

JUNAIDY SHOAIB ASAD
CHARTERED ACCOUNTANTS

FEDERAL BUDGET 2016-17 SYNOPSIS



Morison KSi



FEDERAL BUDGET HIGHLIGHTS 2016-17

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FEDERAL BUDGET HIGHLIGHTS 2016-17

PREFACE

The budget for 2016-17 was announced by Federal Finance Minister on 3rd June 2016. The proposed changes are effective from 1st July unless an earlier date is given for effectiveness of a particular provision. Our comments on the budget provisions provide basic understanding of amendments expected to be brought about however, it is recommended that for giving detailed understanding our advice may be sought.

FEDERAL BUDGET HIGHLIGHTS 2016-17

BUDGET HIGHLIGHTS

INCOME TAX

SCOPE OF TAXES

- Super tax for rehabilitation of temporarily displaced persons is proposed to be extended for tax year 2016 **(Section 4B)**
- Full and final tax on the basis of land / building area has proposed to be imposed on profits and gains of builders and developers from the business of development or construction and sale of residential, commercial or other plots or buildings provided that such business or projects will be initiated and approved after 1st July 2016. **(Section 7C & 7D)**.
- Income from property derived by individuals and Association of Persons (AOP) proposed to be separate block of income as per slab rates provided. **(Section 15)**
- Capping of disallowance of expenditure is proposed to be restricted to twenty percent of purchases of raw materials and finished goods **(Section 21)**
- Expenditure incurred by pharmaceutical manufactures on account of sales promotion, advertisement and publicity proposed to be restricted to five percent of turnover for the year **(Section 21)**
- Where the business income is exempt, depreciation in respect of certain assets used for business purpose shall be treated to have been allowed during the year in which business income is exempt.**(Section 22)**
- Rates of tax on capital gain on disposal of immovable property proposed to be revised. **(Section 37)**
- For the purpose of capital gain on sale of securities, derivative products shall include future commodity contracts entered into by the members of Pakistan Mercantile Exchange whether or not settled by physical delivery. Further, the detailed tax rates for tax year 2015, 2016 and 2017 have also been provided. **(Section 37A)**
- For the purpose of group relief, the company can surrender its assessed loss on the basis of percentage of holding **(Section 59B)**
- Threshold for chargeability of minimum tax under section 113 in respect of individuals and AOP from tax year 2017 and onwards proposed to be reduced from fifty million rupees to ten million rupees. Further, exemption available to companies incurring gross loss before depreciation and other admissible deductions no longer applicable and those companies are required to pay minimum tax under section 113 on their turnover. **(Section 113)**
- Minimum tax under section 113 and alternate corporate tax under section 113C shall also be taken into account for the purpose of computation of advance tax liability **(Section 147)**
- Rate of deduction of advance tax on dividends in respect of non-filers is proposed to be increased **(Section 150 and 236S)**

FEDERAL BUDGET HIGHLIGHTS 2016-17

COLLECTION AND DEDUCTION OF ADVANCE TAX AT SOURCE

- Foreign produced commercials by non-residents are proposed for full and final deduction at the rate of twenty percent of gross amount (**Section 152A**)
- Tax deducted under section 153(1)(b) of the Ordinance from payments to electronic and print media for advertising services shall be final discharge of tax liability w.e.f. 1st July 2016. (**Section 153**)
- Deduction of advance tax on payment for supplies made by distributors of fast moving consumer goods proposed to be reduced from 4% to 3% of gross amount payable if supplier is a company and 4.5% to 3.5% in case of other than company (**Section 153 read with Div III Part III First Schedule**)
- Exemption from deduction of tax under section 153(1) available to cotton ginners is proposed to be withdrawn (**Section 153**)
- Rate of deduction of advance tax from payment made on account of rent is proposed to be revised (**Section 155**)
- Daily threshold of Rs. 50,000 is proposed to include transaction from all bank account in a day (**Section 231A & 236P**)
- Collection of advance tax on registration of private motor vehicle shall not be applicable after five years from date of first registration (**Section 231B**)
- Rate of deduction of advance tax on brokerage commission has proposed to be amended (**Section 233**)
- Rate of collection of advance tax by stock exchange on sale and purchase of shares has proposed to be increased from 0.01% to 0.02% (**Section 233A**)
- Threshold for deduction of tax on electricity bill proposed to be increased from Rs. 75,000 to Rs. 100,000 (**Section 235A**)
- Tax collected on a lease of the right to collect tolls proposed to be final discharge of tax liability. (**Section 236A**)
- Rate of collection of advance tax on sale or transfer of immovable property proposed to be increased (**Section 236C**)
- Rate of collection of advance tax on purchase of immovable property proposed to be increased (**Section 236K**)
- Finance Bill proposed to withdraw collection of advance tax by PMEX from its members (**Section 236T**)
- Insurance companies are proposed to become collection agents for advance tax on insurance premiums collected from non-filers in respect of general and life insurance. (**Section 236U**)

TAX CREDITS AND REBATES

- Tax credit for investment in health insurance premium proposed to be allowed by the Finance Bill to the person other than company having salary or business income (**Section 62A**)

FEDERAL BUDGET HIGHLIGHTS 2016-17

- For the purpose of tax credit on contribution to approved pension fund, additional contribution of two percent shall be allowed for each tax year to the person exceeding age of forty. Such additional contribution shall be allowed upto 30th June 2019 **(Section 63)**
- Maximum threshold of rupees one million is proposed to be increased to two million for the computation of deductible allowance on profit on debt on house loan for individual. **(Section 64A)**
- Allowance is proposed to be allowed to the individual having not exceeding one million rupees in respect of education expenses subject to certain conditions specified **(Section 64AB)**
- Tax credit available to manufacturing companies from employment generation has proposed to be increased from one percent to two percent of tax payable for every fifty employees registered with EOBI and ESSI of Provincial Governments upto 30th June 2019 **(Section 64B)**
- Tax credit to a person registered under the Sales Tax Act, 1990 is proposed to be increased from two and a half percent to three percent of tax payable **(Section 65A)**
- Period of purchase and installation of plant and machinery for the purpose of tax credit for investment is proposed to be extended to 30th June 2019 **(Section 65B)**
- Tax credit for enlistment is proposed to be provided for the tax year in which the company is enlisted and the following tax year. **(Section 65C)**
- For the purpose of tax credit for newly established industrial undertaking, Finance Bill has proposed to allow tax credit on the basis of prescribed formula instead of hundred percent tax credit. The period of incorporation of the company and setting up industrial undertaking is extended upto 30th June 2019 from 30th June 2016. Further, the threshold of equity investment is reduced from hundred percent to seventy percent. **(Section 65D)**
- For the purpose of tax credit for industrial undertakings established before the 1st day of July 2011, Finance Bill is proposed to allow tax credit on the basis of prescribed formula instead of hundred percent tax credit. The period of installation of plant and machinery is extended upto 30th June 2019 from 30th June 2016. Further, the threshold of equity investment is reduced from hundred percent to seventy percent. **(Section 65E)**

PENALTIES & DEFAULT SURCHARGE

- Non-furnishing of information regarding non-resident person by the financial institutions including banks has proposed to be levied at Rs. 2,500 and minimum ten thousand rupees. **(Section 182)**

GENERAL

- Fair market value of any property or rent, asset, services, benefit or perquisites shall proposed to be determined without regard to the value fixed or notified by any provincial authority for the purpose of stamp duty or for any other purpose. **(Section 68)**
- It is clarified that the foreign trust is included in the definition of trust **(Section 80)**
- Every taxpayer entering into transaction with associate is required to maintain certain prescribed record **(Section 108)**
- Approval of the Commissioner for revision of return is not required, if order not issued within 60 days revision of return deemed to have been granted where taxable income declared is more than or loss declared is less than the income or loss; as the case may be determined under section 120 of the Ordinance **(Section 114)**

FEDERAL BUDGET HIGHLIGHTS 2016-17

- Provisional assessment order shall have not effect if the person present its accounts for audit of income tax affairs for that tax year. **(Section 122C)**
- For the purpose of final taxation, it is proposed that the tax deducted at the rate for filer shall be the final tax and excess tax deducted on rates prescribed for non-filer shall be adjustable. **(Section 169)**
- Time period for filing refund application has proposed to be increased from two to three years **(Section 170)**

EXEMPTIONS & TAX CONCESSIONS

- Exemption from collection of advance tax on sale or transfer of immovable property has proposed to be provided where such property is held for a period exceeding five years **(Section 236C)**
- Exemption available to Micro Finance Banks has been withdrawn **(Clause 66 serial xviii, Part I, Second Schedule)**
- For the purpose of exemption of income derived from inter-corporate dividend within the group companies, condition for group relief has been removed **(clause 103A, Part I, Second Schedule)**
- Certain exemptions has been proposed to be granted in respect of China Pakistan Economic Corridor (CPEC). These exemptions are reproduced in section of second schedule exemptions
- Exemption in respect of income from exports of computer software or IT services or IT enabled services has proposed to be extended till 30th June 2019 provided that 80% of the export proceeds is brought into Pakistan in foreign exchange remitted from outside Pakistan through normal banking channel **(Clause 133 Part I of Second Schedule)**
- Exemption in respect of services rendered outside Pakistan and construction contracts is further explained as proposed to be amended.
- Income of Pakistan Cricket Board has proposed to be taxed at reduced rate subject to certain conditions.
- Exemption from applicability of section 113 has been proposed in respect CPEC.
- Condition for availing exemption from inter-corporate dividend and profit on debt has proposed to exclude group relief under section 59B **(Clause 11B and 11C of Part IV of Second Schedule)**
- Certain exemptions in respect of dividend for companies under CPEC has proposed to be granted.
- Minimum tax under section 113 for companies operating trading houses shall be 0.5% upto tax year 2019 and 1% thereafter **(clause 57 Part IV Second Schedule)**
- Exemption from profit on debt on term finance certificates held by companies has proposed to be withdrawn **(Clause 59 Part IV Second Schedule)**
- Fixed tax on Hajj group operators at the rate of Rs. 5,000 per Hajj has proposed to continued for tax year 2016 **(Clause 72A Part IV Second Schedule)**
- For the purpose of claiming exemption under section 148 by the industrial undertaking certain conditions has proposed to be inserted.
- Time period for the purpose of exemption under section 111 available to industrial undertaking is extended from 2017 to 2019 **(Clause 86 Part IV of Second Schedule)**

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- Exemption available to service providers under twelve specified sectors has proposed to be allowed for tax year 2017 also. Further, exemption from tax deduction on services shall also proposed to be available to IT services or IT enabled services as defined under clause 133 of Part I of Second Schedule to the Ordinance. Condition for submission of undertaking for audit has proposed to be extended for tax year 2017 for submission by November 2016 (**clause 94 of Part IV of second schedule**)

FEDERAL BUDGET HIGHLIGHTS 2016-17

SALES TAX

GENERAL

- Threshold for sales tax registration for cottage industry is increased from Rs 5 million to Rs 10 million. Due to this the small manufacturers would be exempted from sales tax registration.
- Sales tax annexures and return would be submitted on different dates.
- Provincial sales tax paid on services is to be excluded from the definition of input tax.
- Input adjustment to buyers is linked with the declaration of sales by the supplier and payment of admitted sales tax as per return.

TAXABILITY

- Sale or transfer of ownership business is proposed to be zero rated.
- Items subject to reduced rates of sales tax under SRO 1125(I)/2011, dated 31.12.2011 are proposed to be zero rated and retail sales would be subjected to 5% sales tax.
- Further tax @ 2% on import of worn and second hand cloth is to be done away with.
- FED on sugar is to be replaced with sales tax @ 8%.
- Urea is subjected to reduced rate of sales tax @ 5%.
- Sales tax on import of mobile phones is increased.
- Retailers subject to standard rate of sales tax are given option to pay 2% sales tax on their turnover without input adjustment.
- Sales tax rate is being increased from 5% to 10% on poultry feeds.
- Marble industry would be subjected to sales tax @ Rs 1.25 per KWH in addition to standard sales tax and extra sales tax on use of electricity.
- Rate of fixed sales tax on steel melter, re-rollers and ship breakers is being revised upward.
- Exemption to 'specific items' used in production of bio-diesel is to be withdrawn.

EXEMPTIONS

- Dump Trucks used for Thar Coal Field are exempted from levy of sales tax.
- Import and supply of materials, equipment, ship bunker oils brought and sold to ships calling on/visiting Gwadar Port, for the development of Gwadar Port and Free Zone for Gwadar Port would be exempt from sales tax for 40 years.
- Supply of business established in Gwadar Free Zone would be exempt from sales tax for 23 years within the Zone.
- Pesticides and their ingredients would be exempt from sales tax.

FEDERAL BUDGET HIGHLIGHTS 2016-17

- Import of vitamins, premixes, minerals and micronutrients (food grade) to combat growth stunting would be exempt from tax.
- Import of laptops and personal computers would be exempt from sales tax.

PENALTY PROVISION

- The bill propose to amend penalty provision and proposes that if any person contravenes any of the provision of the rules thereunder is liable for the penalty of Rs. 5,000 or 3% of the tax involved, whichever is higher.

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FEDERAL EXCISE DUTY

GENERAL

- Sales tax annexures and return would be submitted on different dates.
- Input tax adjustment to buyers is linked with the declaration of sales by the supplier and payment of admitted sales tax as per return.

TAXABILITY

- Duty shall not be levied on the services of advertisement, shipping agents, services provided by banking companies, insurance companies, corporative financing societies, modarbas, musharikas, leasing companies, foreign exchange dealers, NBFC, franchise service, and stockbrokers provided in Province where the provincial sales tax has been levied thereon
- First Schedule, Second Schedule and Third Schedule are proposed to be amended by the Board

PENALTY PROVISION

- The bill propose to amend penalty provision and proposes that if any person contravenes any of the provision of the this Act and rules thereunder for which no specific penalty has been provided is liable for the penalty of Rs. 5,000 or 3% of the amount of duty involved, whichever is higher.

FEDERAL BUDGET HIGHLIGHTS 2016-17 INCOME TAX

SIGNIFICANT AMENDMENTS

SECTION 4B Super tax for rehabilitation of temporary displaced person

Super Tax @ 4% on banking companies and @ 3% on other companies was imposed last year having income of Rs 500 million or more for tax year 2015 i.e. for one year only. Finance Bill has now proposed to extend the levy of super tax for tax year 2016. Further the income as defined under sub-section 2 of the Ordinance for the purpose of super tax shall exclude depreciation and business losses from computation of income.

Section 7C Tax on builders

Finance Bill proposed to levy tax on profits and gains of a person deriving income from the business of construction and sale of residential, commercial or other buildings at the following rates on the basis of area of the building being constructed for sale.

(A) Karachi, Lahore and Islamabad		(B) Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Abbottabad and Quetta		(C) Urban Areas not specified in A and B.	
FOR COMMERCIAL BUILDINGS					
Rs. 210/ Sq Ft		Rs. 210/ Sq Ft		Rs. 210/ Sq Ft	
FOR RESIDENTIAL BUILDINGS					
Area in Sq Ft	Rate/ Sq Ft	Area in Sq Ft	Rate/ Sq Ft	Area in Sq Ft	Rate/ Sq Ft
Up to 750	Rs. 20	Up to 750	Rs. 15	Up to 750	Rs. 10
751 to 1500	Rs. 40	751 to 1500	Rs. 35	751 to 1500	Rs. 25
1501 & more	Rs. 70	1501 & more	Rs. 55	1501 & more	Rs. 35

The tax is proposed to be imposed on business or projects undertaken for construction and sale of residential, commercial or other buildings initiated and approved after the 1st July 2016. Further, such tax shall be the full and final discharge of tax liability on income from such business as per proposed amendment under section 8 of the Ordinance

Finance Bill has proposed to withdraw minimum tax on builders applicability of which was already deferred till 2018

Section 7D Tax on developers

Finance Bill has proposed to levy tax on profits and gains of a person deriving income from the business of development and sale of residential, commercial or other plots at the following rates on the basis of area of the plot for sale.

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(A) Karachi, Lahore and Islamabad	(B) Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbottabad and Quetta	(C) Urban Areas not specified in A and B.
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FOR COMMERCIAL PLOTS

Rs. 210/ Sq Ft	Rs. 210/ Sq Ft	Rs. 210/ Sq Ft
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FOR RESIDENTIAL PLOTS

Area in Sq Ft	Rate/ Sq Ft	Area in Sq Ft	Rate/ Sq Ft	Area in Sq Ft	Rate/ Sq Ft
Up to 120	Rs. 20	Up to 120	Rs. 15	Up to 120	Rs. 10
121 to 200	Rs. 40	121 to 200	Rs. 35	121 to 200	Rs. 25
201 & more	Rs. 70	201 & more	Rs. 55	201 & more	Rs. 35

The tax is proposed to be imposed on business or projects undertaken for development and sale of residential, commercial or other plots initiated and approved after the 1st July 2016. Further, such tax shall be the full and final discharge of tax liability on income from such business as per proposed amendment under section 8 of the Ordinance.

Finance Bill is proposed to withdraw minimum tax on builders applicability of which was already deferred till 2018

Section 15 Income from property

Finance Bill proposed to levy fixed tax on income from property derived by individual and Association of Persons (AOPs) having rental income exceeding Rs. 200,000. Where the individual / AOP derives income from property below taxable threshold but also derives taxable income under any other head then the income from property falling below the taxable threshold shall be liable to tax under this section.

Currently, the income from property derived by individual and AOPS is chargeable to tax at normal tax rate along with income under other heads.

S. no.	Taxable Income	Rate of Tax
1	up to Rs. 200,000	0%
2	Rs. 200,001 to Rs. 600,000	5% of exceeding Rs. 200,000
3	Rs. 600,001 to Rs. 1,000,000	Rs. 20,000 + 10% of exceeding Rs. 600,000
4	Rs. 1,000,001 to Rs. 2,000,000	Rs. 60,000 + 15% of exceeding Rs. 1,000,000
8	Exceeding Rs. 2,000,000	Rs. 210,000 + 20% of exceeding Rs. 2,000,000

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Please note that the income from property derived by company remain subject to normal corporate tax rate after adjustment of admissible deduction provided under section 15A of the Ordinance.

Section 21 Deduction not allowed

Finance Bill proposed to disallow expenditure on payment of which tax is required to be collected or deducted under Part V of Chapter X or Chapter XII of the Ordinance as the case may be but has not been deducted and deposited with national exchequer. Currently there are only certain expenditures which shall be disallowed on payment of which tax has not been collected / deducted and deposited. The proposed amendment will now also disallow expenditure on which payer is required to collect tax under various section of Chapter XII of the Ordinance.

However, such disallowance of expenditures shall not exceed twenty percent of purchases of raw materials and finished goods. Where tax has been recovered by the department under section 161 and 162 of the Ordinance, such tax shall be considered as tax paid and no disallowance can be made in respect of expenses for which tax has been recovered.

Further, pharmaceutical manufacturers shall not be allowed to claim expenditure on account of sales promotion, advertisement and publicity in excess of five percent of their turnover.

Section 22 Depreciation

Finance Bill proposed to provide clarification regarding adjustment of depreciation that where any building, furniture, plant or machinery is used for business purpose during any tax year for which income from business is exempt from tax, depreciation in respect of such assets shall be treated to have been allowed in respect of said tax year. Written down value of such asset after expiry of exemption period shall be computed considering the total deductions on account of depreciation during the tenure of exemption.

Section 37 Capital Gains

Following tax rates has been proposed vide Finance Bill on capital gain on disposal of immovable property as provided under Division VIII of Part I of First Schedule

S.NO	PERIOD	RATE OF TAX
1.	Where holding period of Immovable property is up to five years	10%
2.	Where holding period of Immovable property is more than five years	0%

It is pertinent to mention that the holding period for exemption is extended to five years from two years.

Section 37A Capital Gains on disposal of securities

For the purpose of capital gain on sale of securities, derivative products shall include future commodity contracts entered into by the members of Pakistan Mercantile Exchange whether or not settled by physical delivery.

Finance Bill proposes following tax rates on capital gain on disposal of securities under Division VII of part I of Frist schedule:

FEDERAL BUDGET HIGHLIGHTS 2016-17

CAPITAL GAINS ON DISPOSAL OF SECURITIES

S.NO	PERIOD	TAX YEAR 2015	TAX YEAR 2016	TAX YEAR 2017	
				FILER	NON-FILER
1.	Where holding period of a security is less than twelve months	12.5%	15%	15%	18%
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 1 st July, 2012	0%	7.5%	7.5%	11%
4.	Where the security was acquired before 1 st July, 2012	0%	0%	0%	0%
5.	Future commodity contracts entered into by the members of Pakistan Mercantile Exchange	0%	0%	5%	5%

It is pertinent to mention here that the holding period for exemption is extended to four years.

Section 59B Group Relief

Finance Bill proposes to allow assessed losses to be surrendered by company under the group relief on the basis of percentage of investment of holding company. The proposed formula for the calculation of assessed loss is follows:

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

- A is the percentage share capital held by the holding company of its subsidiary company
B is the assessed loss of the subsidiary company

Section 62A Tax credit for investment in health insurance

Finance Bill proposes to allow tax credit to a person deriving income from salary or income from business other than company in respect of health insurance premium paid by the person during the year as per following formula

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

- A is the amount of tax assessed to the person for the tax year before allowance of tax credit under this section
B is the person's taxable income for the tax year; and
C is the lesser of:-
(a) the total contribution or premium paid by the person referred to in sub-section (1) in the year;
(b) five percent of the person's taxable income for the year; and
(c) One hundred thousand rupees.

FEDERAL BUDGET HIGHLIGHTS 2016-17

Section 63 Contribution to an Approved Pension Fund

Finance Bill proposes to allow two percent additional contribution for the purpose of computing tax credit in respect of person for each year age exceeding forty years. Such additional contribution shall be allowed upto 30th June 2019. However, the total contribution allowed to such person shall not exceed thirty percent of the total taxable income of the preceding year.

Section 64A Deductible allowance for profit on debt

Finance Bill has proposed to increase maximum threshold of one million rupees to two million rupees for the purpose of calculating deductible allowance for profit on debt on house loan for individual

Section 64AB Deductible allowance for education expense

Finance Bill has proposed to allow admissible deduction to individual in respect of tuition fee paid in a tax year where taxable income of the individual does not exceed rupees one million.

Further, the deductible allowance shall be lesser of the following:

- (a) Five percent of the total tuition fee paid
- (b) Twenty-five percent of the person's taxable income
- (c) An amount computed by multiplying sixty thousand with number of children

We are of the view that the amount of rupees sixty thousand provided under clause c above is wrongly mentioned as sixty which may be six.

Please note that the amount not adjusted during the year shall not be carried forward to subsequent tax year. Further the allowance shall be allowed to either of the parents making payment of the fee and NTN or name of the educational institution is required to be furnished for claiming deduction.

Section 64B Tax credit for employment generation by manufacturers

Finance Bill proposes to increase the tax credit from one percent to two percent of the tax payable for every fifty employees registered with the Employees' Old Age Benefits Institutions or the Employees' Social Security Institution of Provincial Government

Further, the period of claiming tax credit is proposed to be extended upto 30th June 2019

Section 65A Tax credit to a person registered under the Sales Tax Act, 1990

Finance Bill propose to increase rate of tax credit from two and a half percent of tax payable to three percent for a tax year where ninety percent of sales by such manufacturer are to the persons registered under the Sales Tax Act, 1990.

Section 65B Tax credit for investment

Finance Bill propose to extend the period during which plant and machinery is purchased and installed for the purpose of tax credit for investment in plant and machinery for extension, expansion, balancing, modernization and replacement of the plant and machinery already installed. Such extended is period is 1st July 2010 to 30th June 2019. Currently such period is ending on 30th June 2016.

Section 65C Tax credit for enlistment

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Finance Bill propose to provide tax credit for the tax year in which the company is enlisted and the following the tax year. Currently tax credit is only available for the tax year in which the company is enlisted.

Section 65D Tax credit for newly established industrial undertaking

The Finance Bill has proposed to decrease the threshold of equity investment from hundred percent to seventy percent. Finance Bill has proposed to provide formula for computation of tax credit based on the percentage of investment. Such formula is as follows:

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

A is the amount of tax assessed to the person for the tax year before allowance of any tax credit for the tax year

B is the equity raised through issuance of new shares for cash consideration

Further, period of incorporation of the company and setup of industrial undertaking is increased from five years to eight years i.e. 1st July 2011 to 30th June 2019. Currently said period is 1st July 2011 to 30th June 2016.

Furthermore condition has also proposed that the business should not be discontinued in the subsequent five years after the credit has been allowed.

Section 65E Tax credit for industrial undertakings established before the first day of July 2011

Finance Bill has proposed to reduce threshold of new equity investment from hundred percent to seventy percent. Further, instead of hundred percent tax credit, formula for computation of tax credit has been proposed as follows:

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

A is the amount of tax assessed to the person for the tax year before allowance of any tax credit for the tax year; and

B is the equity raised through issuance of new shares for cash consideration

Further, the period of installation of plant and machinery for the purpose of availing tax credit has been increased from five to eight years i.e. 1st July 2011 to 30th June 2019. Currently said period is between 1st July 2011 to 30th June 2016.

Furthermore condition has also proposed that the business should not be discontinued in the subsequent five years after the credit has been allowed.

Section 68 Fair Market Value

Finance Bill has proposed that the fair market value of any property or rent, asset, services, benefit or perquisites shall be determined without regard to the value fixed or notified by any provincial authority for the purpose of stamp duty or for any other purpose.

Section 108 Transaction between associates

Finance Bill has proposed to maintain certain record by every taxpayer entering transaction with its associate. Such record includes following:

FEDERAL BUDGET HIGHLIGHTS 2016-17

- (a) maintain a master file and a local file containing documents and information as may be prescribed;
- (b) keep and maintain prescribed country-by-country report, where applicable;
- (c) keep and maintain any other information and document in respect of transaction with its associate as may be prescribed; and
- (d) keep the files, documents, information and reports specified in clauses (a) to (c) for the period as may be prescribed.

Section 113 Minimum tax

Finance Bill has proposed to levy minimum tax on individual and Association of Persons (AOP) having turnover of ten million rupees during tax year 2017 or any subsequent tax year. Currently individual and AOPs having turnover not exceeding fifty million rupees are exempt from chargeability of minimum tax.

Further, exemption availed to the companies incurring gross loss is no longer applicable and those companies are also request to pay turnover tax under rule 113.

Furthermore, tax paid under fixed tax regime and super tax payable or paid under section 4B shall not be taken into account for the purpose of minimum tax.

Section 114 Return of Income

Finance Bill has come up with an amendment in sub-section 6 of said section whereby approval required shall be deemed to have been granted if the order has not been made by Commissioner within 60 days from the date when the revision of return is sought or where taxable income declared is more than or loss declared is less than the income or loss; as the case may be determined under section 120 of the Ordinance.

Section 122C Provisional assessment

Finance Bill has proposed that the provisional assessment order shall have no effect if the individual, AOP or company as the case may be has filed return within 45 days and present accounts and documents for conducting audit of income tax affairs for that tax year.

Section 147 Advance tax paid by the taxpayer

It is proposed to be clarified by the Finance Bill that minimum tax under section 113 and alternate corporate tax under section 113C shall also be considered while calculating advance tax liability.

Section 150 Dividends

Finance Bill has proposed to increase the advance tax on dividend in respect of non-filer from 17.5% to 20%. Further, higher rate of advance tax on dividend in respect of non-filers to be collected by collective investment scheme, REIT scheme or mutual fund has proposed to be increased under Division I, Part III of First Schedule to the Income Tax Ordinance, 2001:

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Person	Stock Fund	Money market fund, income fund or REIT scheme or any scheme or any other fund	
		Filer	Non-Filer
Individual	10%	10%	15%
Company	10%	25%	25%
AOP	10%	10%	15%

Section 152A Payment for foreign produced commercial

Finance Bill has proposed to impose withholding of tax at the rate of twenty percent of gross amount of payments to non-resident person for foreign produced commercial for advertisement on any TV channel or any other media. Such tax shall be final discharge of liability on such income of non-resident.

Section 153 Payments for goods, services and contracts

Finance Bill has proposed that tax deducted from print and electronic media for advertising services under section 153(1)(b) of the Ordinance shall be final tax w.e.f. 1st July 2016. Further, the rate of advance tax from filer is proposed to be increased from 1% to 1.5%.

Furthermore, the exemption from deduction of tax available to cotton ginnerers under sub-section 5(e) has proposed to be withdrawn.

Deduction of advance tax on payment for supplies made by distributors of fast moving consumer goods has proposed to be imposed at the rate of 3% of gross amount payable if supplier is a company and 3.5% in case of other than company.

Section 155 Income from Property

Rate of deduction of advance tax on payment made on account of rent of immovable property has proposed to be amended as follows:

S. no.	Taxable Income	Rate of Tax
1	up to Rs. 200,000	0%
2	Rs. 200,001 to Rs. 600,000	5% of exceeding Rs. 200,000
3	Rs. 600,001 to Rs. 1,000,000	Rs. 20,000 + 10% of exceeding Rs. 600,000
4	Rs. 1,000,001 to Rs. 2,000,000	Rs. 60,000 + 15% of exceeding Rs. 1,000,000
8	Exceeding Rs. 2,000,000	Rs. 210,000 + 20% of exceeding Rs. 2,000,000

Section 169 Tax collected or paid or deducted as a final tax

Finance Bill has proposed that in case of final discharge of tax liability, tax deducted at the rate for filer shall be the final tax and excess tax deducted on rates prescribed for non-filer shall be adjustable.

Section 170 Refunds

Finance Bill has proposed to increase the time for filing of refund application from two to three years.

FEDERAL BUDGET HIGHLIGHTS 2016-17

Section 182 Offences and penalties

Penalty for non-furnishing of information by financial institution including banks in respect of non-resident person has now been proposed to be impose Rs. 2,500 for each day of default subject to minimum penalty of ten thousand rupees.

Section 231A Cash withdrawal from a bank

Finance Bill proposed clarification that the daily threshold of Rs. 50,000 shall be aggregated withdrawals from all the bank accounts in a single day. We are of the view that implementation of such clarification do not seem practicable.

Section 231B Advance tax on private motor vehicles

Finance Bill has proposed to exempt collection of advance tax on registration of private motor vehicles after five years from the date of first registration.

Further, every leasing company, scheduled bank, investment bank, development finance institution or a modaraba shall at the time of leasing of a motor vehicle to a non-filer shall proposed to collect advance tax at the rate of three percent of the value of motor vehicle.

Section 233 Brokerage and Commission

Rate of deduction of advance tax on payment made on account of brokerage and commission is proposed to be increased for non filer as per following table.

S. no.	Person	Rate Applicable On The Amount Of Payment	
		Filer	Non-filer
1	Advertising Agents	10%	15%
2	Life Insurance Agents where commission received is less than Rs.0.5 million per annum	8%	16%
3	Persons not covered in 1 and 2 above	12%	15%

Section 233A Collection of tax by a stock exchange registered in Pakistan

Rate of collection of advance tax is proposed to be increased from 0.01% to 0.02% of purchase and sale value of shares.

Section 235A Domestic electricity consumption

Threshold for deduction of tax on electricity is proposed to be increased from Rs. 75,000 to Rs. 100,000

Section 236A Advance tax at the time of sale by auction

Tax collected on a lease of the right to collect tolls proposed to be final discharge of tax liability.

Section 236C Advance tax on sale or transfer or immovable property

Exemption from collection of advance tax on sale or transfer of immovable property proposed, provided where such property is held for a period exceeding five years. Further, the rate of advance tax has also proposed to be increased from 0.5% to 1% for filer and 1% to 2% for non-filers. It may be noted that the holding period was earlier prescribed at 2 years.

FEDERAL BUDGET HIGHLIGHTS 2016-17

Section 236K Advance tax on purchase or transfer of immovable property

Advance tax rates in respect of purchase or transfer of immovable property has proposed to be increased. Rate for filer has been increased from 1% to 2% and in respect of non-filer, rate of tax has been increased from 2% to 4%.

Section 236P Advance tax on banking transactions otherwise than through cash

Finance Bill has clarified that the daily threshold of Rs. 50,000 shall be aggregated from all the bank accounts in a single day. We are of the view that implementation of such clarification do not seem practicable.

Section 236T Collection of tax by Pakistan Mercantile Exchange Limited (PMEX)

Finance Bill has proposed to withdraw collection of advance tax by PMEX from its members which was imposed by Finance Act 2015 at the rate of 0.1% as specified in Division XXII of Part IV of First Schedule

Section 236U Advance tax on insurance premium

Finance Bill has proposed to levy collection of advance tax by insurance companies at the time of collection of insurance premiums from non-filers in respect of general and life insurance. Further, insurance company shall be liable to collect such advance tax even if premium is collected through agents. Advance tax collected from the person shall be adjustable. Following advance tax rates are provided

S. no.	Type of Premium	Rate of Tax
1	General insurance premium	4%
2	Life insurance premium if exceeding Rs 0.2 million per annum	1%
3	Others	0%

Section 236V Advance tax on extraction of minerals

Finance Bill propose to levy collection of advance tax by provincial authority collecting royalty from the lease-holder of mines on the value of minerals extracted, produced, dispatched and carried away from the licensed or leased areas of the mines. Advance tax rate in respect of filer shall be 0% and in respect of non-filer, rate shall be 5% of value of the minerals. Such advance tax collected shall be adjustable.

Section 236W Advance tax from provincial sales tax registered person

Finance Bill has proposed to levy collection of advance tax by the provincial revenue authority at the rate of three percent of the turnover from non-filer who is provincial sales tax registered person. Such tax shall be collected along with provincial sales tax return filed and return shall not be accepted by the provincial revenue authorities unless the advance tax has been collected or deposited.

FEDERAL BUDGET HIGHLIGHTS 2016-17

SECOND SCHEDULE EXEMPTIONS

PART I EXEMPTION FROM TOTAL INCOME

Clause 126A Income derived by China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gawadar International Terminal Limited, Gawadar Marine Services Limited and Gawadar Free Zone Company Limited from Gawadar Port operations for a period of twenty-three years, with effect from the sixth day of February, 2007.

Clause 126AA Profit and gains derived by a taxpayer from businesses set up in the Gawadar Free Zone Area for a period of twenty three years with effect from the first day of July, 2016

Clause 126AB Profit on debt derived by-

(a) any foreign lender;

(b) any local bank having more than 75 percent shareholding of the Government or the State Bank of Pakistan, under a Financing Agreement with the China Overseas Ports Holding Company Limited;

Clause 126AC Income derived by contractors and sub-contractors of China Overseas Ports Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gawadar International Terminal Limited, Gawadar Marine Services Limited and Gawadar Free Zone Company Limited from Gawadar Port operations for a period of twenty years, with effect from the first day of July, 2016.”;

Clause 126AD (1) Any income derived by China Overseas Ports Holding Company Limited being dividend received from China Overseas Ports Holding Company Pakistan (Private) Limited , Gwadar International Terminal Limited Gwadar Marine Services Limited and Gwadar Free Zone Company Limited.

(2) Any income derived by China Overseas Ports Holding Company Pakistan (Private) Limited being dividend received from, Gwadar International Terminal Limited Gwadar Marine Services Limited and Gwadar Free Zone Company Limited.

PART II REDUCTION IN TAX RATES

Clause 3 a) The tax in respect of income from services rendered outside Pakistan and construction contracts executed outside Pakistan shall be charged at the rates as specified in sub-clause (b), provided that receipts from services and income from contracts are brought into Pakistan in foreign exchange through normal banking channel.

(b) The rates in respect of income from services rendered outside Pakistan shall be 50% of the rates as specified in clause (2) of Division III of Part III of the First Schedule and the rates in respect of contracts executed outside Pakistan shall be 50% of the rates as specified in clause (3) of Division III of Part III of the First Schedule.”;

FEDERAL BUDGET HIGHLIGHTS 2016-17

Clause 3B

The income of Pakistan Cricket Board derived from sources outside Pakistan including media rights, gate money, sponsorship fee, in stadium rights, out-stadium rights, payments made by International Cricket Council, Asian Cricket Council or any other Cricket Board shall be taxed at a rate of four per cent of the gross receipts from such sources:

Provided that Pakistan Cricket Board may opt to pay tax at the rate of four per cent of the gross receipts from tax year 2010 and onwards:

Provided further that this option shall be available subject to withdrawal of appeals, references and petitions on the issue of tax rate pending before any appellate forum or tax authority:

Provided further that the outstanding tax liability payable under this clause up to tax year 2015 is paid by 30th June, 2016.”;

PART IV

EXEMPTION FROM SPECIFIC PROVISIONS

Clause 11A

(xxvi) China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gwadar International Terminal Limited, Gwadar Marine Services Limited and Gwadar Free Zone Company Limited for a period of twenty three years, with effect from the sixth day of February, 2007.

(xxvii) companies, qualifying for exemption under clause (126M) of Part-I of this Schedule, in respect of profits and gains derived from transmission line project.”;

Clause 38AA

The provisions of section 150 shall not apply to China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gwadar International Terminal Limited, Gwadar Marine Services Limited and Gwadar Free Zone Company Limited for a period of twenty-three years.

Clause 72B

Provided further that the quantity of raw material to be imported which is sought to be exempted from tax under section 148 shall not exceed 110 per cent of the quantity of raw material imported and consumed during the previous tax year:

Provided also that the Commissioner shall conduct audit of taxpayer's accounts during the financial year in which the certificate is issued in respect of consumption, production and sales of the latest tax year for which return has been filed and the taxpayer shall be treated to have been selected for audit under section 214C:

Provided also if the taxpayer fails to present accounts or documents to the Commissioner or the officer authorized by the Commissioner, the Commissioner shall, by an order in writing, cancel the certificate issued and shall proceed to recover the tax not collected under section 148 for the period prior to such cancellation and all the provisions of the Ordinance shall apply accordingly.

FEDERAL BUDGET HIGHLIGHTS 2016-17

SALES TAX

SIGNIFICANT AMENDMENTS

Section 2(5AB) Cottage Industries

Threshold for cottage industry for sales tax registration is currently Rs five million. In order to facilitate the small manufacturer, the Finance Bill has proposed to increase the turnover threshold to ten million for sales tax registration.

Section 2(9) Due Date

Currently the sales tax return and the related annexure are filed simultaneously. The Finance Bill has now proposes to allow different dates for filing of annexures and the sales tax return. Now annexures of the sales tax return can be filed before the filing of sales tax return.

Section 2(14) Input Tax

At present provincial sales tax paid on services received is adjustable against the output tax. The Finance Bill seeks to delete the provincial sales tax paid on the services from the definition of input tax. This would result in disallowance of provincial sales tax paid on services against the output tax. This is very harsh amendment and would increase the cost of products of recipient of services which would be ultimately borne by the end consumers.

Section 6 Time and Manner of Payment

At present, the time for making payment of sales tax is 15th of the month following the month to which the tax relates. Now, as a consequence of allowing different dates for filing of annexures and the sales tax return, the time for payment of sales tax would be as prescribed in the Rules.

Section 7 Determination of tax liability

As per provisions of section 7(2)(i) of the Sales Tax, 1990 input tax adjustment is allowed if the buyer holds sales tax invoice bearing his name and registration number. The Finance Bill proposes to add a proviso to the above provision restricting the input adjustment with the declaration of such supplies in the sales annexure and payment of sales tax due as per sales tax return by the supplier. Now if the supplier either does not declare the supplies in his sales annexure or does not make payment of the sales tax due with the return, the buyer would not be allowed input adjustment.

Section 8 Tax Credit not allowed

The Finance Bill has proposes to allow tax credit if the supplier has not paid amount of tax due in his return.

Section 11 Assessment of Tax and recovery of tax not levied or short-levied or erroneously refunded

The Finance Bill seeks to insert a new subsection whereby a withholding agent who either does not withhold tax or after withholding does not make payment of tax withheld would be served with a show cause notice and tax in default would be determined.

FEDERAL BUDGET HIGHLIGHTS 2016-17

Section 13 Exemption

The Finance Bill seeks to enhance the power of Economic Coordination Committee of Cabinet to exempt whole or part of the sales tax in relation to matters associated with international financial institutions or foreign government owned financial institutions.

Section 26 Returns

The Finance Bill seeks to omit the provisions of section 26(2) related to filing of separate sales tax returns in a tax period if there is change in rate of sales tax during the tax period to show application of different rate of tax.

Section 30DD Directorate General of Input Output Co-efficient Organization

The Finance Bill proposes to add new section whereby The Directorate General of Input Output Coefficient Organization (IOCO)-Inland Revenue shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.

Section 33 Offences and Penalties

The Finance Bill proposes penalty in respect of contravention of rules

19.	Any person who contravenes any of the provisions of this Act or the rules made thereunder for which no penalty has, specifically, been provided in this section.	Such person shall pay a penalty of five thousand rupees or three per cent of the amount of tax involved, whichever is higher.
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Section 49 Sale of taxable activity or transfer of ownership

The Finance Bill seeks to substitute the existing provisions of section 49 (2) of the Sales Tax Act, 1990 regarding sale or transfer of ownership of taxable activity. In the case of sale or transfer of ownership of a taxable activity or part thereof to another registered person as an ongoing concern, the taxable goods or part thereof shall be transferred to the new owner through a zero-rated invoice and the sales tax chargeable thereon shall be accounted for and paid by the registered person to whom such taxable activity or part thereof is transferred.

THIRD SCHEDULE

The Finance Bill seeks to include mineral / bottled water in the third schedule and now would be required to charge sales tax on retail price and the retail price along with sales tax shall be printed on the bottle.

FEDERAL BUDGET HIGHLIGHTS 2016-17

FIFTH SCHEDULE

The Finance Bill seeks to omit following items from the Fifth Schedule. However, the above items would be exempt under Sixth Schedule.-

Serial No.	Description
(1)	(2)
12	<p>The following goods and the raw materials, packing material, sub-components, components, sub-assemblies imported or purchased locally for the manufacture of the said goods, subject to the condition, limitations and restriction as specified in Chapter XIV of the Sales Tax Special Procedure Rules, 2007:</p> <ul style="list-style-type: none"> (i) Colour in sets (PCT heading 3213.1000) (ii) Writing, drawing and marking inks (PCT heading 3215.9010) (iii) Erasers (PCT heading 4016.9210 and 4016.9290) (iv) Exercise books (PCT heading 4820.2000) (v) Pencil sharpeners (PCT heading 8214.1000) (vi) Geometry boxes (PCT heading 9017.2000) (vii) Pens, ball pens, markers and porous tipped pens (PCT heading 96.08) (viii) Pencils and including colour pencils (PCT heading 96.09) (ix) Milk (PCT heading 04.04) (x) Preparations for infant use up for retail sale (PCT heading 1901.1000) (xi) Fat filled milk (PCT heading 1901.9090) (xii) Bicycles (PCT heading 87.12)

FEDERAL BUDGET HIGHLIGHTS 2016-17

SIXTH SCHEDULE

The Finance Bill propose following amendments in 6th Schedule in respect of exemptions.

Inclusion in Table-I (Imports or Supplioes)

Serial No.	Description	Heading Nos. of the First Schedule to the Customs act, 1969 (IV of 1969)
"100 A	<p>Materials and equipments for construction and operation of Gawadar Port and development of Free Zone for Gawadar Port as imported by or supplied to China Overseas Ports Holding Company Limited (COPHCL) and its operating companies namely (i) China Overseas Ports Holding Company Pakistan (Private) Limited (ii) Gwadar International Terminal Limited, (iii) Gwadar Marin Services Limited and (iv) Gwadar Free Zone Company Limited, their contractors and sub-contractors; and Ship Bunker Oils bought and sold to the ships calling on/visiting Gawadar Port, having Concession Agreement with the Gwadar Port Authority, for a period of forty year, subject to the following conditions and procedure, namely,–</p> <p>(A). Conditions and procedure for imports.–</p> <p>(i) This exemption shall be admissible only to China Overseas Ports Holding Company Limited (COPHCL) and its operating companies, their contractors and subcontractors which hold the Concession Agreement;</p> <p>(ii) Ministry of Ports and Shipping shall certify in the prescribed manner and format as per Annex-I that the imported materials and equipments are bonafide requirement for construction and operation of Gawadar Port and development of Free Zone for GawadarPort. The authorized officer of that Ministry shall furnish all relevant information online to Pakistan Customs against a specific user ID and password obtained under section 155D of the Customs Act, 1969 (IV of 1969). In already computerized Collectorate or Customs station, where the computerized system is not operational, the Project Director or any other person authorized by the Collector in this behalf shall enter the requisite information in the Customs Computerized System on daily basis,whereas entry of the data obtained from the customs stations which have not yet been computerized shall be made on weekly basis, provided that this condition shall not apply to ship bunker oils; and</p> <p>(iii) The goods so imported shall not be sold or disposed of without prior approval of the FBR and payment of sales tax leviable at the time of import, provided that this condition shall not apply to ship bunker oils.</p>	Respective Headings

FEDERAL BUDGET HIGHLIGHTS 2016-17

	<p>(B). Conditions and procedure for local supply.-</p> <p>(i) This exemption shall be admissible only to China Overseas Ports Holding Company Limited (COPHCL) and its operating companies, their contractors and subcontractors which hold Concession Agreement;</p> <p>(ii) for claiming exemption on goods which are otherwise taxable in Pakistan, the operating companies will purchase the materials and equipments for the construction of Gawadar Port and development of Free Zone for Gawadar Port from the sales tax registered persons only;</p> <p>(iii) invoice of the exempt supply, containing the particulars required under section 23 of the aforesaid Act, shall for each supply be issued by the registered person to the operating company mentioning thereon that the said invoice is being issued under this notification;</p> <p>(iv) a monthly statement summarizing all the particulars of the supplies made in the month against invoices issued to the operating companies shall be prepared in triplicate by the registered persons making the exempt supplies and shall be signed by the authorized person of the registered person. All three copies of the said signed monthly statement shall be got verified by the registered person from the person authorized to receive the supplies in the office of operating company, confirming that supplies mentioned in the monthly statement have been duly received;</p> <p>(v) after verification from the operating company, original copy of the monthly statement will be retained by the registered person, duplicate by the operating company and the triplicate provided by the registered person to the Collector of Sales Tax having jurisdiction, by twentieth day of the month following the month in which exempt supplies to the operating companies were made; and</p> <p>(vi) The registered person making the exempt supplies shall keep the aforesaid record for presentation to the sales tax department as and when required to do so.</p>	
100B	Supplies made by the businesses to be established in the Gwadar Free Zone for a period of twenty-three years within the Gwadar Free Zone, subject to the condition that the sales and supplies outside the Gwadar Free Zone and into the territory of Pakistan shall be subjected to sales tax.	Respective Headings
130.	Premixes for growth stunting	Respective Headings, and subject to conditions imposed for importation under the Customs Act, 1969;

FEDERAL BUDGET HIGHLIGHTS 2016-17

131.	Laptop computers, notebooks whether or not incorporating multimedia kit	8471.3010
132.	Personal computers	8471.3020
133.	Pesticides and their active ingredients registered by the Department of Plant Protection under the Agricultural Pesticides Ordinance, 1971(II of 1971), stabilizers, emulsifiers and solvents, namely:-	38.03
	Xylol (xylenes)	2707.3000
	- Beta Pinene/ Agrotin 527 / Terpenic	2902.1990

Inclusion from Table-III (Local Supplies only)

Annexure

4	Coal mining machinery, equipment, spare, including vehicle for site use i.e single or double cabin pick-ups and dump trucks imported for Thar Coal Field	Respective Heading	(a).This concession shall be available to those mining companies or their authorized operators or contractors who hold permits, licensees, lease and who enter into agreement with the government of Pakistan or a provincial government. (b).The goods shall not be sold or otherwise disposed of without prior approval of the Board and the payment of customs duties and taxes leviable at the time of import. These shall, however , be allowed to be transferred to other entitled mining companies with prior approval of the Board.
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FEDERAL BUDGET HIGHLIGHTS 2016-17 EIGHTH SCHEDULE

The Finance Bill proposes following amendments:

Table-I

15.	Poultry feed, cattle feed, and their ingredients except soya bean meal of PCT heading 2304.0000 and oil cake of cottonseed falling under PCT heading 2306.1000	2301.2090, 2301.1000(Meat and Bone Meal) 2301.2010 2301.2090 2923.900 (Betafin) 2923.9010 (Betaine)	5% 10%	
20	Plant, machinery, equipment and specific items and equipment used in production of biodiesel	Respective Headings	5%	The Alternative Energy Development Board (AEDB), Islamabad shall certify in the prescribed manner and format as per Annex-B, as given in the Sixth Schedule, that the imported goods are bonafide project requirement. The goods shall not be sold or otherwise disposed of within a period of five years of their import except with the prior approval of the FBR and payment of customs duties and taxes leviable at the time of import
31.	Excluded	Excluded	Excluded	Excluded
32.	White crystalline sugar	1701.9910 and 1701.9920	8%	
33.	Urea, whether or not in aqueous solution	3102.1000	5%	

Table-II

1.	Machinery and equipment for development of grain handling and storage facilities including silos	Respective heading	Nil
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FEDERAL BUDGET HIGHLIGHTS 2016-17 NINTH SCHEDULE

The bill propose following amendment in Ninth Schedule

Table

S.No	Description / Specification of Goods	Sales tax on imports (payable by importer at the time of import)	Sales tax chargeable at the time of registration of IMEI numbers by CMOs	Sales tax on supply (payable at time of supply by CMOs)
1.	Subscriber Identification Module (Sim Cards)			Rs. 250
2.	A. Low Priced Cellular Mobile Phone or Statllite Phones i. All cameras: 2.0 mega pixel or less ii. Screen size: 2.6 inches or less iii. Kep pad	Rs. 300	Rs.300	
	B. Medium Priced Cellular Mobile Phones or Satellite Phones i. One or two cameras: between 2.1 to 10 mega pixel ii. Screen Size: between 2.6 inches and 5.0 inches iii. Micro-processor: less than 2 GHZ	Rs.500 Rs. 1,000	Rs.500 Rs. 1,000	
	C. Smart Cellular Mobile Phones or Satellite Phones i. One or two cameras: 10 mega pixels and above ii. Touch Screen: size 5.0 inches and above iii. 4GB or higher Basic Memory	Rs.1,000 Rs.1,500	Rs.1,000 Rs.1,500	
	iv. Operating system of type IOS, Android V2.3, Android Gingerbread or higher, Window 8 or Blackberry RIM v. Micro-processor: 2GHZ or higher, dual core or quad core			

FEDERAL BUDGET HIGHLIGHTS 2016-17 FEDERAL EXCISE DUTY

SIGNIFICANT AMENDMENTS

Section 6 **Adjustment of duties of Excise**

A subsection (2A) has been inserted which states that the registered person shall not be entitled for the adjustment of excise duty unless if the supplier has not declared such goods and services in his return or has not paid amount of tax due as indicated in return.

Section 16 **Exemption**

The Finance Bill seeks to enhance the power of Economic Coordination Committee of Cabinet to exempt whole or part of the sales tax in relation to matters associated with international financial institutions or foreign government owned financial institutions.

Section 19 **Offences and Penalties**

Penalty in respect of contravention of act and rules has been inserted where there was no specific penalty:

Any person who contravenes any provision of this Act or rules made thereunder for which no penalty has specifically been provided in this section shall be liable to pay a penalty of five thousand rupees or three percent of the amount of duty involved, whichever is higher.”;

SIGNIFICANT AMENDMENTS

FIRST SCHEDULE

The bill propose the following amendment in 1th Schedule

Table I

Excisable Goods

4.	Aerated Water	2201.1020	Ten Eleven and a half per cent of retail price
5.	Aerated waters, containing added sugar or other sweetening matter or flavored	2202.1010	Ten Eleven and a half per cent of retail price
6.	Aerated waters if manufactured wholly from juices or pulp of vegetable, food grains or fruits and which do not contain any other ingredient, indigenous or imported, other than sugar, coloring materials, preservatives or additives in quantities or additives in quantities prescribed under the west Pakistan pure food rules, 1965	Respective Headings	Ten Eleven and a half per cent of retail price

FEDERAL BUDGET HIGHLIGHTS 2016-17

9.	The following has been added against 9 : Locally produced cigarettes if their on-pack printed retail price exceeds rupees three thousand three hundred and fifty per thousand cigarettes <i>9a: For the period from 01-07-2016 to 30-07-2016, locally produced cigarettes if their on-pack printed retail price exceeds four thousand rupees per thousand cigarettes</i>	24.02 24.02	. Rupees three thousand and thirty per thousand Cigarettes
	<i>9b: For the period from 01-07-2016 onwards, locally produced cigarettes if their on-pack printed retail price exceeds four thousand four hundred rupees per thousand cigarettes</i>		Rupees three thousand seven hundred and five per thousand cigarettes.
10.	The following has been added against 10 : Locally produced cigarettes if their on-pack printed retail price does not exceed rupees three thousand three hundred and fifty per thousand cigarettes <i>10a: For the period from 01-07-2016 to 30-11-2016, locally produced cigarettes if their on-pack printed retail price does not exceed four thousand rupees per thousand cigarettes</i>	24.02	Rupees one thousand three hundred and twenty per thousand cigarettes.
	<i>10b: For the period from 01-12-2016 onwards, locally produced cigarettes if their on-pack printed retail price does not exceed four thousand four hundred rupees per thousand cigarettes</i>	24.02	Rupees one thousand six hundred and forty-nine per thousand cigarettes”;
13.	Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinkers	25.23	Five percent of retail price One rupee per kilogram
53.	White Crystalline Sugar	1701.9910	Eight Percent ad val

Table II

Excisable Service

Note: Duty shall not be levied on the following services provided in Province where the provincial sales tax has been levied thereon:

1.	Advertisement on closed circuit T.V	9802.3000	Sixteen percent of the charges
2.	Advertisement on cable T.V network	9802.5000	Sixteen percent of the charges
3.	Advertisement in newspapers and periodicals (excluding classified advertisements) and hoarding boards, pole signs and sign boards.	9502.4000 And 9802.9000	Sixteen percent of the charges
5.	Shipping agents	0805.1000	(i) Two hundred rupees per house-bill of lading issued in case of Non-Vessel Operating Common Carriers (NVOCC).

FEDERAL BUDGET HIGHLIGHTS 2016-17

			International Freight Forwarders and Slot Carriers (ii) Sixteen percent of the charges in case of other categories of shipping agent
8.	Services provided or rendered by banking companies, insurance companies, cooperative financing societies, modarabas, musharikas, leasing companies, foreign exchange dealers, non-banking financial institution, Asset Management Companies and other persons dealing in any such services.	98.13	Sixteen percent of the charges
11.	Franchise services	9823.0000	Ten percent of the charges
13.	Services provided or rendered by stockbrokers	9819.1000	Sixteen percent of the charges

Second Schedule

(Goods on which duty is collectible under sales tax mode with entitlement for adjustment with sales tax and vice versa)

Table I

(Goods) -Omission

3.	White Crystalline Sugar	1701.9910 1701.9920
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Third Schedule

(Conditional exemption)

Table I (Goods)-Omission

18.	White Cement	25.23
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Third Schedule

(Conditional exemption)

Table I (Goods)-Insertion

Following has been added :

19.	Materials and equipment for construction and operation of Gawadar Port and development of Free Zone for Gawadar Port as imported by or supplied to China Overseas Ports Holding Company Limited (COPHCL) and its operating companies namely (i) China Overseas Ports Holding Company Pakistan (Private) Limited, (ii) Gwadar International Terminals Limited, (iii) Gwadar Marine Services Limited and (iv) Gwadar Free Zone Company Limited, their contractors and sub-contractors; and Ship Bunker Oils bought and sold to the ships calling on/visiting Gwadar Port, having concession Agreement with Gwadar Port Authority,	Respective Headings
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FEDERAL BUDGET HIGHLIGHTS 2016-17

	for a period of forty years, subject to the conditions and procedure as specified under S.No. 100A of Table-1 of Sixth Schedule to the Sales Tax Act, 1990	
20.	Supplies made by the businesses to be established in the Gwadar Free Zone for a period of twenty-three years within the Gwadar Free Zone, subject to the condition that the sales and supplies outside the Gwadar Free Zone and into the territory of Pakistan shall be subjected to Federal Excise Duty,	Respective Headings