Development expenditure	1,152	1,063
	6,175	5,513
Deficit	(2,978)	(2,768)
Capital receipts	(559)	(678)
Credit from banking sector	(1,015)	(586)
External receipts	(1,118)	(1,230)
Privatization proceeds	0	0
Cash balance built up by provinces	(286)	(274)
	(2,978)	(2,768)

Economic Review

Economic growth



3.8% agriculture growth

Target exceed by 0.3%
Future outlook constant for 2018-19



6.1% large scale manufacturing growth

Missed target by just 0.2%; private sector confidence lauded by government



6.4% services growth

Target achieved
Highest in 10 years



5.79% GDP growth

Highest in 13 years; 6.2% targeted for 2018-19
Target of 6% missed; government blames political crisis

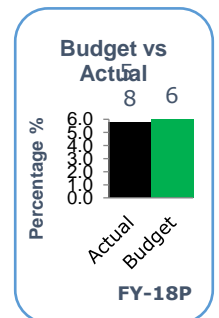
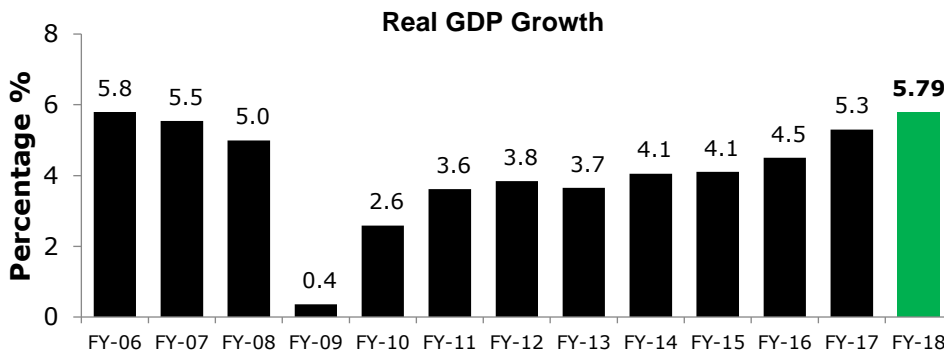
Current fiscal year marked the continued improvement in economic growth, as the GDP is estimated to have grown by 5.79%, which is highest in the last thirteen years. While this is short of the planned GDP growth of 6%, there has been steady upward trend from around 5.3% growth achieved in 2016-2017. This fastest pace of real GDP growth is backed by the robust growth in agriculture, manufacturing as well as in services. The growth across different sectors of the economy is captivating the various international companies towards Pakistan optimistically, where they see immense potential, a huge consumer market, strategic location and macroeconomic stable environment.

Consistent with last five years trend, service sector has demonstrated a growth of 6.4% and remained the key contributor of GDP growth. This growth was majorly supported by the non-commodity producing sectors including wholesale and retail trade. The industrial and agricultural sectors also reflected healthy growth of 5.8% and 3.8% respectively. Agriculture sector surpassed its targeted growth of 3.5% and also last year's growth of 2.07%.

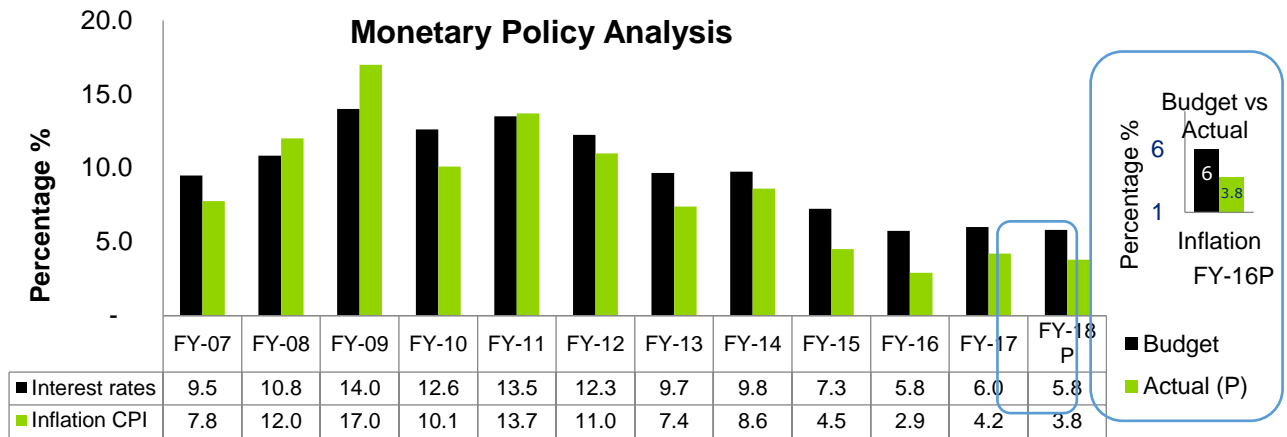
Level of private consumption and investments largely contributed the enhancement in the GDP growth. In this year, household's average tendency to consume continued around same level at 85.5% at constant prices and at around 82% in current prices. It reveals that the growth

rate of private consumption was about the same as the growth rate of GDP both in constant and in current price. Low interest rates also supplement the consumption level as people are interested to purchase durables during periods when relatively cheap money is available. Achievement of 5.79% real GDP growth was attributed to a number of factors ranging from stable macroeconomic environment due to improvement in supply of electricity to the industrial sector. Key drivers of GDP growth are listed below:

-  **Control over inflation; lowest policy rate**
-  **Credit flows to private sector; strengthening of banking sector**
-  **Continued buoyancy in external trade, mainly imports surge due to CPEC projects**
-  **Improvement in electricity supply to industrial sector**
-  **Higher large scale manufacturing growth**
-  **Enhanced revenue collections**
-  **Infrastructure progress including CPEC**



The government’s objective of containing inflation in single digits was fulfilled as per the Economic Review with inflation during July 2017 to March 2018 standing at 3.78 per cent, which is lower in comparison to 4.01 per cent in the same period of last year.



Source: Economic Survey, Ministry of Finance

While the Federal Minister admitted that the government could not claim to have transformed Pakistan like China but it was claimed that without any doubt it turned around an economy described by many as dead five years ago. However, the social indicators, although not officially released, do not seem to be improving as the last known numbers show a dismal picture.

Poverty
As per last available statistics, 30% Pakistanis live below poverty line of Rs. 3,030 per adult per month in 2013

24.3%

Children under 5 stunted
2 out of every 5 (44 per cent) children under the age of five are stunted, 32 per cent are underweight and 15 per cent children are suffering from acute malnutrition.

44%

Deficit in net enrolment rate at primary level
Household Income and Expenditure Survey (HIES) 2015-16 shows 56% NER at primary level.

46%

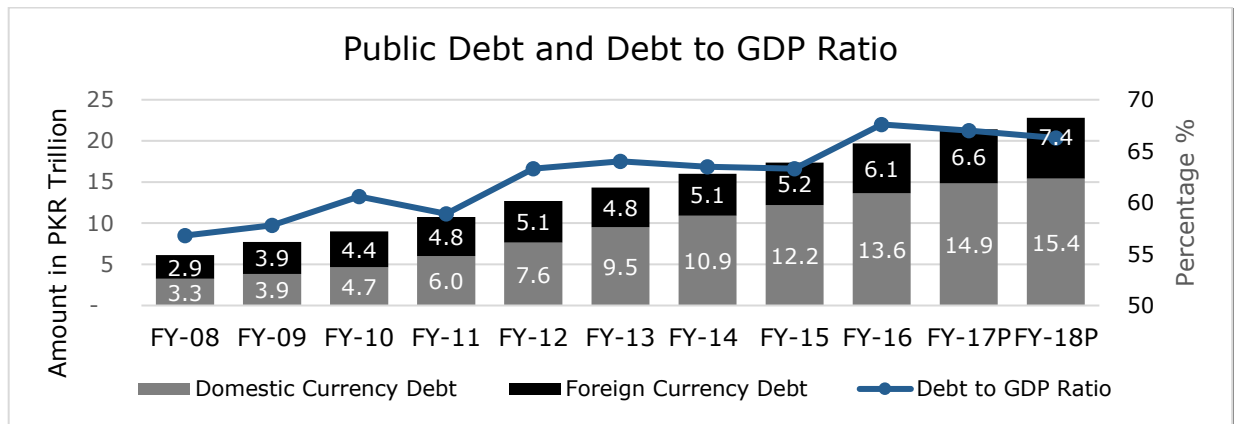
Allocation to education
Approximate allocation for the first three years to education comes at about 2.6% of GDP

2.6%

Source: Economic Survey; National Nutrition Survey, 2011; HIES; Alif Ailan

To the Government’s credit, a number of developments in their tenure have fueled the growth impetus in the country. Some of the most prominent are addition of 12,230 MW of electricity to the national grid against an addition of 15,000 MW in the past 66 years, activation of \$29 billion worth of projects under the \$46 billion CPEC portfolio, and improvement in law and order situation of the country in general and of Karachi, the business capital of Pakistan in particular.

Total public debt provisionally stood at Rs. 23,608 billion at end February 2018 while total debt of the government was Rs. 21,552 billion. Gross domestic debt recorded an increase of Rs 1,093 billion during first eight months of current fiscal year while external debt increased by Rs 1,107 billion. In addition to financing of fiscal deficit, increase of credit balance with banks and depreciation of currency contributed towards the increase in debt. The government has justified this increase as utilization for capacity additions in energy sectors and infrastructure development.



Source: Economic Survey, Ministry of Finance

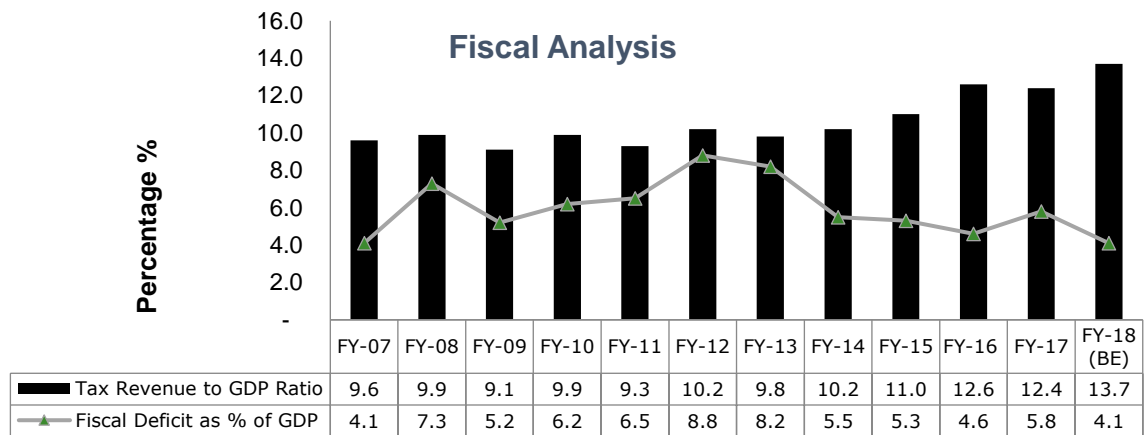
Regardless of the significant growth shown by numbers, there is growing skepticism on the sustainability of this growth momentum owing to continuing bulge in the current account deficit and falling foreign exchange reserves. Pakistan’s exports have shown negative growth in previous four years, and have only witnessed some growth in the current year whereas rising imports of capital equipment and fuel kept the import bill high. Imposition of additional regulatory duty has done little to slow down imports.

The current estimate of Current Account Deficit of 5% of GDP is expected to increase till the year-end as it currently does not take into account the circular debt which has crossed Rs. 1 trillion. The recent devaluation has not helped much in stabilizing the foreign exchange reserves and the rising Current Account Deficit may lead to the situation of approaching IMF, a position which the government assured to the public would not be reached in January this year. Should that happen, Pakistan will continue the tradition of being the only country of its size to have repeatedly approached IMF at a slow-down of economy after going through an artificial boost fueled by the previous round of funding with no sustainable improvement in economy.

Budget overview 2018-19

With an aggregate total outlay of PKR 5.93 trillion and no new taxes, the budget targets an economic growth of 6.2 percent by 2018-19 to be attained by raising net revenue receipts by 16 percent (PKR 3.2 Trillion) and attracting higher investment both from public and private sectors. The budget aims to reduce the fiscal deficit to 4.9 percent, increase revenue and investment to GDP ratios, address the energy deficit and promote exports. Given the right economic policies and their effective implementation, the targeted growth appears challenging but achievable.

Tax Collections and Budget Deficit



Source: Economic Survey, Ministry of Finance

The salient features of the FY19 Budget are:

6.2%
Real GDP
Growth

4.9%
Budget
deficit

<6%
Inflation

13.8%
Tax to GDP
ratio

FBR Revenue:
Rs. 4.4tn
Forex reserve:
\$15b

63.2%
Net public
debt to GDP
ratio

FBR revenues are planned to be increased to Rs. 4,435 billion and increase federal revenue to Rs. 5,661 billion while non-tax receipts to be decreased by 21% this year as compared to FY18 budget.

Key highlights of budget FY19

- New programme to be called 100 100 100 has been introduced in FY19 budget. This is a federal government's commitment to ensure that 100% Pakistani children will be enrolled in schools, 100% children will be retained in schools.
- Funding for higher education, primary health services, and programmes for youth:
 - Rs.57 billion under Public Sector Development Programme allocations to Higher Education Commission
 - Rs.37 billion for primary health programmes
 - Rs.10 billion for programmes for youth
- For railways, in addition to recurrent budget grant of Rs.35 billion, development budget investment is proposed at Rs.39 billion.
- Thirty-one projects for development of Gwadar are part of the proposed PSDP 2018-19 with an estimated cost of Rs 137 billion.
- For the AJK and Gilgit Baltistan, an amount of Rs 44.7 billion is proposed to be allocated. For the people of AJK, a special project of Lipa Tunnel construction which will facilitate the local population was announced.
- For FATA, Rs 24.5 billion have been proposed. To bring FATA in the mainstream, a ten-year FATA development plan with total outlay of Rs 100 billion has been approved. During 2018-19 Rs 10 billion are proposed to be provided.
- Rs.90 billion have been allocated for peace and security in the budget 2018-19.
- The defence budget is proposed at Rs 1,100 billion against the revised budget of Rs 999 billion in the 2017-18.
- Total size of Federal PSDP 2018-19 would be Rs 1,030 billion against revised estimates of Rs 750 billion.
- Provincial surplus is estimated at Rs 286 billion in 2018-19 against revised estimate of Rs 274 billion for 2017-18.

According to the *World Bank Global Economic Prospects* published in January 2018, other countries in the region, especially India and Bangladesh are forecasted to grow by 7.5% and 6.7% in FY19 respectively. Pakistan should be aiming at a GDP growth of plus 7%, especially considering the huge opportunity created by CPEC investments and continuing improvements in law & order and energy sectors.

The government has also substantially slashed individual tax rates to a maximum rate of 15% as part of economic package announced by the Prime Minister last month together with an amnesty scheme aimed at bringing undeclared assets held abroad by Pakistanis and bringing

domestic undeclared and undervalued real estate in the tax net. In the current budget, the corporate tax rates are also being reduced gradually from current 30% to 25% in five years. While it is good for business to see reduction in tax rates, such a large gap between corporate and individual tax rates is clearly an anomaly that may result in significant adverse consequences such as promotion of individual businesses and de-corporatization, which is considered bad for economic growth and objective of documentation.

Finally, with significant reduction in tax rates, other relief measures and very little new taxes, the biggest issue will be realization of tax revenues of Rs 4.4 trillion. There is also no provision for payment of huge circular debt and payment of outstanding tax refunds. All these factors indicate that the target of fiscal deficit of 4.9% may again be missed by a wide margin, which has remained a consistent practice since decades in Pakistan's budget making.

Highlights of Important Fiscal Proposals

Income tax

1. Corporate tax rate for companies is being gradually reduced to 25% till tax year 2023 as tabulated below:

Tax year	Rate
2019	29%
2020	28%
2021	27%
2022	26%
2023 and onwards	25%

This is a welcoming move and is inline with government's policy to incentivise corporation. However, simultaneous reduction of tax rate for business individuals may nullify such efforts.

2. Individual tax rate slabs have been revised in line with tax reforms package. Maximum rate of tax for individuals (both salaried and non-salaried) is reduced to 15%.
3. The limit of investment in shares, Sukuks or life insurance premium has been enhanced from Rs.1.5 million to Rs.2 million for claiming tax credit under section 62.
4. For association of persons, the maximum tax rate of 35% for the highest slab is reduced to 30%.
5. Super tax to be abolished in phased manner. It is to be reduced by 1 percent every year.
6. Decision of ADRC shall be binding on both FBR and the taxpayer, subject to withdrawal of appeals by the tax payer as well as the FBR. Retired High Court judges and tax professionals to be included in the ADRC.
7. Withholding tax at 5% on issuance of bonus shares is abolished.
8. Tax on undistributed profits is reduced from 7.5 % to 5%. The said rate is applicable where every public company, other than scheduled bank or a modaraba, that derives profit for a tax year does not distribute atleast 40% of its after tax profits within six months of the end of the tax year through cash or bonus shares. The condition of distributing 40% of after tax profits is reduced to 20%.
9. Commissioner to select a case for audit only once in 3 years, unless prior approval is obtained from the Board in exceptional circumstances.
10. Automatic selection for audit under section 214D for late filing of return has been abolished.
11. Late filer of income tax return not to be included in the Active Taxpayers' List for the year and shall not be allowed to carry forward any tax losses.
12. Time limitation to avail tax credits under sections 65B, 65D and 65E has been extended upto to the year ending on June 30, 2021.
13. Minimum threshold of tax deduction, Rs. 10,000 on account of payment for services and Rs. 25,000 for goods, increased to Rs. 30,000 and Rs. 75,000 respectively.
14. The condition for getting stay of income tax demand by paying 25 % of the total tax demand during pendency of appeal before Commissioner (Appeals) is relaxed. Now stay can be obtained by paying 10% of the tax demand.
15. Facility of reduced rate of minimum tax at 0.5% for large trading houses is extended upto the year ending on June 30, 2021.

16. Persons appearing on the Active Taxpayers List maintained by the AJK and Gilgit-Baltistan to be treated as filers under the Income Tax Ordinance, 2001 for Pakistan tax purposes.
17. Exemption approvals to be sought from Federal Government.
18. Tax collection rate for non-filers on non-cash transactions in excess of Rs.50,000 per day is reduced from 0.6% to 0.4%.
19. Tax rate on dividend paid by a rental REIT Scheme in the case of filer is reduced from 12.5% to 7.5%.
20. Profit on debt derived by non-profit organizations from micro-finance banks to qualify as income eligible for 100% tax credit under section 100C.
21. Tax collected by the Stock Exchange at 0.02% on the amount of commission earned by its members is to be treated as adjustable.
22. Set off of brought forward depreciation losses is now limited to the extent of 50% of the business income for a tax year where the annual taxable income is Rs.10 million or above.
23. Banks issuing credit / debit cards to collect 1% advance tax from filers and 3% advance tax from non-filers in respect of credit / debit card transactions resulting in outward flow of remittances from Pakistan.
24. Commercial importers to compute taxable income, as tax collected at import stage from commercial importers is now treated as minimum tax.
25. Tax deductible on account of payment for services rendered by a permanent establishment of a non-resident person to be treated as minimum tax to bring it at par with a similar payment made to a resident person.
26. Non-filer is not permitted to purchase new motor vehicle manufactured in Pakistan or an imported vehicle.
27. Non-filer is not permitted to purchase immovable property.
28. Service of notice through electronic means to be considered as valid.
29. A company, being member of an association of persons, is now able to claim credit of tax deducted in the name of association of persons in the same proportion as the share of the company in the profits of such association of persons.
30. Tax rate on import of coal by manufacturers and commercial importers is reduced to 4% for filers and 6% for non-filers.
31. In order to encourage non-profit/charitable institutions, the bill proposes to include the following organizations within the scope of exemptions:
 - a. SAARC Energy Centre.
 - b. Pakistan Bar Council.
 - c. Pakistan Centre for Philanthropy.
 - d. Pakistan Mortgage Refinance Company Limited.
 - e. Aziz Tabba Foundation.
 - f. Al-Shifa Trust Eye Hospital.
 - g. Saylani Welfare International Trust.
 - h. Shaukat Khanum Memorial Trust.
 - i. Layton Rahmatullah Benevolent Trust (LRBT).
 - j. The Kidney Centre Post Graduate Training Institute.
 - k. Pakistan Disabled Foundation.
 - l. Forman Christian College.

32. Donation to following non-profit/charitable institutions is an admissible deduction in the hands of donor:
- a. Pakistan Sweet Home, Angels and Fairies Place.
 - b. Al-Shifa Trust Eye Hospital.
 - c. Aziz Tabba Foundation.
 - d. Sindh Institute of Urology and Transplantation.
 - e. SIUT Trust and Society for the Welfare of SIUT.
 - f. Sharif Trust.
 - g. The Kidney Centre Post Graduate Institute.
 - h. Pakistan Disabled Foundation.
33. Salient Features, provides for the following reforms to be introduced in real estate sector later:
- a. Property transactions shall be recorded at the value declared by the buyer and the seller.
 - b. Property rates notified by FBR (for the purpose of collection of taxes on sale purchase of property) and DC rates are to be abolished.
 - c. At the Federal level, a 1% adjustable advance tax from the purchaser on the declared value shall be collected and this tax shall replace the existing withholding tax on sellers and purchasers of property.
 - d. Non-filers shall not be permitted to purchase property having declared value exceeding Rs. 4 million.
 - e. Provinces shall be requested to abolish the provincial rates for the collection of stamp duty (commonly known as DC rates) and to collect a total of one percent tax under stamp duty and capital value tax on the value declared by the buyer and the seller of property.
- f. In order to deter under-declaration and consequent loss of revenue, FBR shall have the right to purchase any property within six months of registration by paying a certain amount over and above the declared value which may be 100 % in the fiscal year 2018-19, 75 % in the fiscal year 2019-20 and 50 % in the fiscal year 2020-21 and thereafter.
34. A number of new concepts have been introduced in the Income Tax Ordinance, 2001 in line with the international best practices to implement the Base Erosion Profit Shifting (BEPS) Action Points.
35. Profits and gains derived by a refinery set up between the 1st day of July, 2018 and the 30th day of June, 2023 having minimum production capacity of 100,000 barrels per day shall be exempt from tax for a period of twenty years beginning in the month in which the refinery is set up or commercial production is commenced, whichever is later.
- Exemptions shall also be available to existing refineries, subject to following conditions:
- (i) existing production capacity is enhanced by at least 100,000 barrels per day;
 - (ii) separate accounts are maintained for income arising from aforesaid additional production capacity; and
 - (iii) the refinery is a deep conversion refinery.
36. Offshore digital services received from a non-resident person are taxed at 5%

Sales tax

1. Rate of further tax on supplies to unregistered persons to increase from 2% to 3%.
2. Like income tax law, specific provisions are introduced for passing appeal effect order in the light of appeal decisions given by appeal forums and superior courts. Such order is to be issued within one year of the end of the financial year in which the respective appellate order is served upon.
3. Audit of the records maintained by a registered person under the Act can be conducted only once in every 3 years.
4. Applicable rate of default surcharge is changed from KIBOR+3% to fixed rate of 12%.
5. Powers of the Chief Commissioner to post an inland revenue officer to monitor production, sales and stock of a registered person, are withdrawn and to be vested only with the Board.
6. Mechanism of resolution of disputes through Alternative Dispute Resolution Committee (ADRC) is substantially changed. The revamped law requires withdrawal of appeal pending before any appellate authority for enabling ADRC to proceed. Moreover, decision of the ADRC will be binding upon the Board and the aggrieved person.
7. Amount of tax to be paid for availing automatic stay against recovery of sales tax demand till decision by the Commissioner Inland Revenue (Appeals) is reduced to 10% from 25% of the sales tax demand.
8. Certain exempted stationary items are moved back to the Schedule of zero rating.
9. Input tax on import of scrap of compressors is to be disallowed.
10. Exemption is proposed on import of paper of specific weight for printing of Holy Quran, by Federal/Provincial Governments and registered Nashiran-e-Quran.
11. Import and supply of promotional advertising material including technical literature, pamphlets etc. of no commercial value for the purpose of free of cost distribution by exhibitors, is proposed to be exempted.
12. Import of LNG by fertilizer manufacturers for use as feed stock, is proposed to be exempted.
13. Imports of plant, machinery and equipment including Dumpers and SPMVs by certain Chinese Construction entities for construction of Karachi- Peshawar Motorway and Karakoram Highway, is proposed to be exempted subject to certain conditions.
14. Imports of equipment by China Railway Corporation for furnishing and installation in Lahore Orange Line Metro Train Project, is to be exempted, subject to certain conditions.
15. Import of certain computer parts and accessories is proposed to be exempted if imported by certified registered manufacturers and assemblers of computers and laptops from Engineering Development Board.
16. Import of plant and machinery (excluding items listed in Chapter 87 of the Pakistan Customs Tariff) for setting up Special Economic Zone

- (SEZ), is proposed to be exempted on one time basis subject to the conditions and limitations as may be specified by the Board.
17. Nonadjustable/nonrefundable sales tax at the rate of 5% is proposed on import of capital goods used for transmission line projects.
 18. Reduced rate of 7% on certain agricultural items/equipment is proposed to be further reduced to 5%.
 19. Sales tax rate on supply of all fertilizers has been proposed to be reduced to 3% and rate on supply of natural gas to fertilizer plants is to be reduced from 10% to 5%.
 20. Reduced rate of 12% is proposed on import of LNG by PSO and Pakistan LNG Limited and on supply of RLNG by these companies to SNGPL.
 21. Reduced rate of 12% is proposed on import of Lithium Iron Phosphate batteries.
 22. Sales tax on supply of fans to dairy Farms, preparations for animal feed etc. is proposed to be exempted. Also, fish feed which is currently taxable at reduced rate of 10% is to be exempted.
 23. Import of machinery, equipment, raw material etc. by Karachi Shipyard Engineering Works Limited is to be exempted.
 24. The reduced rate of 5% is proposed on imports of cinematographic equipment for a period of 5 years subject to fulfillment of the conditions specified in Part I of Fifth Schedule to the Customs Act, 1969.
 25. Reduced rate of 6% is to be provided on import of artificial leather in the similar way as has already been provided in case of leather articles.
 26. As per Salient Features of the Budget Documents, import of second hand worn clothing and footwear is to be excluded from applicability of 3% Value Addition Tax (VAT) on commercial imports.
- Changes to be introduced through Notifications (as stated in Salient Features Document)**
27. 3% VAT on import of LNG is proposed to be abolished.
 28. The rate of further tax on local supply finished fabric to unregistered persons, is to be reduced to 1%.
 29. Exemption from applicability of extra tax/further tax @ 2% is proposed for manufacturers of foam in Pakistan.
 30. Sales tax exemption on import of hearing aids of all types has been proposed to be granted.
 31. The current applicable sales tax rate of 20% on import and supplies of furnace oil is to be reduced to normal rate of 17%, through rescission of SRO.962(1)/2015.
 32. Input tax adjustment on packing materials to five zero rated sectors, to be restored.
 33. Sales tax rate on import and supply of finished articles of leather and textile is to be increased from 6% to 9%, except in case of branded outlets integrated through electronic fiscal devices with FBR online system for which the applicable rate shall remain 6%.
 34. Fixed rate of sales tax for steel sector on the basis of units of electricity consumed has been proposed to be increased from Rs.10.5/unit to Rs.13/unit.

Federal excise duty

1. Existing duty rates on locally produced cigarettes is proposed to be increased.
2. Rate of default surcharge is proposed to change from KIBOR+3% to fixed rate of 12%.
3. In line with the sales tax law, specific provisions are introduced for passing appeal effect order based on appeal decision. Such order is to be issued within one year of the end of the financial year in which the respective appellate order is served.
4. The amount of duty to be paid for availing automatic stay against recovery of duty demanded till decision by the Commissioner Inland Revenue (Appeals), is reduced to 10% from 25% of the duty demanded.
5. Similar to proposed amendment in sales tax law, disputes through Alternative Dispute Resolution Committee (ADRC) is substantially changed in Federal Excise law as well. The revamped law requires withdrawal of appeal pending before any appellate authority for enabling ADRC to proceed. Moreover, decision of the ADRC will be binding upon the Board and the aggrieved person.
6. Audit of the records maintained by a registered person under the Act can be conducted only once in every 3 years.
7. The Bill proposes exemption from FED on commission paid by State Bank of Pakistan and its subsidiaries to Banking Companies for handling banking services of Federal and Provincial Governments.
8. Health Levy on tobacco has been proposed @ Rs.10/kg which shall be

collected by Pakistan Tobacco Board from purchasers including manufacturers of tobacco.

9. Mobile Handset levy on handsets with import value ranging from Rs.10,000 to Rs.80,000 or more, has been proposed in slabs ranging from Rs.1,000 to Rs.5,000 respectively.

Changes to be introduced through Notifications (as stated in Salient Features Document)

10. FED on cement to be increased from Rs.1.25/kg to Rs.1.50/kg.

Islamabad capital territory (ICT)

1. As per the salient features issued, the scope of ICT law is proposed to be enhanced by including certain services not already covered within its scope.

Customs duty

(Highlights are compiled based on Customs' Salient Feature document)

1. Additional Customs Duty to increase from 1% to 2%.
2. Customs Duty is withdrawn on 104 items and reduced on 28 items useable as raw materials / inputs for enhancing exports.
3. Customs Duty on import of bovine semen is exempted in order to support dairy farming. Further, duty is reduced from 10% to 5% on preparations for making animal feed. Import of fans for corporate dairy farmers is also proposed to be allowed at concessionary rate of 3%.
4. A reduced rate of 5% is proposed for Customs Duty on input materials from their existing higher rates

- applicable on Optical fiber, Cable filing compound, Polybutylene, Fiber reinforced plastic and Water blocking/ swellable tape. Proposed reduction in duties is allowed to encourage local manufacturing of Optical Fiber Cables which will also be allowed a reduction in regulatory duty from 20% to 10%.
5. For supporting cinema industry a reduced rate of 3% of Customs Duty will apply on import of specified equipment used in said industry.
 6. For poultry sector, reduction in Customs Duty rate at 5% is allowed from existing rate of 10% on import of growth promoters premix, vitamin premix, Vitamin B12 and Vitamin H2.
 7. A reduction in Customs Duty from 5% to 3% on import of coal and 30% to 10% on import of Fire fighting vehicles is proposed.
 8. Exemption is allowed on import of papers weighing 60 g/m² for printing and preservation of Holy Quran by Federal or Provincial Governments or Nashir-e-Quran registered with the government.
 9. Exemption of 3% Customs Duty is proposed on tanned hides in wet state.
 10. The Bill proposes to exempt 3% of Customs Duty on Micro Feeder Equipment used for food fortification and 5% of Customs Duty on Tasigna, an anti-cancer medicines.
 11. Duty to be reduce to 18% from existing 20% on Multi-ply and Aluminum foil for Liquid Food Packaging Industry.
 12. Reduced duty rate of 10% to apply in place of existing 20% rate on finished rooms (Pre-fabricated structures) for setting-up new hotels/motels for supporting tourism business
 13. Duty applicable at 11% on acrylic tow is proposed to be withdrawn.
 14. A reduction in Custom Duty from 20% to 16% is proposed on Acetic Acid, film of ethylene for Liquid Food Packaging Industry and Carbon Black (rubber grade).
 15. Relief measures also include reduction in duty rate to 25% as well as exemption of 15% regulatory duty, on Electric Vehicles besides reducing duty rates from 50% to 10% on kits of Electric Vehicles.
 16. The Bill proposes to exempt 16% of Customs Duty on charging stations for electric vehicles.
 17. A reduction in Customs Duty rate from 16% to 11% is proposed on plasters.
 18. A reduction in Customs Duty from 10% to 5% is proposed on silicon electrical steel sheets for manufacturing transformers.
 19. The Bill proposes to allow exemption of 5% Customs Duty on import of specified LED parts and components for manufacturer of LED lights. 2% Regulatory Duty will be levied on import of LED bulb & Tubes, Energy saving bulbs & Tube.
 20. The Bill proposes to withdraw Customs Duty on Hydrogen Bromide (11%) and Palladium-on-carbon (3%) used by PTA industry.
 21. The Bill proposes a reduction of Customs Duty from 16% to 8% on Coils of aluminum alloys used in manufacturing Aluminum beverages cans.

22. The Bill proposes to levy fix duty/taxes of US\$ 5,000 on import of vintage or classic cars and jeeps.
23. Import of solar panels to enjoy duty exemption till June 30, 2019 even when not meeting requirement of 'local manufacturing'.
24. Customs Duty is to be increased on double-sided tape from 3% to 11%, on rickshaw tyres from 11% to 20%, on aluminum auto parts scrap from 30% to 35% and on Di-octyl Terephthalate (DOTP) from 3% to 20%.
25. Duty on Soya bean oil to increase respectively from Rs.9050/MT & Rs.10200/MT to Rs.12000/MT and Rs. 13,200/MT on account of tariff rationalization measure.
26. The Bill proposes reduction in Customs Duty from 11% to 3% on corrective glasses and from 11% to 8% on Lithium iron phosphate battery (LiFePO₄).
27. Regulatory Duty is to be levied at the rate of 30% on export of waste & scrap of cooper.
28. 5% Regulatory Duty is proposed on Medium Density Fiber. However, Customs Duty is reduced from 16% to 11% on the said item.
29. Regulatory Duty at 10% is levied on CKD/SKD kits of specified home appliances.
30. Regulatory Duty to be levied at the rate of Rs. 175 per set on CKD/SKD kits of mobile phone.
31. It is proposed to review regulatory duty on non-essential and luxury items.

Income Tax Ordinance, 2001

1. Fee for offshore digital services [Sections 2(22B), 6, 101(12A), 152(1C)]

The Bill proposes to introduce the following definition for the term "Fee for offshore digital services":

"fee for offshore digital services" means any consideration for providing or rendering services by a nonresident person for online advertising including digital advertising space, designing, creating, hosting or maintenance of websites, digital or cyber space for websites, advertising, e-mails, online computing, blogs, online content and online data, providing any facility or service for uploading, storing or distribution of digital content including digital text, digital audio or digital video, online collection or processing of data related to users in Pakistan, any facility for online sale of goods or services or any other online facility.

This definition has been introduced to tax digital and e-commerce services received from non-residents in similar way as 'fee for technical services' received from non-residents. A person receiving Pakistan sourced 'fee for offshore digital services' will be subject to tax at 5%. It is proposed that every banking company or a financial institution remitting outside Pakistan an amount of fee for offshore digital services, chargeable to tax under section 6, to a non-resident person on behalf of any resident person or a permanent establishment of a non-resident person in Pakistan shall deduct tax at 5% of the gross amount paid.

It is proposed that 'fee for offshore digital services' will be treated as Pakistan sourced, if it is:

- (a) paid by a resident person, except where the fee is payable in respect of services utilised in a business carried on by the resident outside Pakistan

through a permanent establishment; or

- (b) borne by a permanent establishment in Pakistan of a non-resident person.

2. Filer [Section 2(23A)]

The existing definition of 'filer' only covers taxpayers whose names appear in the active taxpayers' list issued by the FBR. Such list does not cater, persons filing their return in AJ&K or Gilgit-Baltistan and therefore are treated as non-filer for their transactions in Pakistan territory and therefore, are subject to higher withholding tax rates on such transactions.

It is now proposed that filer will now include the taxpayer whose name is included in active taxpayers' list issued by AJ&K Council Board of Revenue or Gilgit-Baltistan Council Board of Revenue. This will bring taxpayers located in AJ&K or Gilgit-Baltistan in filer list and they will be able to avoid higher withholding tax for their transactions in Pakistan.

3. Permanent Establishment [Section 2(41)]

Pakistan became signatory to the Organisation for Economic Co-operation and Development (OECD) in September 2016. Considering the Action 7 of Base Erosion and Profit Shifting (BEPS) implementation to prevent the artificial avoidance of Permanent Establishment status, it is proposed to amend the definition of Permanent Establishment (PE) dealing with dependent agents.

The existing provisions of PE only covers scenarios where an agent of dependent status habitually exercises an authority to conclude contracts on behalf of a person or has no such authority but habitually maintains a stock-in trade or other merchandise from which the agent regularly delivers goods or merchandise on behalf of the other person.

The amended definition also covers the instances where the agent plays the principal role leading to the conclusion of contracts that are routinely concluded without material modification by the person and these contracts are:

- (a) in the name of the person; or
- (b) 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
- (c) for the provision of services by that person

It has also been clarified that that an agent shall not be considered as of independent status acting in the ordinary course of business, where that agent is acting exclusively or almost exclusively on behalf of the person to which it is an associate.

A new criteria of cohesive business operation of a person and associates is proposed to be introduced under the definition of PE as under:

A fixed place of business that is used or maintained by a person if the person or an associate of a person carries on business at that place or at another place in Pakistan and:

- (i) that place or other place constitutes a permanent establishment of the person or an associate of the person under this sub-clause; or
- (ii) business carried on by the person or an associate of the person at the same place or at more than one place constitute complementary functions that are part of a cohesive business operation.

The term "cohesive business operation" has been defined to include an overall arrangement for the supply of goods, installation, construction, assembly, commission, guarantees or supervisory

activities and all or principal activities are undertaken or performed either by the person or the associates of the person. Supply of goods include the goods imported in the name of the associate or any other person, whether or not the title to the goods passes outside Pakistan.

This amendment is introduced to address tax avoidance by splitting the contracts for overall arrangement for supply of goods and installation, construction, assembly, commission, guarantees or supervisory activities and all or principal activities. By bifurcating the contracts and loading substantial portion on supply component, tax incidence was significantly reduced for such transactions.

4. Super tax for rehabilitation of temporarily displaced persons [Section 4B]

Super tax is levied at the rate of 4% on the income of banking companies and at the rate of 3% for other persons. Super tax was initially introduced for tax year 2015 only. Through the Finance Act, 2016 and 2017, it was later also made applicable for tax years 2016 and 2017.

The Bill now proposes to make it applicable till tax year 2020.

However, it has been proposed that rate of Super Tax will be reduced by 1% each year bringing it to 0% by tax year 2021.

5. Tax on undistributed reserves [Section 5A]

Presently, tax at 7.5% is leviable on every public company, other than a scheduled bank or a modaraba, that derives profits for a tax year but does not distribute at least 40% of its after tax profits within 6 months of the end of the said tax year through cash or bonus shares.

Considering the hardships of the corporate sector to maintain required funds for

growth of business, it is now proposed to reduce tax rate from 7.5% to 5% for undistributed profits. It is further proposed that limit of distribution is reduced from 40% to 20%. However, it has been proposed that distribution would not include distribution through issuance of bonus shares.

6. Income from Business [Section 18]

It is proposed to be clarified that income under following sections will be treated as separate source of income and will not be treated as 'Income from Business':

- (i) Tax on undistributed profits (Section 5A)
- (ii) Tax on return on investments in sukuks (Section 5AA)
- (iii) Tax on certain payments to non-residents (Section 6)
- (iv) Tax on shipping and air transport income of a non-resident person (Section 7); and
- (v) Tax on profit on debt (Section 7A)

7. Non recognition of Capital Gains [Sections 37(4A), 79]

Currently, no capital gain or loss arises on disposal of assets by way of gift. It is now proposed that such provisions will only apply if the gift is received from a relative as defined under section 85(5).

Under section 85(5) relative means:

- (a) an ancestor, a descendant of any of the grandparents, or an adopted child, of the individual, or of a spouse of the individual; or
- (b) a spouse of the individual or of any person specified in clause (a).

8. Income from Other Sources [Sections 39(m), 236M and 236N]

Currently, income arising to the shareholder of a company, from the issuance of bonus shares is taxable as 'Income from other sources' under section 39(m). In order to encourage capitalization of after tax profits, the tax on bonus shares is proposed to be withdrawn by excluding the same from definition of 'Income from other sources'. Relevant amendments have also been proposed under sections 236M and 236N relating to withholding of tax on issuance of bonus shares, as a consequence to proposed withdrawal of tax on bonus shares.

9. Exemptions and tax concessions in the Second Schedule [Section 53]

Prior to amendment vide Finance Act 2017, the Federal Government, was empowered to take immediate action in case of circumstances mentioned in section 53 and make such amendments in the Second Schedule through a notification by adding, omitting or making any changes in any Clause of the Second Schedule or condition mentioned in any Clause.

Through amendment made vide Finance Act, 2017, FBR was empowered to make necessary amendments in the Second Schedule through a notification, in case of the circumstances mentioned in the law with the approvals of Minister Incharge of the Federal Government and the Economic Coordination Committee of Cabinet.

Considering the hardship faced by stakeholders, it has now been proposed that these powers are again vested with Federal Government.

10. Carry forward of business losses [Sections 57 and 59A]

Under the existing provisions of law, a taxpayer can carry forward business losses on account of unabsorbed tax depreciation (including initial allowance, first year allowance and accelerated tax depreciation) and tax amortization in following tax years and can fully set off the same against taxable income of the following year. Due to this, many taxpayers ended on net tax loss position for many years.

It is now proposed that set off of such losses is restricted upto 50% of the loss in a tax year against the balanced income chargeable under the head 'income from business' after setting off of normal business loss. It is also clarified that restriction of 50% set off of unabsorbed depreciation or amortization will not apply when taxable income for the year is less than Rs 10 million.

This amendment will not affect the right of taxpayer to carry forward these losses till the same are fully offset against future taxable income.

11. Tax credit for investment in shares and insurance [Section 62]

Presently tax credit on investment in shares and insurance is allowed at average rate of tax on lower of following:

- i) Cost of shares, sukuks, total contribution or premium
- ii) 20% of taxable income
- iii) Rs.1,500,000

The proposed amendment seeks to enhance the aforesaid limit of Rs. 1,500,000 to Rs. 2,000,000.

12. Tax credit for newly established industrial undertakings [Section 65D], Tax credit on investments [Section 65B] and Tax credit for industrial undertakings established before July 01, 2011 [Section 65 E]

The aforesaid tax credits are presently available upto June 30, 2019. The Bill seeks to extend the aforesaid period upto June 30, 2021.

13. Special provisions relating to banking business [Section 100A]

Presently income, profits and gains of banking companies as disclosed in their annual accounts are treated as their taxable income, subject to certain adjustments specified under Seventh Schedule to the Ordinance. It is a settled principle that normal provisions of law apart from and contrary to the aforesaid Schedule are not applicable in computing taxable income of banking companies.

The Bill proposes that the provisions of the Ordinance relating to following shall be considered whilst computing taxable income and tax payable thereon of banking companies.

- Geographical source of income (section 101);
- Foreign tax credit (section 103);
- Foreign losses (section 104);
- Taxation of PE in Pakistan (section 105);
- Agreements for the avoidance of double taxation and prevention of fiscal evasion (section 107);
- Transaction between associates (section 108);
- Recharacterisation of income and deductions (section 109);

- Unexplained income or assets (section 111); and
- Liability in respect of certain security transactions (section 112)

14. Tax credit for certain persons [Section 100C]

Tax credit is presently available, subject to certain conditions, in respect of income of non-profit organizations, trusts and welfare institutions. The types of incomes eligible for the aforesaid tax credit, inter alia, includes profit on debt from scheduled banks.

The proposed amendment seeks to allow the aforesaid credit in addition to above, in respect of profit on debt from microfinance banks.

15. Geographical source of income [Section 101]

Presently as per section 101(3), business income of a non-resident person is Pakistan source income to the extent to which it is directly or indirectly attributable to following:

- permanent establishment (PE) of a non-resident person in Pakistan
- sale of goods (or other business activities carried out) in Pakistan of same or similar kind as those sold (or affected) in Pakistan by the person through his PE in Pakistan
- any business connection in Pakistan

The Bill proposes that in addition to above, the following shall constitute as PE:

- import of any goods whether or not the title passes outside Pakistan, which is part of an overall arrangement for supply of goods, installation, construction, assembly, commission, guarantees or supervisory activities and all or principal activities are undertaken or

performed either by associates of the person supplying the goods or its PE, whether or not goods are imported in the name of person, his associates or any other person.

The proposed amendment seeks to halt artificial break-up of a project of sale and installation of goods to avoid taxation and bring sale of goods where title thereof has passed outside Pakistan under tax net.

An explanation is also proposed to be added to section 101(3), clarifying that following incomes would not be treated as business income:

- Undistributed profits under section 5A
- Return on investment in sukuku under section 5AA
- Pakistan-source "royalty" or "fee for technical services" under section 6
- Shipping and air transport income of a non-resident under section 7
- Shipping income of a resident under section 7A

A new clause (12A) is proposed to be inserted whereby "fee for off shore digital services" would be Pakistan-source income if it is:

- paid by a resident person except where it is in respect of services utilized in business carried out by resident person outside Pakistan through PE
- borne by PE in Pakistan of a non-resident person

16. Gain on disposal of assets outside Pakistan [Section 101A]

New section is proposed to be inserted whereby any gain from the disposal or alienation outside Pakistan of an asset located in Pakistan of a non-resident company shall be Pakistan-source income, which shall be chargeable to tax at the rate

and in the manner specified below.

Where the asset represents any share or interest in a non-resident company, such asset shall be treated to be located in Pakistan, if:

- i) the share or interest derives, directly or indirectly, its value wholly or principally from the assets located in Pakistan; and
- ii) shares or interest representing 10% or more of the share capital of the non-resident company are disposed or alienated.

The share or interest in a non-resident company shall be treated to derive its value principally from the assets located in Pakistan, if on the last day of the tax year preceding the date of transfer of a share or an interest, the value of such assets exceeds 100 million Rupees and represents at least 50% of the value of all the assets owned by the non-resident company.

Notwithstanding the provisions of section 68, the value mentioned above shall be fair market value, as may be prescribed, for the purpose of this section without reduction of liabilities.

Where the entire assets of the non-resident company are not located in Pakistan, the income of the non-resident company from disposal or alienation outside Pakistan of a share or interest in such non-resident company shall be treated to be located in Pakistan, to the extent it is reasonably attributable to assets located in Pakistan and determined as may be prescribed.

Where the asset of a non-resident company derives, directly or indirectly, its value wholly or principally from the assets located in Pakistan and the non-resident company holds, directly or indirectly, such assets through a resident company, such resident company shall, for the purposes of determination of gain and tax thereon

under this section, shall furnish to the Commissioner within sixty days of the transaction of disposal or alienation of the asset by the non-resident company, the prescribed information or documents, in a statement as may be prescribed.

Provided that Commissioner may, by notice in writing, require the resident company to furnish information, documents and statement within a period of less than sixty days as specified in notice.

The person acquiring the asset from the non-resident person shall deduct tax from the gross amount paid as consideration for the asset at the rate of 15% and shall be paid to the Commissioner by way of credit to the Federal Government through remittance to the Government Treasury or deposit in an authorized branch of the State Bank of Pakistan or the National Bank of Pakistan, within fifteen days of the payment to the non-resident.

Resident company shall collect advance tax as discussed below from the non-resident company within thirty days of the transaction of disposal or alienation of the asset by such non-resident company. Provided that where tax has been deducted and paid by the person acquiring the asset from the non-resident person, the said tax shall be treated as tax collected and paid by resident company and shall be allowed a tax credit for that tax in computing tax liability of resident company under this section.

Tax to be **deducted by the acquirer of asset** or collected by resident company under this section shall be the higher of following:

- i) 20% fair market value less cost of acquisition of the asset; or
- ii) 10% of the fair market value of the asset.

We are of the view that tax to be deducted by the acquirer of asset is already mentioned in above para i.e. 15% of

consideration paid for acquiring the asset whilst tax rate in respect of gain on disposal of asset for non-resident company is not specified. It, therefore, seems that rate of tax deduction for acquirer of asset is anomaly and it is apparently rate of tax for non-resident company in respect of gain on disposal of asset.

Where tax has been paid under this section, no tax shall be payable by the non-resident company in respect of gain under sub-section (8) of section 22 or capital gains under section 37 or 37A.

17. Agreements for the avoidance of double taxation and prevention of fiscal evasion [Section 107]

As per sub-section (2), presently provisions of any tax treaty entered between Government of Pakistan and Government of another country which is notified by the official gazette overrides provisions of the Ordinance.

It is proposed that the aforesaid relief would now be subject to anti avoidance measures specified under section 109 of the Ordinance which can be taken by Commissioner.

This amendment is likely to be misinterpreted by the Department and may result in disregard of tax treaties by mere allegation of anti avoidance scheme.

18. Transactions between associates [Section 108]

Presently every taxpayer who has entered into a transaction with its associates is, inter alia, required to keep and maintain prescribed country-by-country report and Commissioner can require the same in the course of any proceedings under the Ordinance.

It is proposed that such report be sent to the Board by the taxpayer and that the same shall not be required by the Commissioner in the course of any proceedings under the Ordinance.

19. Recharacterisation of income and deductions [Section 109]

Presently Commissioner for the purpose of determining tax liability under this Ordinance may do the following:

- (a) recharacterise a transaction or an element of a transaction entered into for tax avoidance scheme;
- (b) disregard a transaction not having substantial economic effect; or
- (c) recharacterise a transaction where the form of the transaction does not reflect the substance.

It is proposed that in addition to above Commissioner may disregard an entity or a corporate structure that does not have an economic or commercial substance or was created for tax avoidance scheme.

This amendment seeks to enhance scope of anti avoidance measures which can be taken by Commissioner.

20. Controlled foreign company (Section 109A – new section under international obligations)

A completely new section is proposed to be added for attributing and including income of a controlled foreign company in taxable income of a resident person subject to stipulated conditions. This is one of the 6 anti-abuse provisions that Pakistan needs to implement under international obligations, being signatory to various international tax agreements.

▪ **Definition of controlled foreign company**

Controlled foreign company (CFC) is defined to mean a non-resident company, if:

- a. More than 50% of the capital or voting rights of the non-resident company are held, directly or indirectly, by one or more persons resident in Pakistan or more than 40% of the capital or voting rights of the non-resident company are held, directly or indirectly, by a single resident person in Pakistan;
- b. Tax paid, after taking into account any foreign tax credits available to the non-resident company, on the income derived or accrued, during a foreign tax year, by the non-resident company to any tax authority outside Pakistan is less than 60% of the tax payable on the said income under this Ordinance;
- c. The non-resident company does not derive active business income as defined below:
 - i. More than eighty percent of income of the company does not include income from dividend, interest, property, capital gains, royalty, annuity payment, supply of goods or services to an associate, sale or licensing of intangibles and management, holding or investment in securities and financial assets; and
 - ii. Principally derives income under the head "income from business" in the country or jurisdiction of which it is a resident.
- d. The shares of the company are not traded on any stock exchange recognized by law of the country or jurisdiction of which the non-resident

Company is resident for tax purposes.

▪ **Income of CFC**

Income of a CFC has been proposed to be an amount equal to the taxable income of that company determined in accordance with the provisions of this Ordinance as if that controlled foreign company is a resident taxpayer.

▪ **Computation of attributable income**

The amount of attributable income for a tax year is to be computed according to the following formula, namely:

$$A \times (B/100)$$

Where:

- A** is the amount of income of a CFC as explained above. Let us add that there appears to be technical error in the Bill in this respect, as newly proposed sub-section (2) that basically defines controlled foreign company appears to have been inadvertently referred as against sub-section (4) since the same explains income as already explained; and
- B** is the percentage of capital or voting rights, whichever is higher, held by the person, directly or indirectly, in the controlled foreign company.
- The amount of attributable income is proposed to be treated as zero, if the capital or voting rights of the resident person is less than ten percent.
- Income of a CFC is also proposed to be treated as zero, if it is less than Rs. 10 million Rupees.

▪ **Foreign tax year defined**

Foreign tax year, in relation to a non-resident company, has been proposed to

mean any year or period of reporting for income tax purposes by that non-resident company in the country or jurisdiction of residence or, if that company is not subject to income tax, any annual period of financial reporting by that company.

- **Foreign currency conversion**

The income of a CFC in respect of a foreign tax year is proposed to be determined in the currency of that controlled foreign company and shall, for purposes of determining the amount to be included in the income of any resident person during any tax year under the provisions of this section, be converted into Rupees at the State Bank of Pakistan rate applying between that foreign currency and the Rupee on the last day of the tax year.

- **Avoidance of double taxation clause**

It is proposed that the income attributable to CFC and taxed in Pakistan under this section shall not be taxed again when the same income is received in Pakistan by the resident taxpayer.

- **Concept of controlled foreign company explained**

Controlled foreign company rules respond to the risk that taxpayers with a controlling interest in a foreign subsidiary can strip the base of their country of residence and, in some cases, other countries by shifting income into a CFC. Without such rules, CFCs provide opportunities for profit shifting and long-term deferral of taxation.

CFC rules are generally designed to act as a deterrent. In other words, CFC rules are not primarily designed to raise tax on the income of the CFC. Instead, they are designed to protect revenue by ensuring profits remain within the tax base of the parent or, other group companies, typically by preventing taxpayers from shifting income into CFCs.

21. Unexplained income or assets [Section 111(2)]

This sub-section was earlier introduced through Income Tax (Amendment) Ordinance, 2018 dated April 8, 2018 and now it has been made part of the Finance Bill to be finally approved by the Parliament.

Previously, both foreign and domestic undisclosed / concealed incomes, assets etc. of a person for which no explanation with regards to source and nature was provided to satisfaction of the Commissioner were subject to addition to taxable income of such tax year to which it relates i.e. the year in which such income was earned, asset was acquired and / or un sourced expenditure was incurred. However, through amendment, this clause has been changed for concealed foreign assets / incomes, only.

Presently, after expiry of time limitation of 5 years as provided in section 122 of the Ordinance, no action can be taken with regard to undisclosed assets / incomes whether local or foreign. Now, consequent to the aforesaid amendment, any amount representing investment, money, valuable article or expenditure situated or incurred outside Pakistan and foreign source undisclosed income is required to be added to the income of immediately preceding tax year of discovery. Moreover, the explanation offered by the person about the source of the assets or expenditure situated or incurred outside Pakistan shall not be rejected on the basis that source does not relate to tax year in which amount is included in person's income. Resultantly, it appears that undeclared foreign assets and concealed incomes shall be open for inclusion in the taxable income of the taxpayer upon their subsequent discovery at any time without any time limitation.

Local undisclosed assets / incomes / expenses shall continue to remain in the

same scheme of inclusion in tax year to which they relate.

Earlier, undisclosed foreign exchange remittances brought into Pakistan through banking channel were out of the scope of inclusion by tax authorities into taxable income under section 111(4) of the Income Tax Ordinance, 2001. Through amendment in subsection (4) of section 111, such exclusion has been curtailed to the extent of foreign exchange remittances not exceeding Rs. 10 million per person per tax year. Now, the tax authorities can probe the source and nature of the foreign remittances in excess of Rs. 10 million in a tax year.

22. Return of income [Section 114]

A new provision in section 114(1)(b) is added requiring every resident individual person to file statement of foreign income and assets in terms of newly enacted section 116A is also required to file return of income under prescribed manner. The return of income shall be required to be accompanied with a foreign income and assets statement as required under section 116A.

23. Foreign income and assets statements [Section 116A]

A new section 116A is proposed to be added through which every resident individual having foreign income equal to or in excess of USD 10,000 or foreign assets with a value of USD 100,000 or more in a tax year shall be required to be furnished a statement in the prescribed form with disclosure of the following particulars:

- Total foreign assets and liabilities as on the last day of the tax year.
- Transfer of foreign assets by the person to any other person during

the tax year with details of its consideration.

- Complete particulars of foreign incomes, the expenditure derived during the tax year and expenditure wholly and necessarily for the purposes of deriving the said income.

Further, the Commissioner may require a person to furnish a foreign income and assets statement through notice who was required to furnish said statement but has failed to do so.

24. Method of furnishing return and other document [Section 118]

It is proposed that a foreign income and assets statement as required under section 116A shall be required to be furnished in the prescribed manner and it shall be accompanied with return of income under section 114 wherever applicable.

25. Best judgment assessment [Section 121]

An amendment was made in section 114 of the Ordinance through Finance Act, 2016 through which the Commissioner was empowered to issue notice under section 114(4) for one or more of the last ten completed tax years to a person, who has not filed return of income for any of the last five tax years. Requisite amendment is proposed through the Bill as per which assessment under section 121 can be made within 2 years from the end of the tax year in which notice to file return of income is issued.

26. Appeal to the Appellate Tribunal [Section 131]

The Appellate Tribunal is empowered to grant stay upto 180 days under current tax law. Through the Bill, a new provision has

been proposed to be added as per which stay order will cease to have effect on expiration of 180 days enabling the Commissioner to recover tax. The proposed amendment will create significant difficulties for the taxpayers. It was considered view that 180 days' timeline is recommendatory and not mandatory in nature. Further, disposal of case(s) is practically very difficult within 180 days considering factors like paucity of judges / benches, a few benches also remain non-operational intermittently during the year, adjournments are sought by either parties because of various reasons.

27. Alternate Dispute Resolution [Section 134A]

Amendments have been proposed in an effort to make alternate dispute resolution mechanism effective. It was initially introduced with the intent of quick settlement of disputes between the tax authority and taxpayers in line with international best practices. The desired results, however, were not achieved. Below changes have accordingly been recommended:

- a. Composition of the members of alternate dispute resolution committee (ADRC) is proposed to be amended to consist of retired judge of a High Court, a person from a panel comprising of retired Chartered Accountants and Advocate in addition to an officer of the Inland Revenue not below the rank of Commissioner (being representative of FBR). Mode and manner of appointment of members of the committee shall as may be prescribed.
- b. Aggrieved person and FBR, as the case may be, shall withdraw appeal.
- c. ADRC shall not commence proceedings unless order of withdrawal by the Appellate Authority is received provided that order of withdrawal is not

communicated within 75 days of the appointment of the committee, then ADRC would stand dissolved.

- d. ADRC shall decide the dispute by majority within 120 days of its appointment provide that the period for communicating order of withdrawal of appeal shall be excluded in computing said 120 days. ADRC may conduct necessary inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit.
- e. Decision of ADRC is proposed to be binding on FBR and the aggrieved person.
- f. Appellate Authority shall decide the dispute if ADRC fails to decide within 120 days and the appeal shall be treated to be pending before the Appellate Authority as if the appeal has never been withdrawn. Further, FBR shall dissolve ADRC and communicate the same to the Appellate Authority and the Commissioner.
- g. The aggrieved person on receipt of dissolution order shall communicate the same to the Appellate Authority which shall decide the appeal within 6 months of the communication of the order.

28. Due date for payment of tax [Section 137]

A proviso is proposed to be inserted in section 137(2) of the Ordinance, whereby due dates for payment of advance tax shall be as specified under sections 147(5), 147(5A) and first proviso to section 147(5B) of the Ordinance.

29. Recovery of tax from persons holding money on behalf of a taxpayer [Section 140]

Under the existing law, Commissioner shall not issue order under section 140(1) for recovery of any tax due from taxpayer if the said taxpayer has filed an appeal under section 127 in respect of the order and the appeal has not been decided by the Commissioner (Appeals), subject to payment of 25% of the due tax.

The Bill propose to reduce the payment of due tax to 10% upon which no notice of recovery under section 140(1) shall be issued.

30. Advance tax paid by the taxpayer (Section 147)

Below amendments have been proposed for advance tax required to be paid under section 147 of the Ordinance:

- a. Currently, advance tax under section 147(4) of the Ordinance is required to be computed by applying tax-to-turnover ratio to turnover for the quarter. A new proviso is proposed to be inserted by virtue of which turnover is required to taken at 1/4th of 110% of the turnover of the latest tax year for which a return has been filed, in case(s) where taxpayer either fails to provide turnover for the quarter or the turnover for the quarter is unknown.

b. **Amendments relating to banking companies**

Under existing provisions of the Seventh Schedule, a banking company is required to pay advance tax for the year in 12 equal installments payable under section 147 of the Ordinance. Other provisions of section 147 (except sub-section 4A and 6) are not

applicable for banking companies. Further, a banking company shall estimate the tax payable by it for the relevant tax year, at any time before the installment payable on 15th June, of the relevant year is due. In case the tax payable is likely to be more than the amount it is required to pay on turnover basis, the banking company shall furnish to the Commissioner an estimate of the amount of tax payable by it and thereafter pay in the installment due on 15th June the difference, if any, of 50% of such estimate and advance tax already paid upto 15th June, of the relevant tax year. The remaining 50% of the estimate shall be paid after 15th June in six equal installments payable by 15th of each succeeding month of the relevant tax year.

In view of the above provisions, banking companies are not able to file an estimate for lower tax liability, as section 147(6) is not applicable for banking companies. The Bill proposes to amend section 147(6) by specifically covering exclusion for banking companies to file lower estimate. This amendment appears to be repetition of the existing provision of Rule 5(1) of the Seventh Schedule.

It is further proposed to amend section 147(4A), dealing with filing of higher estimates by second installment, by making this sub-section applicable for banking companies. No corresponding amendments have been proposed in Seventh Schedule to this affect and as such, these proposed amendments appear to be contradictory against existing provisions of Seventh Schedule. Necessary amendments and clarification would be required through Finance Act to understand the intention of the legislature.

c. **Basis / evidence required for payment of advance tax on lower estimate basis**

Currently, under section 147(6) of the Ordinance, a taxpayer can file a lower

estimate of advance tax without furnishing any basis of such lower estimate. Following further requirements / evidence have been proposed in the Bill in this respect:

- i. Turnover for completed quarters;
- ii. Estimated turnover of the remaining quarters along with reasons for any decline;
- iii. Documentary evidence of estimated expenses or deductions which may result in lower payment of advance tax; and
- iv. Computation of the estimated taxable income of the relevant tax year.

Further, the Commissioner is empowered to reject the estimate where it is not accompanied by above details, after providing an opportunity of being heard.

31. Service of notices and other documents [Section 218]

Legal sanctity is proposed to be granted to service of notices through electronic mode. Now any notice, order or requisition required to be served to a person shall be treated as served properly if it is served to the person electronically in a prescribed manner.

32. Bar of suits in Civil Courts [Section 227]

Under the existing law, no legal proceeding shall be brought before Civil Courts against any order passed under the Ordinance. The Bill proposes to extend the scope of this section by adding wording "any notice issued". Consequent to this amendment, any order made or any notice issued under the Ordinance cannot be challenged before Civil Courts.

It has been clarified that Civil Court includes any court exercising power of civil court.

33. Restriction on purchase of certain assets [Section 227C]

The Bill proposes that any application for booking or purchase a locally manufacturer of motor vehicle or application for registration of a new locally manufactured motor vehicle or for registration of an imported vehicle shall not be accepted or processed by vehicle registration authority of Excise and Taxation Department , unless the applicant is a "filer". Furthermore, by virtue of this amendment "Non-filers" shall be prohibited from purchasing immovable property and relevant authorities shall not accept or process application in this regard.

However, no amendment has been proposed in Division XVIII of Part IV of the First Schedule, which provides tax collection rates for non-filers. This seems to be an oversight and is likely to be corrected through Finance Act.

34. Directorate General of Immovable Property [Section 230F]

The Bill proposes to create new directorate "Directorate General of Immovable Property" to initiate proceedings for the acquisition of property for specified reasons. The Directorate shall consists of Director General and as many Directors, Additional Directors, Deputy Directors, and Assistant Directors and such other officers as the Board may, by notification in the official Gazette appoint.

The Board may, by notification in the official Gazette, specify the functions and jurisdiction of the Directorate-General and its officers.

The Directorate General may initiate proceedings for acquisition of property when on the basis of valuation made, it has reason to believe that a transferor has transferred immoveable property at a

value below fair market value and the consideration for such transfer has been understated for purpose of:

- avoidance or reduction of withholding tax obligations are made;
- concealment of unexplained amount referred to in sub-section (1) of section 111 representing investment in immovable property is made; or
- avoidance or reduction of capital gains tax under section 37 is made.

However, the proceedings referred above shall not be initiated in respect of any immovable property after expiration of a period of 6 months from the end of the month in which the instrument of transfer is registered, recorded or attested.

The proposed section also covers detailed mechanism for conducting such proceedings and passing any order and procedure for filing appeal against such order.

35. Collection of tax by a stock exchange registered in Pakistan [Section 233A]

Under the existing law a stock exchange is required to collect tax from its members on purchase and sale of shares in lieu of tax on commission earned by such members. Tax so deducted is final for the members. The Bill proposes that the tax so collected shall be treated as adjustable.

36. Tax on sale of certain petroleum products [Section 236HA]

Presently, every person selling petroleum products to a petrol pump operator deduct tax at the rate of 12% from "filer" and 17.5% from "non-filer" on commission or discount allowed to petrol pump operators under section 156A.

The Bill proposes that advance tax is to be collected on the ex-depot sale price at the

rate of 0.5% in case of "filer" and 1% in case of "non-filer", if no commission or discount is allowed to operator and distributor. Tax so deducted shall be treated as final tax arising from sale of petroleum products.

37. Advance tax on purchase or transfer of immovable property [Section 236K]

Under the existing provisions of law, any person responsible for registering, recording or attesting transfer of any immovable property shall collect advance tax at the time of registering, recording or attesting transfer at prescribed rates.

The Bill proposes to collect tax on installment basis when payment for immovable property is in on installments basis.

38. Advance tax on persons remitting amounts abroad through credit or debit or prepaid cards [Section 236Y]

The Bill proposes that a banking company shall collect tax at the time of transfer of any sum remitted outside Pakistan using credit cards, debit cards or prepaid cards. Such collection is required to be made at 1% from "filers" and 3% from "non-filers". The advance tax so collected shall be adjustable.

39. Validation [Section 241]

The Bill proposes to make technical amendment by inserting sub-section (2) whereby all orders passed, notices issued and action taken in purported exercise of the powers and functions of the Commissioner by the Director General (Intelligence and Investigation), Inland Revenue shall be deemed to have been validly passed, issued and taken under this Ordinance.

The First Schedule

Rates of Tax

Part I

Division I (Clause I) & (Clause 1A)

Finance Bill proposes to revise the rates of taxation for individuals and association of persons (AOP).

I. Revised tax rates for an individual (salaried or other than salaried) are as follows:

S. No.	Income Slabs	Rate of tax
		Proposed
1.	Where taxable income does not exceed 400,000	Nil
2.	Where taxable income exceeds Rs. 400,000 but does not exceed Rs. 800,000	Rs. 1,000
3.	Where taxable income exceeds Rs. 800,000 but does not exceed Rs. 1,200,000	Rs. 2,000
4.	Where 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 taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 4,800,000	Rs. 60,000 plus 10% of the amount exceeding Rs. 2,400,000
6.	Where the taxable income exceeds Rs. 4,800,000	Rs. 300,000 plus 15% of the amount exceeding Rs. 4,800,000

II. Revised tax rates for AOPs are proposed to be as follows:

S. No.	Income Slabs	Rate of Tax
1.	Where taxable income does not exceed Rs.400,000	Nil
2.	Where taxable income exceeds Rs. 400,000 but does not exceed Rs. 1,200,000	5% of the amount exceeding Rs. 400,000

S. No.	Income Slabs	Rate of Tax
3.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 40,000 plus 10% of the amount exceeding Rs.1,200,000
4.	Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,600,000	Rs. 160,000 plus 15% of the amount exceeding Rs.2,400,000
5.	Where taxable income exceeds Rs. 3,600,000 but does not exceed Rs. 4,800,000	Rs. 340,000 plus 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 plus 25% of the amount exceeding Rs. 4,800,000
7.	Where the taxable income exceeds Rs. 6,000,000	Rs. 880,000 plus 30% of the amount exceeding Rs. 6,000,000

Part I

Division II (Rates of Tax for Companies)

Gradual reduction in corporate tax rate is proposed as under:

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

Although this is a required step in right direction for encouraging corporatization. However, simultaneous reduction in tax rates for business individuals to substantially lower rate of 15% nullifies such efforts and will motivate public to conduct business through sole proprietorship. This will hamper the Government's efforts to curb undocumented and non-regularized business sector.

Division IIA (Rates of Tax for Companies)

Finance Bill proposes to extend Super Tax upto tax year 2020 as under:

S.No.	Person	Rate of Super Tax			
		2018	2019	2020	2021
1.	Banking Companies	4%	3%	2%	0%
2.	Person other than a banking company, having income equal to or exceeding Rs. 500 million	3%	2%	1%	0%

Division IV (Rate of Tax on Certain Payments to Non-residents)

Consequent to the proposed introduction of fee for offshore digital services under section 152(1) of the Ordinance, the Finance Bill proposes to introduce the tax rate of 5% of the gross amount of the fee.

Division VII (Capital Gains on Disposal of Securities)

Finance Bill proposes to continue with the rate of capital gains tax on listed securities for tax year 2019 as applicable in Tax Year 2018, which are as under:

S.No.	Period	Tax Year 2015	Tax Year 2016	Tax Year 2017		Tax Year 2018 & 2019	
				Filer	Non-Filer	Filer	Non-Filer
1.	Where holding period of a security is less than twelve months	12.5%	15%	15%	18%	15%	20%
2.	Where holding period of a security is twelve months or more but less than twenty-four months	10%	12.5%	12.5%	16%		
3.	Where holding period of a security is twenty-four months or more but the security was acquired on or after 1st July, 2013	0%	7.5%	7.5%	11%		
4.	Where the security was acquired before 1st July, 2013	0%	0%	0%	0%	0%	0%
5.	Future commodity contracts entered into by the members of Pakistan Mercantile Exchange	0%	0%	5%	5%	5%	5%

Part II (Rates of Advance Tax)

Tax rate on import of coal is proposed at 4% for filer and 6% for non-filer.

Part III**Division I (Advance Tax on Dividend)**

Rate of tax on dividend received by an individual filer, from a Rental REIT Scheme is proposed to be reduced to 7.5% from existing 12.5%.

Division III (Payments for Goods and Services)

Finance Bill proposes to revise the rates of tax deduction for Non-filer for the sales of goods and execution of contract. The existing and proposed rates are tabulated below:

Particulars	Tax Payer	Existing	Proposed
153(1)(a) Payment of sale of goods	For Company	7%	8%
	In any other case	7.75%	9%
152(1)(c) Payment for execution of contract	For Company	12%	14%
	In any other case	12.5%	15%

Part IV**Division XI (Advance tax on functions and gatherings)**

The proposed rate of advance tax for the function of marriage in a marriage hall, marquee, hotel, restaurant, commercial lawn, club, a community place or any other place used for such purpose is as set out in the table below:-

S. No.	Rate of Tax	
(1)	(2)	(3)
1.	5% of the bill ad valorem or Rs. 20,000 per function, whichever is higher	For Islamabad, Lahore, Multan, Faisalabad, Rawalpindi, Gujranwala, Bhawalpur, Sargodha, Sahiwal, Shekhurpura, Dera Ghazi Khan, Karachi, Hyderabad, Sukkur, Thatta, Larkana, Mirpur Khas, Nawabshah, Peshawar, Mardan, Abbottabad, Dera Ismail Khan, Quetta, Laralai, Khuzdar, Dera Murad Jamali and Turbat
2.	5% of the bill ad valorem or Rs. 10,000 per function, whichever is higher	For cities other than those mentioned above

Division XXI (Advance Tax on Banking Transactions otherwise than Through Cash)

Finance Bill proposes to reduce the rate of advance tax on banking transaction otherwise than through cash under section 236P applicable for non-filers from 0.6% to 0.4%.

Division XXVII (Advance Tax on amount remitted abroad through credit, debit or prepaid cards)

Bank issuing credit/debit cards to collect 1% advance tax from filer and 3% advance tax from non-filer in respect of credit/debit card transaction resulting in outward flow of remittance from Pakistan.

The Second Schedule

Exemptions and Tax Concessions

Part I

Exemption from Total Income

Clause (39A) Special allowances to Armed Forces person

In order to facilitate Armed Forces personnel stationed at hilly and northern areas, the Bill seeks to provide exemption from income tax to the amount paid as kit allowance, ration allowance, special messing allowance, SSG allowance, Northern Areas compensatory allowance, special pay for Northern Areas and height allowance.

Clause (57) Income of Fund

The Bill seeks to exempt any income of following funds and institutions:

- (i) Khyber Pakhtunkhwa Retirement Benefits and Death Compensation Fund.
- (ii) Khyber Pakhtunkhwa General Provident Investment Fund.
- (iii) Khyber Pakhtunkhwa Pension Fund.

Clause (61) Payment as donations to non-profit charitable institutions

The Bill seeks to include donations to following organizations for the purposes of admissible deduction in the hands of donor:

- (i) Pakistan Sweet Home, Angels and Fairies Place.
- (ii) Al-Shifa Trust Eye Hospital.
- (iii) Aziz Tabba Foundation.
- (iv) Sindh Institute of Urology and Transplantation,
- (v) SIUT Trust and Society for the Welfare of SIUT.
- (vi) Sharif Trust.
- (vii) The Kidney Centre Post Graduate Institute.
- (viii) Pakistan Disabled Foundation."

Clause (66) Non-profit charitable institutions

The Bill seeks to include following organizations within the scope of exemptions:

- (i) SAARC Energy Centre.
- (ii) Pakistan Bar Council.
- (iii) Pakistan Centre for Philanthropy.
- (iv) Pakistan Mortgage Refinance Company Limited.
- (v) Aziz Tabba Foundation.
- (vi) Al-Shifa Trust Eye Hospital.
- (vii) Saylani Welfare International Trust.
- (viii) Shaukat Khanum Memorial Trust.

- (ix) Layton Rahmatullah Benevolent Trust (LRBT).
- (x) The Kidney Centre Post Graduate Training Institute.
- (xi) Pakistan Disabled Foundation.
- (xii) Forman Christian College.

Clause (90A) Profit on debt on Pakistan Mortgage Refinance Company (PMRC) bonds

The Bill seeks to insert a new clause exempting the profit on debt derived by any person on bonds issued by Pakistan Mortgage Refinance Company (PMRC) to refinance the residential housing mortgage market, for a period of five years with effect from the 1st day of July, 2018.

Clause (100) Income of a Modaraba

The Bill seeks to exclude from exemption, the income from manufacturing activity of a modaraba registered under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980.

Clause (110C) Gain on transfer of assets being PMRC bonds

The Bill seeks to insert a new clause exempting any gain realized by a person on transfer of PMRC bond issued by PMRC to refinance the residential housing mortgage market. The gain will be exempt from taxation if transfer is made during the period from the 1st day of July, 2018 till the 30th day of June, 2023.

Clause (126BA) Profits and gains derived by oil refineries

In order to promote the business of companies operating as oil refineries, the Bill seeks to exempt profits and gains derived by a refinery set up between the 1st day of July, 2018 and the 30th day of June, 2023 having minimum production capacity of 100,000 barrels per day for a period of twenty years beginning in the month in which the refinery is set up or commercial production is commenced, whichever is later.

Further, this exemptions will also be available to existing refineries, subject to following conditions:

- (iv) existing production capacity is enhanced by at least 100,000 barrels per day;
- (v) separate accounts are maintained for income arising from aforesaid additional production capacity; and
- (vi) such refinery is a deep conversion refinery.

Part III

Reduction in tax rates

Clauses (7) & (8) Reduction of tax on income from film-making in Pakistan

To promote and to revive the struggling film industry, the Bill seeks to reduce the tax payable by 50% on income from film-making in Pakistan by foreign film-makers as well as resident film-making companies.

Part IV

Exemption from Specific Provisions

Clause (11A) Exemption from minimum tax for a Public Sector University

Provision of section 113 relating to minimum tax shall not apply in the case of a public sector university established solely for educational purposes and not for the purposes of profit, with effect from tax year 2014.

Clause (11E) Payment of re-gasification charges

Withholding provisions under section 153 shall not apply on payments to be made by Sui Northern Gas Pipelines Limited on account of re-gasification charges to Sui Southern Gas Company Limited and Pakistan LNG Terminal Limited.

Clause (12A) Dividend of transmission line projects

The Bill seeks to insert new clause whereby withholding provisions under section 150 shall not apply on dividend payments to Transmission Line Projects under Transmission Line Policy 2015.

Clause (56B) Option for Normal Tax Regime for commercial importer

The Bill seeks to omit the clause which provides the option to file return under normal tax regime as was earlier available to commercial importers.

Clause (57) Minimum tax under section 113 for companies operating Trading Houses

The Bill seeks to extend benefit of reduced minimum tax under section 113 at the rate of 0.5% on companies operating trading houses upto tax year 2021.

Clause (63) Exemption from condition for approval under section 2(36)

The Bill seeks to waive the conditions for approval of non-profit organization for Lahore University of Management Sciences, Lahore (LUMS). Under the proposed amendment, LUMS shall be deemed to have been approved by the Commissioner for the purpose of sub-section (36) of section 2.

Clause (94) Reduced minimum tax for low profit service sector

Some corporate service providers with low profit margin were allowed a reduced minimum tax rate of 2% for tax year 2018. It is proposed to extend the applicability of reduced tax rate of 2% upto tax year 2019.

Inspection, certification, testing and training services shall now also be eligible for the reduced rate of minimum tax of 2%.

Due to the enhancement of extension in the period to tax year 2019 it is proposed to extend the period to November 2018 to furnish an irrevocable undertaking to present its accounts to the Commissioner to avail this concession.

Clause (105) Restriction of selection for income tax audit

The Bill seeks to insert new clause restricting the selection of audit under section 177 and 214C. Resultantly, the person shall not be selected for audit whose income tax affairs have been audited in any of the preceding three tax years.

However, the Commissioner may still select a person under section 177 for audit with approval of the Board.

The Seventh Schedule

(Rules for the computation of the profits and gains of a banking company and tax payable thereon)

Presently income, profits and gains of banking companies as disclosed in their annual accounts are treated as their taxable income, subject to certain adjustments specified under Seventh Schedule of the Ordinance. It is a settled principle that normal provisions of law apart from and contrary to the aforesaid Schedule are not applicable in computing taxable income of banking companies.

The Bill proposes that the provisions of the Ordinance relating to following shall be considered whilst computing taxable income and tax payable thereon of banking companies.

- Geographical source of income (section 101);
- Foreign tax credit (section 103);
- Foreign losses (section 104);
- Taxation of PE in Pakistan (section 105);
- Agreements for the avoidance of double taxation and prevention of fiscal evasion (section 107);
- Transaction between associates (section 108);
- Recharacterisation of income and deductions (section 109);
- Unexplained income or assets (section 111); and
- Liability in respect of certain security transactions (section 112)

The Bill proposes amendment in Rule (7C) to extend the period for levy of Super Tax till 2020. As per the amendment proposed in Division IIA of Part I of the First Schedule, Super Tax levy is proposed to be gradually reduced to 0% by 2021.

Sales Tax Act, 1990

1. Further tax rate enhanced by 1% [Section 3(1A)]

Further tax on supplies made to the unregistered persons is currently applicable at the rate of 2% in addition to the standard sales tax rate of 17%. Through the Finance Bill, the rate of further tax has been proposed to be increased to 3%.

2. Restoration of Federal Government's Powers previously Entrusted to Board - [Section(s) 3(2), 3(3A), 3(5), 4(c), 7(3), 7(4), 7A(1), 7A(2), 8(1)(b), 60, 65 & 71(1)]

Up to June 30, 2017, the Federal Government was vested with powers under the Act for issuance of notification in the official gazette to:

- specify the higher or lower sales tax rate other than standard rate of sales tax.
- specify the goods in respect of which the liability to pay tax shall be of the person receiving the supply.
- levy and collect extra tax upto 17%.
- allow zero rating on goods.
- allow input tax adjustment through a special order or notification in the official gazette.
- levy and collect sales tax on specified goods on minimum value addition.
- specify goods on which input tax shall not be admissible.
- authorize the import of goods or class of goods, without payment of the

whole or any part of the tax payable thereon in case of temporary imports and to manufacturer- cum-exporters.

- exempt tax not levied or short levied as a result of general practice.
- prescribe special procedure for scope and payment of tax, registration, book keeping and invoicing requirements and returns, etc.

Through Finance Act, 2017, such powers were entrusted to the Board with the approval of the Minister Incharge of the Federal Government.

The Bill now seeks restoration of such powers exclusively back to the Federal Government.

3. Disallowance of input tax on import of scrap of compressor [Section 8 (1) clause m]

A new clause is proposed to be inserted whereby input tax on imports of scrap of compressors is to be disallowed.

4. Appeal effect to be provided within one year [Section 11B]

Unlike income tax law, the sales tax law does not presently provide any provision whereby any time frame for giving effect of any appellate order has been prescribed. Resultantly, the registered persons face hardships in getting the appeal effect proceedings finalized within reasonable time from the date of the appellate order.

Through insertion of this new section, the Bill proposes to resolve this issue by specifying time limit for providing appeal effect, by passing an order within one year from the end of the financial year in which the appellate order (including an order

setting aside a matter wholly or partly) has been served on respective Department's officials.

However, such time limitation of one year shall not apply in case of any set aside order by Appellate Tribunal or High Court in cases where an appeal or reference has been filed against such order.

5. Requirement for obtaining approval by the Board from Federal Minister in charge omitted [Section 13(2)(a)]

Through amendment in this section, the requirement for obtaining approval from Federal Minister Incharge in exemption matter, which was inserted vide Finance Act, 2017, has been proposed to be omitted. Now, the Board pursuant to the approval of Economic Coordination Committee (ECC) of Cabinet may issue the notification for exemption of sales tax.

6. Audit of records to be conducted once in every 3 years [Section 25(2)]

A proviso has been proposed to be inserted whereby the audit of sales tax records by Officer Inland Revenue shall only be conducted once in every 3 years. However, the existing provision in the said section whereby the officer has authority to conduct audit once in every year, has still been retained in the law which contradicts to the proposed amendment and therefore needs to be omitted.

7. Board empowered to specify functions/ jurisdictions of officers of DG Intelligence & Investigations [Section 30A]

In addition to the existing authority of the Board to appoint the officers of Directorate

General (Intelligence and Investigation), it has been proposed to further empower the Board with the authority to specify functions and jurisdiction of such officers with conferring powers to them.

8. Default surcharge rate changed from variable to fixed [Section 34]

Presently, default surcharge on late payment of tax is applicable at the variable rate of KIBOR plus 3% per annum. The Bill now proposes to replace this variable rate with a fixed rate of 12% per annum.

The proposed fixed rate will likely put more burden as 12% rate is higher if compared with average of KIBOR plus 3%.

9. Powers of chief Commissioner to post officer to monitor production, sales & stock withdrawn [Section 40B]

Presently, the Board and the respective Chief Commissioner and Commissioner have powers to appoint an Inland Revenue officer to post on business premises to monitor production, sales and stock of a registered person .

The Bill now proposes to withdraw such powers of the Chief Commissioner and the Commissioner, which will now remain vested exclusively with the Board.

The objective of proposed amendment seems to rationalize the authority for the Inland Revenue officers access to the business premises of the taxpayers and avoid the harassment to the businessmen.

10. Alternate Dispute Resolution Committee (ADRC) revamped [Section 47A]

Amendments have been proposed in an effort to make alternate dispute resolution mechanism more effective. It was initially introduced with the intent of quick settlement of disputes between the tax authority and registered persons in line with international best practices. The desired results, however, could not be achieved because the existing law tilts discretion towards FBR. Below changes have accordingly been recommended:

- a. ADRC can hear all cases of dispute and hardship except those where prosecution proceedings have been initiated or where interpretation of question of law having effect on identical other cases is involved.
- b. Aggrieved person and FBR, as the case may be, shall withdraw appeal.
- c. ADRC shall not commence proceedings unless order of withdrawal by the Appellate Authority is received provided that order of withdrawal is not communicated within 75 days of the appointment of the committee, then ADRC would stand dissolved.
- d. ADRC shall decide the dispute by majority within 120 days of its appointment provide that the period for communicating order of withdrawal of appeal shall be excluded in computing said 120 days. ADRC may conduct necessary inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit.
- e. Decision of ADRC is proposed to be binding on FBR and the aggrieved person whereas payment of sales tax and other taxes as decided by the committee will result in modification of all decisions, orders and judgments to that extent and all proceedings under the law and rules made thereunder by any authority shall abate.
- f. Appellate Authority shall decide the dispute if ADRC fails to decide within

120 days and the appeal shall be treated to be pending before the Appellate Authority as if the appeal has never been withdrawn. Further, FBR shall dissolve ADRC and communicate the same to the Appellate Authority and the Commissioner.

- g. The aggrieved person on receipt of dissolution order shall communicate the same to the Appellate Authority which shall decide the appeal within 6 months of the communication of the order.

11.Reduction in minimum tax payment percentage for grant of automatic stay [Section 48]

Section 48 empowers an Inland Revenue Officer to issue notice of recovery for the tax due from a registered person in the manner prescribed in said sub-section read with Part I of Chapter XI of the Sales Tax Rules, 2006 unless such proceedings have been stayed by the Commissioner Inland Revenue (Appeals) under sub-section (1A) of Section 45B of the Act.

Through Finance Act, 2017, concept of automatic stay was introduced till the decision of Commissioner Appeals against recovery of Sales Tax demand on filing of appeal before the Commissioner Appeals by the registered person under section 45B of the Act against the order creating such demand and subject to deposition of 25% of the amount of sales tax demanded.

Such payment of tax demand to the extent of 25% has now been proposed to be reduced to 10%.

12. Validation [Section 74A]

A new subsection is proposed to be inserted, whereby notwithstanding any omission, irregularity or deficiency in the establishment of or conferment of powers and functions on the DG Intelligence

Investigations and the officers appointed by the Board and all notifications issued, orders passed and actions taken, before commencement of Finance Act, 2018 by such officers, shall be deemed to have been validly issued and notified.

Fifth Schedule (Zero rated goods)

The Bill has proposed to restore zero rating of the following items which were previously exempted through Finance Act, 2016:

Description	PCT Codes
Colors in sets	3213.1000
Writing, drawing and marking inks	3215.9010 and 3215.9090
Erasers	4016.9210 and 4016.9290
Exercise books	4820.2000
Pencil sharpeners	8214.1000
Geometry boxes	9017.2000
Pens, ball pens, markers and porous tipped pens	96.08
Pencils including color pencils	96.09

However, no corresponding omission has been proposed to exclude such items from Table 1 of Sixth Schedule.

Sixth Schedule

New Exempted Items (Insertions - Table 1)

The Bill proposes exemption of sales tax on the following items by inserting the relevant entries in Table 1 of the Sixth Schedule to the Act:

Description	PCT Codes	Existing rate
Paper weighing 60 g/m ² for printing of Holy Quran imported by Federal or Provincial Governments and Nashiran-e-Quran as per quota determined by IOCO	4802.5510	17%
Fish Feed	Respective heading	10%
Fans for dairy farms	8414.5990	17%
Bovine semen	0511.1000	17%
Preparations for making animal feed	2309.9000	17%
Promotional and advertising material including technical literature, pamphlets, brochures and other give-aways of no commercial value, distributed free of cost by the exhibitors	9920(3)	17%
(i) All types of Hearing aids (ii) Hearing assessment equipment; (a) Audiometers (b) Tympanometer (c) ABR (d) Oto Acoustic Omission	9937	17%
Liquefied Natural Gas imported by fertilizer manufacturers for use as feed stock	2711.1100	5%
Plant, machinery, equipment including dumpers and special purpose motor vehicles, if not manufactured locally, imported by China State Construction Engineering Corporation Limited for the construction of Karachi – Peshawar Motorway (Sukkur – Multan Section) and China Communication Construction Company for the construction of Karakorum Highway (KKH) Phase-II (Thakot - Havellian Section)	Respective heading	
Equipment, whether or not locally manufactured, imported by China Railway Corporation to be furnished and installed in Lahore Orange Line Metro Train Project		

Description	PCT Codes	Existing rate
Imported construction materials and goods imported by China State Construction Engineering Corporation Limited, whether or not locally manufactured, for construction of Karachi-Peshawar Motorway (Sukkur-Multan Section)	(subject to fulfillment of certain procedural requirements and conditions)	17%
Goods supplied to German Development Agency (Deutsche Gesellschaft für Internationale Zusammenarbeit) GIZ	Respective heading	17%

Further Exemption Granted (Insertions - Table 3)

Description	PCT Codes
Machinery, equipment, raw materials, components and other capital goods for use in building, fittings, repairing or refitting of ships, boats or floating structures imported by Karachi Shipyard and Engineering Works Limited.	Respective heading
<p>The following parts for assembling and manufacturing of personal computers and laptops:</p> <p>(If imported by manufacturers and assemblers of computers and laptops, registered with and certified by Engineering Development Board in accordance with quota determined by IOCO)</p> <ul style="list-style-type: none"> (i) Bare PCBs (ii) Power Amplifier (iii) Microprocessor/ Controllers (iv) Equipment for SMT Manufacturing (v) Laptop batteries (vi) Adopters (vii) Cooling fans (viii) Heat sink (ix) Hard Disk SSD (x) RAM/ROMS (xi) System on Chip/FPGA-IC (xii) LCD / LED Screen (xiii) Motherboards (xiv) power supply (xv) Optical Drives (xvi) External Ports (xvii) Network cards (xviii) Graphic cards 	<ul style="list-style-type: none"> 8534.0000 8542.3300 85.42 8486.2000 8506.5000 8504.4020 8414.5190 7616.9920 8471.7020 8471.7060 and 8471.7090 85.42 8528.7211 8534.0000 84.73 8471.7040 8536.2090 8517.6990

Description	PCT Codes
(xix) wireless cards (xx) micro phone (xxi) Trackpad	8471.5000 8517.6970 8518.3000 8471.6020
Plant and machinery, except the items listed under Chapter 87 of the Pakistan Customs Tariff, imported for setting up of a Special Economic Zone (SEZ) by zone developers and for installation in that zone by zone enterprises, on one time basis as prescribed in the SEZ Act, 2012 and rules thereunder subject to such condition, limitations and restriction as a Federal Board of Revenue may impose from time to time.	9917(2)

Eighth Schedule (Reduced rate goods)

Further reduction in sales tax rates (Amendments - Table 1)

The Bill has proposed to further reduce the sales tax rate from 7 % to 5% on the following items given in Table 1 of the Eighth Schedule to the Act:

Description	PCT Codes
Tillage and seed bed preparation equipment:	
(i) Rotavator	8432.8010
(ii) Cultivator	8432.2910
(iii) Ridger	8432.8090
Seeding or planting equipment:	
(i) Seed-cum-fertilizer Drill	8432.3010
(ii) Cotton or maize planter with fertilizer attachment	8432.3090
(iii) Potato planter	8432.3090
(iv) Fertilizer or manure spreader or broadcaster	8432.4100
(v) Rice transplanter	8432.3090
(vi) Canola or sunflower drill	8432.3100
(vii) Sugarcane planter	8432.3900
Irrigation, drainage and agro-chemical application equipment:	
(i) Tube wells filters or strainers	8421.2100, 8421.9990
(ii) Knapsack Sprayers	8424.2010
(iii) Granular Applicator	8424.2010
(iv) Boom or field Sprayers	8424.2010
(v) Self propelled Sprayers	8424.2010
(vi) Orchard sprayer	8424.2010

Description	PCT Codes
Harvesting, threshing and storage equipment:	
Wheat thresher	8433.5200
Maize or groundnut thresher or Sheller	8433.5200
Groundnut digger	8433.5900
Potato digger or Harvester	8433.5300
Sunflower Thresher	8433.5200
Post hole digger	8433.5900
Straw balers	8433.4000
Fodder rake	8433.5900
Wheat or rice reaper	8433.5900
Chaff or fodder cutter	8433.5900
Cotton picker	8433.5900
Onion or garlic harvester	8433.5200
Sugar harvester	8433.5200
Tractor trolley or forage wagon	8716.8090
Reaping machines	8433.5900
Combined harvesters	8433.5100
Pruner/shears	8433.5900
Post-harvest handling and processing & miscellaneous machinery:	
(i) Vegetables and fruits cleaning and sorting or grading equipment	8437.1000
(ii) Fodder and Feed cube maker equipment	8433.4000

Sales tax rate has been proposed to be reduced from 10% to 5% on supply of natural gas to fertilizer plants for use as feed stock in manufacturing of fertilizer, by amending entry no. 43 in Table 1 of the Eighth Schedule to the Act.

New Reduced Rate Items (Insertions – Table 1)

Moreover, the Bill has proposed further insertion of the following entries in Table 1 of the Eighth Schedule to the Act:

Description	PCT Codes	Sales Tax Rate	
		Existing	Proposed
LNG (If imported by M/s Pakistan State Oil and M/s Pakistan LNG Limited)	2711.1100	17%	12%
RLNG If supplied by M/s Pakistan State Oil and M/s Pakistan LNG Limited to M/s SNGPL)	2711.2100	17%	12%
Fertilizers (all types)	Respective heading	17%	3%
The following cinematographic equipment imported during the period commencing on the		17%	5%

Description	PCT Codes	Sales Tax Rate	
		Existing	Proposed
1st day of July, 2018 and ending on the 30th day of June, 2023. (Subject to same limitations and conditions as are specified in Part-1 of Fifth Schedule to the Customs Act, 1969 for availing 3% concessional rate of customs duty on the import of these equipment.”;)			
(i) Projector	9007.2000	17%	5%
(ii) Parts and accessories for projector	9007.9200	17%	5%
(iii) Other instruments and apparatus for cinema	9032.8990	17%	5%
(iv) Screen	9010.6000	17%	5%
(v) Cinematographic parts and accessories	9010.9000	17%	5%
(vi) 3D Glasses	9004.9000	17%	5%
(vii) Digital Loud Speakers	8518.2200	17%	5%
(viii) Digital Processor	8519.8190	17%	5%
(ix) Sub-woofer and Surround Speakers	8518.2990	17%	5%
(x) Amplifiers	8518.5000	17%	5%
(xi) Audio rack and termination board	7326.9090 8537.1090	17%	5%
(xii) Music Distribution System	8519.8990	17%	5%
(xiii) Seats	9401.7100	17%	5%
(xiv) Recliners	9401.7900	17%	5%
(xv) Wall Panels and metal profiles	7308.9090	17%	5%
(xvi) Step Lights	9405.4090	17%	5%
(xvii) Illuminated Signs	9405.6000	17%	5%
(xviii) Dry Walls	6809.1100	17%	5%
(xix) Ready Gips	3214.9090	17%	5%
lithium iron phosphate battery (Li-Fe-PO4)	8506.5000	17%	12%

Reduced Rates Withdrawn (Omissions – Table 1)

The Bill has proposed omission of the following entries from the Eighth Schedule to the Act:

Description	PCT Codes	Sales tax Rate	
		Existing	Proposed
Urea, whether or not in aqueous solution	3102.1000	5%	17%
DAP	Respective heading	Rs. 100 per 50 kg bag	17%

Description	PCT Codes	Sales tax Rate	
		Existing	Proposed
NP (22-20) (If manufactured from gas other than imported LNG)	Respective heading	Rs. 168 per 50 kg bag	17%
NP (18-18) (If manufactured from gas other than imported LNG)	Respective heading	Rs. 165 per 50 kg bag	17%
NPK-I (If manufactured from gas other than imported LNG)	Respective heading	Rs. 251 per 50 kg bag	17%
NPK-II (If manufactured from gas other than imported LNG)	Respective heading	Rs. 222 per 50 kg bag	17%
NPK-III (If manufactured from gas other than imported LNG)	Respective heading	Rs. 341 per 50 kg bag	17%
SSP (If manufactured from gas other than imported LNG)	Respective heading	Rs. 31 per 50 kg bag	17%
CAN	Respective heading	Rs. 98 per 50 kg bag	17%
Liquefied Natural Gas (Imported by fertilizer manufacturers for use as feed stock)	2711.1100	5%	Exempt
Fish feed	2309.9090	10%	Exempt

New Reduced Rate Items (Insertions – Table 2)

The Bill has proposed applicability of sales tax at reduced rate of 5% on import of capital goods for the Transmission Line Projects by insertion of the following entry in Table 2 of the Eighth Schedule to the Act. Sales tax charged on such goods shall be non-adjustable and non-refundable.

Federal Excise Act, 2005

1. Restoration of Federal Government's Powers previously Entrusted to Board [Section 3]

Up to June 30, 2017, the Federal Government was vested with powers under the Act to levy excise duty, by notification in the official gazette, on any goods as are produced or manufactured in the non-tariff areas and are brought to the tariff areas for sale or consumption therein or to levy and collect excise duty at higher or lower rates on any class or classes of goods or services.

Through Finance Act, 2017, such powers were entrusted to the Board with the approval of the Minister Incharge of the Federal Government. The Bill now seeks restoration of such powers exclusively back to the Federal Government.

2. Rate of default surcharge [Section 8]

Presently, default surcharge on late payment of the amount of duty due, is applicable at the variable rate of KIBOR plus 3% per annum. The Bill now proposes to replace this variable rate with a fixed rate of 12% per annum.

The proposed fixed rate will likely to put more burden as 12% rate is higher if compared with average of KIBOR plus 3%.

3. Appeal effect to be provided within one year [Section 14B]

Unlike income tax law, the FED law does not presently provide any provision whereby any time frame for giving effect of any appellate order has been prescribed. Resultantly, the registered persons face hardships in getting the appeal effect proceedings finalized within

reasonable time from the date of the appellate order.

Through insertion of this new section, the Bill proposes to resolve this issue by specifying time limit for providing appeal effect, by passing an order within one year from the end of the financial year in which the appellate order (including an order setting aside a matter wholly or partly) has been served on respective Department's officials.

However, such time limitation of one year shall not apply in case of any set aside order by Appellate Tribunal or High Court in cases where an appeal or reference has been filed against such order.

4. Exemption [Section 16]

Through omission made in this section, the powers of the Board for granting of exemption through issuance of notification, pursuant to approval from Federal Minister Incharge and of Economic Coordination Committee (ECC) of Cabinet, which were entrusted vide Finance Act, 2017, have been proposed to be withdrawn. Now, the Federal Government, pursuant to the approval of ECC of Cabinet, may issue the notification for exemption of excise duty.

5. Appointment of Federal Excise Officers and delegation of powers [Section 29]

In addition to the existing authority of the Board to appoint the officers of Directorate General (Intelligence and Investigation), it has been proposed to further empower the Board with the authority to specify functions and jurisdiction of such officers with conferring powers to them.

6. Deposit, pending appeal, of duty demanded or penalty levied [Section 37]

Under the current provisions, the Commissioner shall not issue recovery notice under the said section or recovery rules made under the Federal Excise Rules, 2005 for recovery of any duty due from a taxpayer, if the taxpayer has filed an appeal to Commissioner Inland Revenue (Appeals) in respect of the order under which duty is payable and appeal has not been yet decided by the Commissioner (Appeals) provided that the taxpayer has paid 25% of the amount of duty due.

The Bill proposes to reduce the payment of duty demanded to the extent of 10% upon which no notice of recovery under said provisions shall be issued.

7. Alternate Dispute Resolution [Section 38]

Amendments have been proposed in an effort to make alternate dispute resolution mechanism more effective. It was initially introduced with the intent of quick settlement of disputes between the tax/excise authority and registered persons in line with international best practices.

The desired results, however, could not be achieved because the existing law tilts discretion towards FBR. Below changes have accordingly been recommended:

- a. ADRC can hear all cases of dispute and hardship except those where prosecution proceedings have been initiated or where interpretation of question of law having effect on identical other cases is involved.
- b. Aggrieved person and FBR, as the case may be, shall withdraw appeal.
- c. ADRC shall not commence proceedings unless order of withdrawal by the Appellate Authority is received provided that order of withdrawal is not communicated within 75 days of the appointment of the committee, then ADRC would stand dissolved.

- d. ADRC shall decide the dispute by majority within 120 days of its appointment provide that the period for communicating order of withdrawal of appeal shall be excluded in computing said 120 days. ADRC may conduct necessary inquiry, seek expert opinion and direct any officer of the Inland Revenue or any other person to conduct an audit.
- e. Decision of ADRC is proposed to be binding on FBR and the aggrieved person whereas payment of sales tax and other taxed as decided by the committee will result in modification of all decisions, orders and judgments to that extent and all proceedings under the law and rules made thereunder by any authority shall abate.
- f. Appellate Authority shall decide the dispute if ADRC fails to decide within 120 days and the appeal shall be treated to be pending before the Appellate Authority as if the appeal has never been withdrawn. Further, FBR shall dissolve ADRC and communicate the same to the Appellate Authority and the Commissioner.
- g. The aggrieved person on receipt of dissolution order shall communicate the same to the Appellate Authority which shall decide the appeal within 6 months of the communication of the order.

8. Access to records and posting of excise staff, etc. [Section 45]

Presently, the Board and the respective Chief Commissioner and Commissioner have powers to appoint an Inland Revenue officer to post on business premises to monitor production, sales and stock of a registered person at his premises.

The Bill now proposes to withdraw powers of the Chief Commissioner and

Commissioner, which will now remain vested exclusively with the Board.

The objective of proposed amendment seems to rationalize the authority of having access of the Inland Revenue officers to the business premises of the registered persons and to avoid the harassment to the business community.

9. Audit to be conducted once in every 3 years [Section 46]

A new sub-section has been proposed to be inserted whereby the audit shall only be conducted once in every 3 years. However, the existing provision as given in sub-section (1) whereby the officer has authority to conduct audit once in every year, has still been retained in the law which contradicts to the proposed amendment and therefore needs to be omitted.

10. Validation [Section 47C]

A new subsection is proposed to be inserted, whereby notwithstanding any omission, irregularity or deficiency in the establishment of or conferment of powers and functions on the DG Intelligence Investigations and the officers appointed by the Board and all notifications issued, orders passed and actions taken, before commencement of Finance Act, 2018 by such officers, shall be deemed to have been validly issued and notified.

11. First Schedule - Rates of FED enhanced in Table I

Cigarettes

The Bill proposes to enhance FED rates for locally produced cigarettes as given below:

1	Locally produced cigarettes if their on-pack printed retail price exceeds Rs. 4,500 per 1,000 cigarettes.	Rs. 3,964 per 1,000 cigarettes
2	Locally produced cigarettes if their on-pack printed retail price exceeds 2,925 per 1,000 cigarettes but does not exceed Rs. 4,500 per 1,000 cigarettes.	Rs. 1,770 per 1,000 cigarettes
3	Locally produced cigarettes if their on-pack printed retail price does not exceed Rs. 2,925 per 1,000 cigarettes.	Rs. 848 per 1,000 cigarettes

b. Cement

The Bill proposes to enhance FED rates from Rs. 1.25 per kilogram to Rs. 1.50 per kilogram on Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinkers.

12. Third Schedule (Conditional Exemptions)

Table 1 – Exemption of dutiable goods

The list of conditional exemptions of dutiable goods has been proposed to be enhanced to include the following:

Description	PCT heading and conditions
<p>Equipment, whether or not locally manufactured, imported by M/s China Railway Corporation to be furnished and installed in Lahore Orange Line Metro Train Project.</p> <p>For this purpose "equipment" shall mean machinery, apparatus, materials and all things to be provided under the contract for incorporation in the works relating to Lahore Orange Line Metro Train Project</p>	<p>Subject to fulfillment of certain procedural requirements and conditions.</p>
<p>Imported construction materials and goods imported by M/s China State Construction Engineering Corporation Limited (M/s CSCECL), whether or not locally manufactured, for construction of Karachi-Peshawar Motorway (Sukkur-Multan Section) subject to fulfilment of same conditions, limitations and restrictions as are specified under S. No. 145 of Table-1 of Sixth Schedule to the Sales Tax Act, 1990, provided that total incidence of exemptions of all duties and taxes in respect of construction materials and goods imported for the project</p>	<p>Respective Headings</p> <p>Subject to fulfillment of certain procedural requirements and conditions.</p>

Description	PCT heading and conditions
shall not exceed ten thousand eight hundred ninety-eight million rupees.	

Table 2 – Exemption of dutiable services

The list of conditional exemptions of dutiable services has been proposed to be enhanced to include the following:

Description	PCT Heading
14. Commission paid by State Bank of Pakistan and its subsidiaries to National Bank of Pakistan or any other banking company for handling banking services of Federal or Provincial Governments as State Bank of Pakistan's agents	Respective heading

13. Health Levy on tobacco

It is proposed that Pakistan Tobacco Board or its contractors shall directly or indirectly collect Health Levy at the time of collecting cess on tobacco from every person purchasing tobacco including manufactures of cigarettes at the rate of Rs. 10 per kilogram.

14. Mobile handset levy

Mobile handset levy is proposed to be levied as tabulated below:

S. No.	Category of smart phone	Rate of levy per set in rupees
1.	Where Import value of handset (including duties and taxes) does not exceed Rs. 10,000/-	Nil
2.	Where Import value of handset (including duties and taxes) exceeds Rs. 10,000 but does not exceed Rs.40,000 /-	1,000
3.	Where Import value of handset (including duties and taxes) exceeds Rs.40,000 but does not exceed Rs. 80,000 /-	3,000
4.	Where Import value of handset (including duties and taxes) exceeds Rs.80,000	5,000

The Board shall collect such levy in the prescribed manner.

Custom Act, 1969

1. Definition [Section 2] Pakistan customs waters [Clause p]

The Bill proposes to extend the limit of Pakistan Customs Water from twelve nautical miles to twenty four nautical miles measured from the appropriate base line on the coast of Pakistan.

2. Person [Clause pa]

The Bill proposes to widen the definition of person by including 'a local manufacturer' in its scope.

3. Goods dutiable [Section 18]

The Bill proposes to restore powers to the Federal Government for levying regulatory duty which were conferred upon the Board with the approval of Federal Minister in charge through Finance Act, 2017.

The Bill further proposes to amend the proviso to the sub-section (5) to exclude sub section (3) from its ambit in order to exclude the regulatory duty from the purview of obligations relating to multilateral agreement.

4. General power to exempt from Custom Duties [Section 19]

The Bill proposes to restore powers to the Federal Government to exempt Customs Duty which were conferred upon the Board with the approval of Federal Minister in charge through Finance Act 2017. The Bill also proposes to abolish the condition of approval of the Economic Coordination Committee of Cabinet.

The Bill further proposes to amend second proviso to sub-section (5) in order to extend the validity of all exemption notifications, issued on or after July 1,

2016 and placed before National Assembly, till June 30, 2019, if not rescinded earlier by the Federal Government or National Assembly.

5. Power to use data exchange information for determination of customs value [Section 25AA]

The Bill proposes to insert new section 25AA to provide legal cover for utilizing any information or data, obtained through mutual assistance agreements under clause (b) of sub-section (1) of section 219A, for the purpose of assessment including valuation.

6. Power to take over the imported goods [Section 25C]

The Bill proposes to shift powers from Board to Chief Collector in order to grant approval to Collector for taking over the imported goods from importer subject to certain conditions.

7. False statement, error, etc.- [Section 32]

The Bill proposes to insert second proviso under sub section (3) restricting the customs authorities to initiate any action under this section in case full amount of short paid duty, taxes or other charges are paid voluntarily prior to initiation of audit inquiry or investigation.

8. Refund to be claimed within one year. [Section 33]

The Bill proposes to insert sub section (3A) wherein the time limitation of 180 days for deciding of refund claim has been prescribed which may further be extended up to 90 days by the Collector of Customs, for reason to be recorded in writing.

9. Arrival of conveyance [Section 42]

The Bill proposes to amend clause (a) second proviso of subsection (2) to ensure the provision of accurate and complete information of passenger in advance in order to prevent attempts of money laundering and currency smuggling.

10. Power to refuse port-clearance to vessels or permission for departure to other conveyance - [Section 55]

The Bill proposes to amend clause (e) of sub section (1) with a view to make the shipping agents responsible for payment of the dues in connection with the discharge and delivery of goods.

11. Provisional release for imported goods [Sections 83B]

The Bill proposes to insert new section which provides that where any offence is detected in respect of imported goods which are not liable to confiscation or needed for evidence at a later stage, the Collector of Customs may, on written request of owner of the goods, allow release of the same on payment of duty, taxes or other charges and furnishing bank guarantee or pay order against the amount of any penalty or fine which may be imposed on such goods.

According to Notes to the Clauses published with the budget documents, the proposed section is inserted to meet the compliances of Trade Facilitation Agreement, in order to allow release of imported goods on furnishing of bank guarantee or on making payment of penalties levied thereon.

12. Frustrated cargo how dealt with [Section 138]

The Bill proposes to extend the scope of the section to allow the export of goods without payment of any duties (whether of import or export) in case consignee had dishonored his commitments provided that such goods have remained and are exported under the custody of an officer of customs.

13. Punishment for offences. [Section 156]

The Bill proposes to impose a penalty not exceeding one million rupees upon a person for noncompliance of notice issued under section 155M. Such person shall also be liable to imprisonment for a term not exceeding one year or with both on conviction by a Special Judge.

The Bill further proposes that if any goods which are loaded for transshipment, are pilfered replaced en-route or failed to reach the port of destination, or any person transships goods not allowed to be transshipped, such goods and the conveyance illegally carrying these goods shall be liable to confiscation and any person including the custodian and the bonded carrier shall be liable to a penalty not exceeding ten times the value of the goods and he shall further be liable, upon conviction by a Special Judge, to imprisonment for a term not exceeding seven years. In case, if any person contravenes any rule relating to transshipment other than mentioned in clause (i), such person including the custodian and the inland carrier shall be liable to penalty not exceeding five hundred thousand rupees or three times the amount of duties and taxes involved

14. Vesting of confiscated property in the Federal Government [Section 182]

The Bill proposes to empower the person authorized by the Collector or Director, in

addition to the officer who orders confiscation, to take and hold possession of the confiscated goods.

15. Procedure in appeal [Section 193A]

The Bill proposes to empower the Collector (Appeals) to grant stay for a period not exceeding thirty days against recovery of duty and taxes on filing of appeal and after affording opportunity of being heard to the officer of the concerned Collectorate or Directorate.

16. Orders of Appellate Tribunal [Section 194-B]

The Bill proposes to substitute the word "Controller" with "Director" for the re-designation of the post after the insertion of Section 3D.

17. Custom-house agents to be licensed [Section 207]

The Bill proposes to extend the scope of this section to include shipping agent in its ambit in order to give special reference to shipping agents and providing legal cover to the Shipping Rules already issued.

18. Authorized economic operator programme: [Section 212A]

The Bill proposes to insert new section under the Act which provides that the Federal Government may, by notification in the official Gazette, devise authorized economic operator programme to provide facilitations relating to secure supply chains of imported and exported goods through simplified procedures with regard to regulatory controls applicable thereon.

The Bill further proposes to empower the Board, with approval of the Federal Government, to prescribe rules on matters

pertaining to authorized economic operator programme.

According to Notes to the Clauses published with the budget documents, the above insertions are inserted to introduce Authorized Economic Operator (AEO) programme to meet the obligations of the Trade Facilitation Agreement.

19. Power to make rules [Section 219]

The Bill propose to insert new subsection (3A) wherein Board has to make previous publication of any Rules to be issued under this section.

The above insertion is proposed to provide an opportunity to the public for offering comments on any such Rules before entry into force of any Rules.

20. Validation [Section 221A]

The Bill proposes to insert new sub-section (2) which provides that, notwithstanding any order or judgment of any court, a High Court and the Supreme Court, the regulatory duty already levied, collected and realized in exercise of any powers under this Act, before the commencement of the Finance Act, 2018 and after the commencement of the Finance Act, 2017, shall be deemed to have been validly levied, collected and realized under this Act, in exercise of the powers conferred on the commencement of the Finance Act, 2018, and where any such regulatory duty has not been levied, collected or realized, the same shall be recoverable in accordance with the provisions of this Act.

It is pertinent to mention here that section 221A relates to validation wherein all notifications and orders issued and notified in exercise of the powers conferred upon the Federal Government, before the commencement of Finance Act, 2017 shall be deemed to have been validly issued and notified in exercise of those powers.

The above insertion proposed in order to validate levy and collection of regulatory duty already collected before decision of the Honourable Sindh High Court.

Changes in rates of Customs Duty, Additional Duty and Regulatory Duty

Customs duty

The Bill proposes a reduced Customs Duty of 3% on import of specified equipment used in cinema industry to support the said industry.

The Bill proposes to extend the exemption from the condition of 'local manufacturing' on import of solar panels till June 30, 2019.

Customs duty is proposed to be exempted on import of papers weighing 60 g/m² by Federal or Provincial Governments or Nashir-e-Quran registered with the government.

In order to enhance the exports, the Customs Duty is withdrawn on 104 items and is reduced on 28 items useable as raw materials / inputs of exports.

The Bill proposes to levy Customs Duty at fix rate of US\$ 5,000 on import of vintage or classic cars and jeeps.

The Bill proposes to exempt Customs Duty on import of bovine semen in order to support dairy farming.

As per salient features, the Additional Custom Duty is proposed to be increased on various items from 1% to 2%.

Reduction / Increase in Customs Duty rate

The Bill proposes to amend First and Fifth schedules to the Act, wherein reduction or increase in the rate of Customs Duty are proposed for following items:

Description of Items	Previous Rates	Proposed Rates
Plasters	16%	11%
Coal	5%	3%
Carbon black (rubber grade)	20%	16%
Acetic acid	20%	16%
Medium density fiber board	16%	11%
Corrective glasses	11%	3%

Description of Items	Previous Rates	Proposed Rates
Micro feeder equipment	3%	0%
Tasigna (an anti-cancer medicine)	5%	0%
Charging stations for electric vehicles	16%	0%
Multi-ply and Aluminum foils	20%	18%
Pre-fabricated room/structures for setting up of new hotels/motels.	20%	11%
Preparations for making animal feed	10%	5%
Fans for corporate dairy farmers	20%	3%
Growth promoter premix, Vitamin premix, Vitamin B12, Vitamin H2	10%	5%
Optical fiber	20%	5%
Cable filing compound	11%	5%
Polybutylene/Terephthalate	20%	5%
Fiber reinforced plastic	20%	5%
Water blocking/swellable tape	11%	5%
Film of ethylene for liquid food packaging industry	20%	16%
Silicon electrical steel sheets for manufacturing transformers	10%	5%
Coils of aluminum alloys used in manufacturing of Aluminum beverage cans	16%	8%
Fire fighting vehicles	30%	10%
Lithium Iron phosphate battery	11%	8%
Electric vehicles	50%	25%
Kits of electric vehicles	50%	10%
Hydrogen Bromide use by PTA industry	11%	0%
Palladium-on-carbon use by PTA industry	3%	0%
Tanned hides in wet states	3%	0%
Specified LED Parts and components for manufacturers of LED lights	5%	0%
Soya- bean oil and its fractions (Crude oil, whether or not degummed / Other)	Rs.9,050 MT / Rs.10,200 MT	Rs. 12,000 / Rs.13,200
Double sided tape	3%	11%
Aluminum auto parts scrap	30%	35%
Rickshaw tyres	11%	20%
Di-octyl Terephthalate (DOTP)	3%	20%

Regulatory Duty

Following rates of Regulatory Duty are proposed for below mentioned items:

Description of Items	Proposed Rates
Export of waste & scrap of cooper	30%
CKD/SKD kits of specified home appliances	10%
CKD/SKD kits of mobile phone	Rs. 175 per set
Import of LED bulb & Tubes, Energy Saving bulbs & Tube	2%
Optical Fiber Cables	10%
Electric Vehicles	0%

As per salient features, it is proposed to review Regulatory Duty on non-essential luxury items.

Petroleum Products (Petroleum Levy) Ordinance, 1969

The Bill Proposes to increase the petroleum levy as specified in the Fifth Schedule to Petroleum Products (Petroleum Levy) Ordinance, 1961 as under:

Petroleum Products	Unit	Previous Rates	Proposed Rates
High Speed Diesel Oil (HSDO)	Litre	8	30
Motor Gasoline	Litre	10	30
Superior Kerosene Oil (SKO)	Litre	6	30
Light Diesel Oil (LDO)	Litre	3	30
High Octance Blending Component (HOBC)	Litre	14	30
E-10 Gasoline	Litre	9	30
Liquefied Petroleum Gas (Produced / extracted in Pakistan)	Metric Tone	11,486	20,000

The Foreign Assets (Declaration and Repatriation) Ordinance, 2018

The objective for promulgation of the Ordinance is to give effect to the tax amnesty scheme for the whitening of non-reported and under-reported assets held outside Pakistan. Such amnesty schemes have also been announced in other countries including Indonesia, which announced an amnesty scheme for declaration of foreign assets in June 2016 with objective to increase tax base.

The Indonesian Government was able to collect approximately USD 9 billion in terms of taxes and penalties, within nine months of amnesty period. The total assets declared under amnesty were approximately USD 365 billion out of which USD 91 billion were foreign assets.

Further, considering the recent steps taken by the Organization for Economic Co-operation and Development (OECD) for Automatic Exchange of Financial Account between signatory countries, it would be in the interest of taxpayers to avail such amnesties and avoid any repercussions, which include confiscation of assets for not making proper disclosure.

Tax amnesty scheme is well timed. By end of 2018, Pakistan will start exchanging tax information with others that are part of the OECD's Automatic Exchange of Information initiative. This means Pakistan will start receiving information about offshore assets owned by its residents from tax jurisdictions that are part of the initiative. As of July 2016, 101 tax jurisdictions had signed up to the programme.

In 2014, the OECD established the Common Reporting Standard (CRS), laying the groundwork for a new global network of tax reporting. The CRS calls on the tax authorities of participating countries to obtain information from their financial institutions and automatically exchange that information with other countries on an annual basis. The purpose of the CRS is to combat international tax evasion.

Under CRS, financial institutions (FIs) in participating jurisdictions must collect certain information regarding client's status and country (or countries) of tax residence, and for certain types of entity clients, the country (or countries) of tax residence of the individual(s) who control them. FIs will report information on financial accounts held by clients who are tax residents in other reportable jurisdictions to the designated local authorities. The information then will be exchanged annually by the local authorities with the designated authorities in each reportable jurisdiction with which a relevant information sharing agreement has been entered. In participating jurisdictions, compliance is mandatory under local laws.

CRS and Foreign Account Tax Compliance Act (FATCA) both target offshore tax evasion and require financial institutions to identify clients' tax statuses, monitor clients for change in circumstances and report clients' account details, as applicable. However, FATCA focuses only on tax evasion by US Persons, whilst CRS targets offshore tax evasion based on an account holder's country (or countries) of tax residence.

The potential ramifications of CRS and the fact that Pakistan has become signatory to OECD convention in September 2016 could have a significant bearing on the success of Amnesty Scheme(s) announced by the Government.

The initiative will mean that tax avoiders will find it hard to hide their financial information from authorities because banks would not be allowed to hide information about their non-resident customers.

1. Important definitions

- (a) "fair market value" means price of foreign asset determined and declared by a declarant himself, but

in no case is less than the cost of acquisition of the foreign assets.

- (b) "foreign assets" means any movable or immovable assets held outside Pakistan and includes real estate, mortgaged assets, stock and shares, bank accounts, bullion, cash, jewels, paintings, accounts and loan receivables, beneficial ownership or beneficial interests or contribution in offshore entities and trusts.
- (c) "government security" means a bond, note or other debt instrument issued by the Federal Government with a promise of repayment upon maturity.
- (d) "liquid assets" means cash or an asset that can be readily converted into cash with a minimal impact on the assets' value and includes bank notes, marketable securities, stocks, promissory notes, government bonds, deposit certificates and other similar instruments.

2. Persons and assets covered

This Ordinance applies on all citizens of Pakistan except holders of public office, their spouses and dependent children. 'Holder of public office' has been defined under section 2(g) of the Ordinance and inter alia includes any person who is or has been at any time since January 1, 2010:

- (i) President of Pakistan or Governor of any province;
- (ii) Prime Minister, Chairman and Deputy Chairman Senate of National Assembly, Federal Ministers and their advisors or Consultants;
- (iii) Chief Minister, Speaker and Deputy Speaker of Provincial Assembly, Provincial Ministers and their advisors or Consultants;
- (iv) Chief Justice, Judges of Supreme Court and High Courts;

(v) Persons holding an office or post in service of Pakistan or service connected with affairs of Federation, Province or local council, etc.

(vi) Chairman, Vice Chairman or Mayor or Deputy Mayor of a Zila Council, a Municipal Committee, etc.

The foreign assets declared by the person shall not include any foreign assets, where proceedings are pending in any court of law in respect of such assets.

The provision of this Ordinance shall not apply to any proceeds or assets that are involved or derived from the commission of a criminal offence. As such, any person having such proceeds and assets will not be covered under the amnesty and such assets and proceeds will be subject to scrutiny by relevant authorities, prosecution and penalties as prescribed under the relevant laws.

3. Declaration value

The declaration and repatriation under the aforesaid Ordinance is to be made between April 10, 2018 and June 30, 2018.

The declaration is to be made at the 'Fair Market Value', which shall be the price of foreign asset determined and declared by the declarant himself but in no case to be less than the cost of acquisition of such assets.

The declarant will not be liable to pay any tax under any law enforced for the time being (including Income Tax Ordinance, 2001) for assets declared as prescribed under this Ordinance. Once declared, these assets can be incorporated in the books of accounts of the person.

4. Tax rates

The table below shows that the Government makes it more attractive in case the taxpayer repatriates his / her funds into Pakistan. For example, if the

taxpayer declares his / her previously undeclared assets before June 30 2018, then a tax rate of 5 % is applied. However, in case the taxpayer not only declares the wealth but also repatriates this wealth to Pakistan (before June 30, 2018) then a 2 percent tax rate is applied.

S.No.	Foreign assets	Rate (as a percentage of the value of foreign assets)
1.	Liquid assets not repatriated	5%
2.	Immovable assets outside Pakistan	3%
3.	Liquid assets repatriated and invested in Government securities upto 5 years in US dollars denominated bonds with six-monthly profit payment in equivalent Rupees (rate of return 3%) and payable on maturity in equivalent Rupees	2%
4.	Liquid assets repatriated	2%

5. Payment mechanism

The person would be required to declare value of foreign assets and to pay tax on

such assets in the manner set out in Form A of the Schedule to this Ordinance. The description of these assets shall be in the manner as set out in Form B of the Schedule to this Ordinance.

The person shall also be required to repatriate the foreign assets in Pakistan and due date for the payment of tax shall be the date on which the person made the declaration.

6. Overriding impact and confidentiality

The provisions of this Ordinance shall have effect notwithstanding anything to the contrary contained in any other law for the time being in force.

The information acquired with respect to declaration under the Ordinance shall be kept confidential irrespective of whatsoever contained in any law for the time being in force. In case of any disclosure in contravention of this Ordinance, the guilty shall be punishable on conviction with a fine or imprisonment or both.

It has also been clarified that nothing contained in declaration made under this Ordinance shall be admissible in evidence against the declarant for any proceedings related to levy of penalty or prosecution under the provisions of the Income Tax Ordinance, 2001. As such, declaration of assets and payment of tax as per this Ordinance will absolve the declarant from penalties and persecution prescribed under the Income Tax Ordinance, 2001.

Voluntary Declaration of Domestic Assets Ordinance, 2018

The purpose of Voluntary Declaration of Domestic Assets Ordinance, 2018 (the Ordinance) is to provide a facilitation mechanism for declaration and payment of tax in respect of previously undeclared or under declared income and assets held in Pakistan.

It is, however, pertinent to mention that time limitations of 5 tax years, as applicable, has not been changed under section 111(2) of the Income Tax Ordinance, 2001 with respect to domestic undisclosed / concealed assets, as is the case with foreign undeclared assets, which can now be taxed in the tax year prior to the tax year in which such assets are discovered by the Commissioner. It is, therefore, to be seen whether the tax payers would disclose the undeclared assets acquired in the tax years which have already become time barred.

1. The Ordinance overrides other laws

The provisions of the Ordinance shall prevail over anything contrary contained in other laws in force in Pakistan.

2. Persons covered

The Ordinance is applicable to companies, association of persons and all citizens of Pakistan wherever residing except "holder of public office", as defined under the Ordinance, their spouses and dependent children.

3. Assets covered

The Ordinance is applicable in respect of undisclosed income and "domestic assets" held in Pakistan, except where any proceeding is pending in any court of law in respect of such assets.

The term "domestic assets" as defined under the Ordinance to mean assets of every kind other than "foreign assets", as

defined in the Foreign Assets (Declaration and Repatriation) Ordinance, 2018.

The provisions of this Ordinance, however, would not be applicable to any proceeds or assets that are involved in or derived from the commission of a criminal offence. As such, any person having such proceeds and assets will not be covered under the amnesty and such assets and proceeds will be subject to scrutiny by relevant authorities, prosecution and penalties as prescribed under the relevant laws.

4. Mode of declaration

The declaration under the Ordinance shall be made in the following manner:

- Form "A"
- Electronically on FBR's web portal

The declaration shall be accompanied by the evidence of payment of tax.

5. Time of declaration

The declaration under the Ordinance shall be made from April 11, 2018 to June 30, 2018.

6. Tax rate

Domestic assets declared under the Ordinance shall be chargeable to tax at the following rates:

S. No.	Assets	Rate (%)
1	Foreign currency held in a foreign currency account in Pakistan as on the 31st March, 2018 and encashed in equivalent Rupees.	2%

S. No.	Assets	Rate (%)
2	Foreign currency held in a foreign currency account in Pakistan as on the 31st March, 2018 which is invested in Government securities up to 5 years in US dollars denominated bonds with six-monthly profit payment in equivalent Rupees (rate of return being 3% per annum) and payable on maturity in equivalent Rupees.	2%
3	Other assets	5%

7. Due date of payment of tax

The due date for payment of tax under the Ordinance shall be the date on which declaration is made.

8. Recording in books of accounts

After the payment of tax in respect of domestic assets declared under the Ordinance, the declarant shall be entitled to record such assets in his books of accounts. For the purpose of the Income Tax Ordinance, 2001, the cost of acquisition of domestic assets declared under the Ordinance shall be deemed to be declared value and date of acquisition shall be deemed to be the date on which declaration has been made.

9. Valuation of assets

Domestic assets declared under the Ordinance shall be valued as per following table:

S.No.	Undisclosed Income / Assets	Value
1	Undisclosed income	As declared
2	Open plots and land	Cost of acquisition or FBR rates, whichever is higher
3	Super structure	Rs. 400 per square feet
4	Apartments and flats	Cost of acquisition or Provincial stamp duty rates, whichever is higher.
5	Imported motor vehicles	A-B Where: A= CIF value plus the amount of all charges, customs-duty, sales tax, levies, octroi, fees and other duties and taxes leviable thereon and the costs incurred till their registration. B= a sum equal to 10% of the said value for each successive year up to a maximum of five years.
6	Motor vehicles purchased from a manufacturer or assembler or dealer in Pakistan	A-B A= The price paid by the purchaser, including the amount of all charges, customs duty, sales tax and other taxes, levies, octroi, fees and all other duties and

S.No.	Undisclosed Income / Assets	Value
		taxes leviable thereon and the costs incurred till their registration. B= a sum equal to 10% of the said value for each successive year up to a maximum of five years.
7	Used motor vehicles purchased locally	Value determined in the manner specified in Serial No. 5 or 6, as the case may be, as reduced by an amount equal to 10% for every year following the year in which it was imported or purchased from a manufacturer.
8	Securities and shares traded on stock exchange	Day-end price of the share or security quoted on registered stock exchange as on the 9th April, 2018 and where no day-end price of such share or security is quoted on stock exchange on the 9th April, 2018 day-end price of the share or security quoted on a date nearest to the 9th April, 2018.
9	Securities and shares not traded on	Break-up value or face value, whichever is higher.

S.No.	Undisclosed Income / Assets	Value
	stock exchange	Breakup value shall be the sum of paid-up capital, reserves and balance as per profit and loss account as reduced by the value of preference shares and divided by the amount of the paid up ordinary share capital.
10	National saving schemes, postal certificates, bonds, securities and other similar investments in capital instruments not traded or quoted on stock exchange.	Face value.
11	Gold	Rs. 4000 per gram
12	Other precious stones and metals.	Market rate as on the 9th April, 2018 or cost of acquisition, whichever is higher.
13	Stock-in-trade.	Market rate as on the 9th April, 2018.
14	Plant and machinery	Actual cost of acquisition with no depreciation

S.No.	Undisclosed Income / Assets	Value
15	Accounts receivable	Actual cost of acquisition
16	Other Assets	Actual cost of acquisition
17	Prize bonds, cash and bank accounts including foreign currency accounts.	Face value

It is pertinent to mention that tax reforms package announced by the Prime Minister included the proposal for giving right to the Government to buy local immovable property registered in 2018-19 and onwards within six months of registration at prescribed rates, however, such proposal has not been incorporated in the Ordinance. It seems that such proposal may be introduced later through the Finance Act, 2018.

10. Confidentiality

The information acquired with respect to declaration under the Ordinance shall be kept confidential irrespective of whatsoever contained in any law for the time being in force. In case of any disclosure in contravention of this Ordinance, the guilty shall be punishable on conviction with a fine or imprisonment or both.

11. Immunity

The declarant shall have complete immunity; the declaration under the Ordinance shall not be taken as evidence against the declarant for the purpose of imposition of penalty or prosecution under any law including Income Tax Ordinance, 2001.

12. Misrepresentation or suppression in declaration

However, any misrepresentation or suppression of facts in declaration shall render the declaration void and shall be deemed to have never been made.

Amendment in the Protection of Economic Reforms Act, 1992 (PERA), vide the Protection of Economic Reforms (Amendment) Ordinance, 2018

Through amendment in Section 5 of the PERA, deposit of cash in foreign currency (FC) accounts maintained in Pakistan shall now only be available in case of those FC accounts which are maintained by income tax return filer citizens of Pakistan. Resultantly, any non-filer citizen having FC account in Pakistan will not be able to make any credits into such account.

This Amendment Ordinance is applicable from the date of its promulgation and has been provided overriding effect over Foreign Currency Accounts (Protection) Ordinance, 2001 or any other law for the time being in force. Thus the existing FC accounts holders must endeavor to become filers as soon as possible.

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