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CHARTERED ACCOUNTANTS

FEDERAL BUDGET SYNOPSIS 2019-2020

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PREFACE

The budget for 2019-20 was announced by Federal Minister of State for Revenue on 11th June, 2019. 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.

DISCLAIMER

While preparing this Synopsis care has been taken to ensure that our understanding on fiscal proposal and significant changes in Income Tax, Sales Tax and Federal Excise are explained to the reader to the best of our ability.

Since the changes will take effect over the Finance Bill is approved by the Parliament. The synopsis provide general guidance and therefore any action or inaction on the basis of this synopsis will be readers prerogative. We however do not take any responsibility for loss, if any, sufficient by reader by taking any action on the basis of this synopsis without seeking our formal advice.

Karachi June 12, 2019

BUDGET HIGHLIGHTS

INCOME TAX

- Tax rates for individuals and AOPs including salaried individuals are proposed to be significantly increased. Further, minimum below taxable threshold for salaried individual is proposed to be increased from Rs. 400,000 to Rs. 600,000

- Corporate tax rate is proposed to be fixed at 29% for tax year 2019 and onwards

- Adjustment of brought forward depreciation and business losses of banking, insurance, oil and mineral exploration companies is proposed to be excluded for the purpose of computing income for super tax

- Profit on debt derived by individuals and AOPs exceeding Rs. 36 million is proposed to be tax at normal tax rate. Further, tax rate for profit on debt up to Rs. 36 million is proposed to be increased.

- Supplies to dealers being unregistered under the Sales Tax Act, 1990 and not appearing in Active Taxpayer List (ATL) shall be subject to certain disallowances and addition to taxable income.

- Amortization of intangibles is proposed to be extended for a period of 25 years

- Exemption on capital gain tax on immovable property having holding period exceeding 3 years is proposed to be extended to 10 years and 5 years in case of open plot and constructed property respectively. Further, capital gain tax rates on immovable properties is proposed to be abolished and such capital gain is proposed to be chargeable to tax on normal tax rates.

- Gift received by a person is proposed to be chargeable to tax under the head “Income from other source” subject to certain exclusions

- Inactive person are also proposed to be allowed to claim tax credit on investment in health insurance

- Employers are proposed to claim tax credit for employing fresh graduates in order to create employment opportunities

- Period of investment and installation of plant and machinery by industrial undertaking for the purpose of claiming tax credit under section 65B has proposed to be reduced from 30th June 2021 to 30th June 2019. Further, the rate of tax credit for tax year 2019 is also proposed to be reduced from 10% to 5%

- Payments for purchase of assets exceeding specified threshold is proposed to be made through banking channel

- For broadening of tax base, minimum stay requirement in Pakistan for non-residents is proposed to be modified

- Special provision for certain persons including small business, construction business, medical practitioner, hospitals, educational institutions and any other specified section is proposed to be introduced

- Special provisions for non-filers has been proposed including collection of advance tax at 100% increased rate applicable for filers

- Trusts and welfare institutions are also proposed to obtain recognition from the Commissioner under section 2(36) of the Ordinance for claiming 100% tax credit as in case of NPOs

- Chartered Accountants or Cost and Management Accountants are proposed to be involved by the Commissioner in determination of fair market value of asset, product, expenditure or services

- Threshold of foreign income of Rs. 10 million is proposed to be reduced to Rs. 5 million for the purpose of verification of source of income

- Threshold of land area of 250 sq. yds is proposed to be enhanced to 500 sq. yds for the purpose of filing of return

- Date of filing of return by salaried individual and statement of final taxation is proposed to be extended till 30th September each year

- Non-prosecution and confidentiality of declaration made under the Asset Declaration Act, 2019 has been proposed

- Tax recoverable from an AOP is proposed to be recovered from its members

- The Commissioner is proposed to be empowered to freeze assets of person leaving Pakistan and involved in offshore tax evasion

- Tax deduction at import stage for commercial importers and ship breakers is proposed as minimum tax instead of final tax

- Tax deduction on profit on debt is proposed as minimum tax instead of final tax.

- Tax deduction from non-resident on execution of contract and insurance payment is proposed as minimum tax instead of final tax

- Tax deduction on supply of goods, execution of contracts, sports person and electronic and print media is proposed to be minimum tax. Further, provision relating to exemption and carry forward of excess deduction of tax for specified service sectors is proposed to be withdrawn and such services shall be subject to deduction of tax at the rate of 4% including transport services which is presently subject to deduction of tax at the rate of 2%

- Royalty payment to resident person is proposed to be deduction of tax at 15% of gross amount

- The Commissioner is proposed to be empowered for further amendment of order passed for short collection / deduction of tax

- Banks are proposed to submit information to the Board with respect to persons deriving profit on debt in excess of Rs. 500,000
- Payment of refund claims is been proposed to be settled through issuance of income tax refund bonds
- The Commissioner is proposed to be empowered to raid and confiscate undeclared gold, foreign currency or bearer security
- Penalties for certain non-compliances is proposed to be enhanced
- Penal provisions has been proposed in case of concealment of offshore asset
- Penal provisions has been proposed in case of non-compliance with notice under section 116A regarding foreign income and asset statement
- Penal provisions has been proposed for enabling offshore tax evasion
- Names of offshore tax evaders and enablers is proposed to published in print and electronic media by the Board
- Restriction on purchase of motor vehicles and immovable property by non-filers is proposed to be withdrawn
- An Automated Impersonal Tax Regime has been proposed to minimize the interaction between officials and taxpayers which are low risk and compliant.
- New authorities has been proposed to be established as Director General of Special initiatives and Directorate General of Valuation
- Tax deduction on commission income is proposed as minimum tax instead of final tax
- Tax collection from CNG stations is proposed under minimum tax regime
- Holding period of three years for the purpose of exemption from collection of advance tax on sale of immovable property is proposed to be increased to five years
- Rate of tax on dividend has proposed to be increased.
- Slabs rates for tax on income from property is proposed to be increased
- Minimum tax rates under section 113 is proposed to be increased
- Rates of deduction of tax for certain persons under various provisions of the Ordinance is proposed to be withdrawn due to introduction of provisions with respect to such persons whose names are not appearing in ATL which provides for deduction of tax with 100% increase in applicable tax rate for Active taxpayers.
- Deduction of tax rate from non-filers i.e. a person whose name is not appearing in ATL is continue to be applicable on cash withdrawals, banking transactions, insurance premiums and extraction of minerals.
- Advance tax on dealers, commission agents and arhatis etc is proposed to be increased

- Deduction of advance tax on purchase of immovable property is proposed at flat rate of 1% of fair market value

- Initial allowance available in case of building at the rate of 15% is proposed to be withdrawn

- Clarification and provisions has been proposed under the Seventh Schedule for streamlining the taxation of banking companies

EXEMPTION & TAX CONCESSIONS

- Certain allowances to Armed Forces personnel is proposed to be exempt

- Few organizations is proposed to be added in the list of organizations to which payment of donation is exempt.

- Income of a few organizations is proposed to be exempt under the Ordinance.

- Exemption has been proposed to be extended in respect of profit and gains derived by a person from sale of immovable property to a rental REIT scheme

- Profit and gains on first sale of immovable property is proposed to be exempt for Shaheed or the person who dies in service of Federal or Provincial Government

- Finance bill has proposed to reduce tax rebate for full time teacher or researcher. Further, certain persons are also proposed to be excluded from claiming tax reduction.

- Reduction in tax payable has been proposed by 50% on capital gain on disposal of property by ex-servicemen and serving personnel of Armed Forces or serving personnel of Federal and Provincial Governments, being original allottees of the immovable property, duly certified by the allotment authority

- Payment of tax at the rate of 2.5% for claiming exemption as withholding agent by good transport contractor from deduction of tax on purchase of goods is proposed to be increased to 3%

- Exemption available to withholding agents from disclosure of certain details of person from whom tax has been collected under section 236H, 231A and 151 is proposed to be withdrawn

- Immunity available from selection of audit under section 177 and 214C for period of three years is proposed to be withdrawn.

SALES TAX

- The Finance bill has proposed to reconsider the criteria by which manufacturers could be classified as cottage industry by amending definition of cottage industry.
- The Finance bill has proposed to broaden scope by placing importer on the same footing as manufacturer who will now charge sales tax on retail price of the goods listed in Third Schedule of the Act.
- The Finance bill has proposed to delegate powers to issue notification regarding procedural changes from “Federal government” to “Board, with the approval of the Minister-in-charge” wherever applicable.
- The Finance bill has proposed to change value of supply for charging sales tax on the goods manufactured on behalf of another person.
- The Finance bill has proposed value of supply of electricity supplied by independent power producer and supply of power and gas by power distribution company.
- The Finance bill has proposed to insert 11^{th} Schedule for rates for withholding / deduction of sales tax by withholding agent from supplies purchased by them.
- The Finance bill has proposed to enlarge the scope of tier 1 retailers by inserting shops having area measuring 1,000 sq. ft. or more. The Finance bill has proposed to withdraw the option for paying sales tax at the rate of 2% by tier-1 retailers.
- The Finance bill has proposed to restrict the adjustment of input tax from output in case of supply of electricity and gas where the bills do not bear registration number and address of the person claiming such adjustment.
- The Finance Bill has proposed to restrict claim of input tax against output tax on pro-rata basis, where supplies are made to un-registered persons not bearing NIC number of the buyer.
- The Finance Bill has proposed to update sales tax invoice with additional details
- The Finance bills has proposed to delete proviso inserted through Finance Act 2018 whereby audit could only be conducted once in every three years.
- The Finance bill has proposed for automatic revision of sales tax return without approval of Commissioner.
- The Finance bill has proposed to increase penalty in respect of non-filing of sales tax return within due date.
- The Finance bill has proposed to insert a section for initiating criminal proceedings against persons who have found in committing acts against the law or for personal benefits.
- The Finance Bill has proposed to amend the provision regarding the recovery of tax from owner, partners, directors, shareholders having paid up capital for not less than 10% of business enterprise.
- The Finance Bill has proposed that the Board may keep the selection parameters for audit through computer balloting under section 72B confidential.

TAXABILITY AND EXEMPTION

- The Finance bill has proposed to collect sales tax on fixed basis from the persons manufacturing bricks under 10th Schedule.
- The Finance bill has proposed to insert 12th Schedule for charging minimum value addition tax on import of goods at the rate of 3%.
- The Finance Bill has proposed to include certain goods in the Third Schedule to the Act on which sales tax will be charged and collected on retail price.
- The Finance Bill has proposed to exempt certain goods from sales tax on the import and supply.
- The Finance Bill has proposed to rescind exemption from charging sales tax on the import and supply of certain goods.
- The Finance Bill has proposed to charge sales tax at standard rate i.e. 17% on certain goods which were chargeable at fixed rate.
- The Finance Bill has proposed to charge sales tax on different rates which were either exempted or charged at the rate of zero percent.
- The Finance bill has proposed to reduce sales tax on cellular mobile phone at the time of import/supply and at the time of registration of IMEI number by CMOs.

FEDERAL EXCISE DUTY

- It is proposed to withdraw exemption on services provided by foreign satellites and maintain exemption only on terrestrial bandwidth services.
- Rate of FED on aerated waters is proposed to be increased from 11.5% to 14%.
- Special regime of taxation of the whole of the steel sector is being abolished. Thus, sales tax on billets, ingots, bars, ship plates and other long profiles may be exempted at manufacturing and import stage, and in lieu thereof FED at 17% in sales tax mode is proposed to be imposed.
- Finance bill has proposed to increase rate of FED on edible oils / ghee / cooking oil from 16% to 17%.
- FED on cigarettes is levied on fixed rate basis. It is proposed to enhance the rates and redefine the thresholds by abolishing the third tier introduced earlier.
- In order to rationalized the FED levy on drinks, and considering proposed levy on aerated water which are proposed to be subjected to higher FED at 14%, it is proposed that the non-aerated packaged sugary drinks, such as juices, syrups and squashes may be subjected to FED at 5% of retail price.
- Current cement is chargeable to Federal excise duty @ 1.5 per kg. It is now proposed to increase federal excise duty on cement to Rs. 2 per kg.
- Presently, FED on LNG is payable at Rs. 17.18 per 100 cubic meters. It is proposed to increase FED on LNG from Rs. 17.18 per 100 cu. m to Rs. 10 per MMBTU.
- It is proposed to enlarge the scope of FED by proposing a slab for collection of FED on the basis of Engine Capacity of vehicle.
- First Schedule, Second Schedule and Third Schedule are proposed to be amended.
- Fourth Schedule is proposed to be inserted to the Act.

SIGNIFICANT AMENDMENTS

INCOME TAX

SECTION 4B Super tax for rehabilitation of temporary displaced person

Presently adjustment of brought forward depreciation and business losses are not available while computing income for the purpose of super tax. However, exception is available to banking, insurance, oil and mineral exploration companies. In order to ensure similar tax treatment, adjustment of brought forward business and depreciation losses has proposed to be excluded for the purpose of computing income for super tax in the case of the abovementioned sectors.

SECTION 7B Tax on Profit on debt

Currently, profit on debt derived by individuals and AOPs is subject to tax as per slab rates provided under the Division IIIA of Part I of First Schedule to the Ordinance up to maximum rate of 15 percent on amount exceeding Rs. 25 million. The Finance bill has proposed to tax the profit on debt exceeding Rs. 36 million at normal tax rates.

Section 21 Deductions not allowed

Finance bill has proposed to disallow commission expense exceeding 0.2 percent of gross amount of supplies in respect of supply of products listed in the Third Schedule to the Sales Tax Act, 1990 unless the commission agent is registered under the Sales Tax Act, 1990 and also appear in Active Taxpayer List (ATL) of income tax under the Ordinance..

Section 24 Intangibles

Presently, intangibles are allowed to be amortized up to 10 years where useful life of the intangible is not ascertainable or exceeds 10 years. The Finance Bill has proposed to extend the useful life up to 25 years for claiming amortization of intangible.

Further, self-generated goodwill or any adjustment arising on account of accounting treatment is proposed to be excluded from the definition of intangibles.

Section 37 Capital Gains

Currently, the capital gain on disposal of immovable property is subject to tax as per slab rates provided under the Division VIII of Part I of First Schedule to the Ordinance on the basis of holding period as follows:

Holding period	Capital gain tax rate
Upto one year	10%
Upto two year	7.5%
Upto three year	5%
Exceeding three year	0%

The Finance Bill has proposed to tax the capital gain on immovable property under normal tax regime along with other income of the taxpayer subject to certain exemptions. The capital gain for open plot and constructed property shall be calculated subject to relevant holding period. The zero rating holding period of 3 years is proposed to be increased to 10 years for open plot and 5 years for constructed property. Following table shows the taxability of property under each category.

Exemption	Open plot	Constructed property
No exemption	Holding period up to one year	Holding period up to one year
Exemption up to 25% of capital gain	Holding period exceeds one year but does not exceed ten year	Holding period exceeds one year but does not exceed five year
Fully exempt	Holding period exceeds 10 year	Holding period exceeds five year

Section 39 Income from other source

Finance bill has proposed to tax the amount received or fair market value of property received as gift by a person at normal tax rate under the head "Income from other source". However, gift received from following person is not chargeable to tax.

1. Grandparents
2. Parents
3. Spouse
4. Real brother
5. Real Sister
6. Son
7. Daughter

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Section 53 Exemptions and tax concessions in the Second Schedule

The Finance bill has proposed to withdraw the powers of Federal Government to make any amendment in Second Schedule regarding exemption and tax concessions through notification in official gazette for removal of anomalies in taxes and development of backward areas.

Section 62A Tax credit for investment in health insurance

Presently, individuals or AOPs being a filer are allowed to claim tax credit for investment in health insurance. The Finance Bill has proposed to allow such tax credit irrespective of status of person as a filer. Therefore, later filers whose name is not appearing in Active Taxpayer List (ATL) are also entitled to claim the tax credit for investment in health insurance.

Section 64C Tax credit for person employing fresh graduates

In order to create employment opportunities, the Finance Bill has proposed to introduce the tax credit for employers who employ fresh graduates from university or institution recognized by Higher Education Commission (HEC). Tax credit shall be computed on the basis of average tax rate in respect of amount of annual salary paid to such graduates in a tax year in which they are employed subject to maximum of five percent of taxable income for the year. Further, tax credit shall be allowed in respect of salary paid to number of fresh graduates not exceeding 15% of total employees of the company in a tax year.

For the purpose of claiming tax credit, fresh graduate means a person who has graduated after the 1st July 2017 from any institution or university recognized by HEC.

Section 65B Tax credit for investment

Presently, industrial undertakings are entitled to claim tax credit at the rate of 10% of amount of investment in plant and machinery for the purpose of extension, expansion, balancing, modernization and replacement of plant and machinery already installed. Further, the tax credit is allowed where plant and machinery is purchased and installed at any time between the first day of July 2010 and 30th day of June 2021.

The Finance Bill has proposed to curtail the period for claiming such tax credit from 30th June 2021 to 30th June 2019 for purchase and installation of plant and machinery in order to avail tax credit. Further, rate of tax credit is also proposed to be reduced from 10% to 5% of amount of investment made in tax year 2019. Further, unadjusted tax credit of previous years would continue to be carried forward for adjustment in subsequent tax years irrespective of reduction in period of investment and installation from 30th June 2021 to 30th June 2019.

Section 75A Purchase of assets through banking channel

The Finance Bill has proposed to introduce new provision making it mandatory to purchase of assets having fair market value exceeding the minimum specified threshold through banking channel in order to avail certain deductions with respect to such assets

1. Immovable property having fair market value greater than rupees five million; or

2. Any other asset having fair market value more than one million rupees.

   In case of default, deduction on account of depreciation, initial allowance, and amortization shall not be allowed in respect of such asset. Further, no deduction of cost in computing capital gain on disposal of such asset shall be allowed.

Section 82 Resident individual

Presently, a person who stays in Pakistan for a period of 183 days or more in aggregate in a tax year is considered as resident individual. The Finance Bill has proposed to bring further Non-Resident Individuals (NRIs) in tax net who stays in Pakistan in a tax year for 90 days in aggregate and who in preceding four tax years was in Pakistan for a period of 365 days or more in aggregate.

Section 99C Special procedure for certain persons

The Finance Bill has proposed to bring certain persons in the tax net by incentivizing such persons through simplified taxation and simplified procedures of record keeping, tax payment, return filing and assessment. The intended sectors are small businesses, construction businesses, medical practitioners, hospitals, educational institutions, and any other sector specified. Therefore an enabling provision has been introduced which authorizes the Federal Government, to notify the aforementioned special provisions for such sectors in such cities or territories, as may be specified.

Section 100BA Special provisions relating to persons not appearing in active taxpayers' list

Presently the law provides for the concept of a non-filer and stipulates higher withholding rates for the same which are adjustable at the time of filing of income tax return. The Finance Bill has proposed to abolish the concept and the term of "filer" and "non-filer" is from the statute, wherever occurring. Instead a separate Schedule is being introduced to specifically provide a legal framework for punitive measures for persons not appearing on ATL and to ensure filing of return by such persons. The main attributes of this scheme are as under:-

1. Persons whose names are not appearing on the ATL will be subjected to hundred percent increased rate of tax.

2. The withholding agents will clearly specify the names, CNIC or any other identification of such persons in the withholding statement so that legal provisions to enforce return can come into effect. In case of default by withholding agent, penal provisions shall be initiated against the withholding agent

3. Where a withholding agent is of the opinion that hundred percent increased tax is not required to be collected on the basis that the person was not required to file return, the withholding agent shall furnish an intimation to the Commissioner setting out the basis on which the person is not required to file return. The Commissioner shall accept or reject the contention on the basis of existing law. In case the Commissioner fails to respond within thirty days, permission shall be deemed to be granted to not deduct tax at hundred percent increased rate.

4. Where the person's tax has been deducted or collected at hundred percent increased rate and the person fails to file return of income for the year for which tax was deducted, the Commissioner shall make a provisional assessment within sixty days of the due date for filing of return by imputing income so that tax on imputed income is equal to the hundred percent increased tax deducted or collected from such person and the imputed income shall be treated as concealed income.

5. The provisional assessment shall be of no effect if the person files return within forty five days of completion of provisional assessment and the provisions of the Ordinance shall apply accordingly. Where return is not filed within forty five days of provisional assessment, it shall be treated as final assessment and the Commissioner shall initiate penalty proceedings for concealment of income

   The excess collection of tax shall be adjustable as proposed under section 169(4) in case of filing of return before finalization of assessment mentioned above.

Section 100C Tax credit for certain person

Presently, under section 100C, non-profit organizations, trusts and welfare institutions are allowed hundred percent tax credit subject to certain conditions. However, only NPOs are liable to obtain approval from the Commissioner under section 2(36) of the Ordinance to avail such tax credit and there is no such requirement for trusts and welfare institutions. Now in order to ensure similar treatment and maintain oversight, trusts and welfare institutions are also required to obtain recognition from Commissioner to avail the facility of 100% tax credit. This proposed amendment shall take effect from 1st July 2020.

Further, restriction has been proposed for utilization of assets of trusts or welfare institution for a private benefit of the donor or family, children or author of the trust or his descendants or the maker of the institution or to any other person. In case of personal benefits availed by donor or his family, such benefit shall become the income of the donor.

Section 108A Report from independent chartered accountant or cost and management accountant

Finance bill has proposed to empower the Commissioner with the prior approval of Board to obtain report from an independent chartered accountant or cost and management accountant to ascertain fair market value of asset, product, expenditure or service at the time of transaction

Section 108AB Transactions under dealership arrangements

New provision has been proposed which provides that where a person supplies products listed in the Third Schedule to the Sales Tax Act, 1990 to the dealer who is not registered under the Sales Tax Act, 1990 and his name is also not appearing in Active Taxpayer List (ATL) of income tax under the Ordinance, an amount equal to 75% of dealer's margin shall be added to the taxable income of the person making supplies to such dealer. Further, the dealer's margin shall be taken at 10% of sale price of the manufacturer.

Further, as proposed under section 21 of the Ordinance, commission expense exceeding 0.2 percent of gross amount of supplies to such dealer shall also become inadmissible unless the commission agent is registered under the Sales Tax Act, 1990 and also appear in Active Taxpayer List (ATL) of income tax under the Ordinance.

We are of the view that this should have been extended to sub dealers and same treatment should be given to dealer if he supplies to sub dealer not registered in sales tax and not appearing in ATL.

Section 111 Unexplained income or assets

Presently foreign remittance equivalent to Rs. 10 million as a source of investment cannot be probed. Now the said threshold has been proposed to be reduced from Rs.10 million to Rs.5 million for explaining the source of investment through foreign remittance.

Further, as per current provision, the value of immovable property on which advance tax under section 236W has been paid, i.e. the difference between the amount invested in property and the DC value, shall be considered as explained. However, the Finance Bill has proposed to withdraw the said provision. Consequently, source of investment in immovable property is required to be verified irrespective of any threshold.

Section 114 Return of income

Presently, a person owning immovable property having land area of 250 sq. yds or more is required to file tax return even if he has no taxable income for the year. The Finance Bill has proposed to enhance the said threshold of land area from 250 sq. yds to 500 sq. yds.

Section 118 Method of furnishing returns and other documents

The Finance Bill has proposed to extend the date of filing of return by salaried individual or statement of final taxation from 31st August to 30th September.

Section 120B Restriction of proceedings

Finance bill has proposed that no proceedings shall be initiated under the Ordinance in respect of asset, expenditures or sales declared under the Assets Declaration Act, 2019. Further, the declaration made under the said Act shall also be kept confidential.

Section 139 Collection of tax in the case of private companies and association of persons

Under the existing law, tax payable by a member of association of persons can be recovered from the association itself. On the contrary, tax payable by an association of persons cannot be recovered from its member. Now where any tax payable by an association of persons cannot be recovered from the association the same is proposed to be recovered from any person who is a member of the association. The member would thereafter be allowed to recover the tax paid by him from the AOP.

Section 145 Assessment of person about to leave Pakistan

The Finance Bill has proposed to empower the Commissioner to freeze domestic assets of the person for including any asset beneficially owned by a person where a person leaving Pakistan is involved in offshore tax evasion and about to dispose of any such assets. Such assets shall be freezed for 120 days or till the finalization of proceedings whichever is earlier.

Section 148 Imports

Presently, tax collected at import stage from commercial importers is subject to final taxation. The Finance Bill has proposed the collection of such tax as minimum tax. Consequently, the commercial importers shall be chargeable to tax on net income basis however, tax chargeable for the year shall not be less than the tax collected at import stage which is minimum tax liability for such commercial importers.

Further, the finance bill has proposed to subject to tax the ship breaker from the final tax regime to minimum tax regime.

Section 151 Profit on debt

Finance bill has proposed that tax deduction on profit on debt in case of individuals and AOPs shall be minimum tax liability instead of full and final discharge.

Section 152 Payment to non-residents

Finance Bill has proposed to include the collection of tax from non-residents on account of execution of contracts or insurance premium under minimum tax regime instead final tax which implies that the non-resident is required to pay tax on net income basis subject to minimum tax collected at source.

Further, the Finance Bill has proposed for deduction of tax at the rate of thirty percent on payment made to permanent establishment where such payment constitutes part of an overall arrangement of a cohesive business operations. A permanent establishment can claim adjustment of such deduction of tax against income arising on the overall cohesive business operations.

Furthermore, deduction of tax from non-resident being non-filers has proposed to be withdrawn. Consequent to introduction of provisions regarding person not appearing in Active Taxpayer List (ATL), tax is proposed to be deducted at the rate of 100% increase as per rates applicable for active taxpayers under ATL.

Section 153 Payments for goods, services and contracts

Finance bill has proposed to include the tax deduction on supply of goods, execution of contracts, sports person and electronic and print media under minimum tax regime instead of final tax.

Certain service sectors are proposed for collection / deduction of advance tax at the rate of 4% which shall be minimum tax liability of the company. The provisions currently available for adjustment and carry forward of excess deduction of tax for specified service sectors is proposed to be withdrawn. The powers of the Commissioner to issue exemption to specified service sectors has also been proposed to be withdrawn. Following is the list of service sectors:

1. Transport services

2. Freight forwarding services
3. Air cargo services
4. Manpower outsourcing services
5. Hotel services
6. Security guard services
7. Software development services
8. IT Services or IT enabled services
9. Tracking services
10. Advertising services
11. Share registrar services
12. Car rental services
13. Building maintenance services
14. Services rendered by Pakistan Stock Exchange Limited
15. Services rendered by Pakistan Mercantile Exchange Limited
16. Inspection
17. Certification
18. Testing services
19. Training services

In case of any services sector not covered in above list, tax deduction shall be 8% in case of companies and 10% in case of non-companies. The tax deduction for any service sector including the above list shall be minimum tax. The income of the taxpayer shall be chargeable to tax on net income basis subject to minimum tax collected / deducted at source under this section.

Further, deduction of tax from any person under this section being non-filers has been proposed to be withdrawn. Consequent to introduction of provisions regarding person not appearing in Active Taxpayer List (ATL), tax is proposed to be deducted at the rate of 100% increase as per rates applicable for active taxpayers under ATL

Section 153B Payment of royalty to resident persons

At present withholding tax is deducted on any payment of royalty to a non resident person. However, there is no such specific withholding tax in case of payment of royalty to a resident person. Therefore a withholding tax at the rate of 15% of the gross amount of royalty to be deducted from resident persons is proposed to be introduced. Such deduction of tax shall be adjustable against tax liability for the year.

Section 161 Failure to pay tax collected or deducted

Finance bill has proposed to empower the Commissioner to further amend the order already passed for recovery of short collection / deduction of tax

Section 165 Statements

Finance bill has proposed for filing of withholding statement in respect of deduction of tax from person whose names are not appearing in Active Taxpayer List under the Ordinance.

Section 165A Furnishing of information by banks

Every banking company is proposed to provide information to the Board in respect of any person receiving profit on debt exceeding Rs. 500,000
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Section 171A Payment of refund through income tax refund bonds

For the purpose of settlement of refund claimed, a new provision has been proposed to be introduced wherein promissory notes would be issued to claimants at their option by a newly formed company called the FBR Refund Settlement Company Limited. The bonds are to have a maturity period of three years after which the company shall return the promissory note to the Board and the Board shall make payment of amount due under bonds along with profit due to the bond holders

Section 175 Power to enter and search premises

Subsequent to conditions as may be prescribed the Finance bill has proposed to empower the Commissioner to raid any premises where there is reliable information of undeclared gold, bearer security or foreign currency and confiscate the same in order to enforce any provision of this Ordinance.

Section 181D Business Licence scheme

At present, only taxpayers are required to register with the Board for tax purposes. Persons deriving business income who are otherwise not required to file return being below taxable threshold are not required to register. In order to create a verifiable database of all persons deriving business income, a new registration scheme is being introduced where every person deriving business income, even if below it is below threshold shall be required to register with the Board through NADRA's e-sahulat centres. Business registration per se would not make the registrant liable to file return. However, it would create a database which would be a source of detecting new taxpayers in the future.

Section 182 Offences and Penalties

Penalties for non / late filing of return and statements, default in timely deposit of taxes, furnishing appropriate information and other non-compliance has proposed to be increase to significant extent to discourage such non-compliances.

Section 182A Return not filed within due date

The finance Bill has proposed that the name of late filer can be included in Active Taxpayer List (ATL) upon payment of surcharge as follows:

1. Rs. 20,000 in case of company
2. Rs. 10,000 in case of an AOP
3. Rs. 1,000 in case of an individual

Further, a person whose name is not appearing in ATL shall not be issued refund and shall not be entitled to additional payment for delayed refunds.

Section 192B Prosecution for concealment of an offshore asset

The finance bill has proposed penal provision where any person who fails to declare an offshore asset to commissioner or furnishes inaccurate particulars of an offshore asset and revenue impact of such concealment or furnishing of inaccurate particulars is Rs. 100,000 or more shall commit an offence punishable on conviction with imprisonment up to 7 year or with fine up to 200% of the amount of tax evaded or both

Section 195A Prosecution for non-compliance with notice under section 116A

The finance bill has proposed penal provision where any person who without reasonable excuse fails to comply with the notice under sub-section (2) of section 116A regarding foreign income and asset statement shall commit an offence punishable on conviction with imprisonment up to 2 year or with fine up to a penalty of 2% of the offshore asset not declared or both.

Section 195B Prosecution for enabling offshore tax evasion

The finance bill has proposed penal provision where any enabler who enables guides or advises any person to design, arrange or manage a transaction or declaration in such a manner which result is offshore tax evasion shall commit an offence punishable on conviction with imprisonment for a term non-exceeding 7 years or with a fine up to Rs. 5 million or both.

Section 216 Disclosure of information by public servant

Finance bill has proposed to empower the Board to publish in print and electronic media, the names of offshore tax evaders who evaded offshore tax equal to or exceeding Rs. 2,500,000 and enablers of offshore tax evasion.

Section 216A Proceedings against persons

In order to effectively check misuse of authority to gain financial benefit, a new enabling provision has been proposed to be introduced to prescribe rules for initiating criminal proceedings against officers and officials of the Board who deliberately commit acts or fail to act which results in personal benefits. Similar action would also be taken against persons who offer bribes or other financial benefits to the tax employees.

Section 227C Restriction on purchase of certain assets

The Finance Bill has proposed to withdraw restriction for non-filers for purchase of motor vehicles and immovable property in view of measures taken against non-filers / late filers.

Section 227D Automated impersonal tax regime

A new provision has proposed to be introduced which authorizes the Board to design an Automated Impersonal Tax Regime and prescribe rules in respect of the same through a notification in the gazette. The purpose of this regime is to minimize the interaction between officials and taxpayers which are low risk and compliant.

Section 230F Directorate General of Immovable Property

The Finance Bill has proposed to withdraw the provision regarding collection of tax at the rate of 1% on purchase of immovable property. Upon such withdrawal, advance tax shall be collected as per table provided under Division XVIII of Part IV of First Schedule.

Section 233 Brokerage and Commission

Presently, tax deduction on commission is full and final discharge of tax liability. The finance bill has proposed to include such tax deduction under minimum tax regime instead of final tax. Consequently, commission income shall be chargeable to tax on net income basis subject to minimum tax deducted at source

Section 234A CNG Stations

Presently, the tax collected from CNG stations on gas bills is final discharge of tax liability. The Finance bill has proposed to include such tax deduction under minimum tax regime. Therefore, CNG stations shall be chargeable to tax on net income basis subject to minimum tax deduction / collection.

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

The Finance bill has proposed to extend the holding period of immovable property from three years to five years for the purpose of exemption from collection of tax on sale of immovable property.

Section 236W Tax on purchase or transfer of immovable property

The Finance bill has proposed to withdraw provision regarding collection of advance tax at the rate of 3% on difference between FBR value and the DC value.

FIRST SCHEDULE

PART I

Division I Rates of tax for individuals and Association of Persons

For non-salaried persons deriving income exceeding Rs.400,000, eight taxable slabs of income with tax rates ranging from 5% to 35% are being introduced in the following manner:

S. No	Taxable Income	Rate of Tax	Effective Tax rate on the basis of highest Slab limit
(1)	(2)	(3)	(4)
1.	Where taxable income does not exceed Rs. 400,000	0%	0%
2.	Where taxable income exceeds Rs. 400,000 but does not exceed Rs. 600,000	5% of the amount exceeding Rs. 400,000	1.67%
3.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	Rs. 10,000 plus 10% of the amount exceeding Rs. 600,000	5.83%
4.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 70,000 plus 15% of the amount exceeding Rs. 1,200,000	10.42%
5	Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,000,000	Rs. 250,000 plus 20% of the amount exceeding Rs. 2,400,000	12.33%
6	Where taxable income exceeds Rs. 3,000,000 but does not exceed Rs. 4,000,000	Rs. 370,000 plus 25% of the amount exceeding Rs. 3,000,000	15.50%
7.	Where taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 6,000,000	Rs. 620,000 plus 30% of the amount exceeding Rs. 4,000,000	20.33%
8.	Where taxable income exceeds Rs. 6,000,000	Rs. 1,220,000 plus 35% of the amount exceeding Rs. 6,000,000	--

Rates of tax for Salaried individuals

Presently the tax rates for salaried persons are applicable to persons having 50% or more of their total income from salary. Now these tax rates for salaried persons are to be applicable to persons having 75% or more of their total income from salary. Consequently for persons having salary income less than 75% of total income, the rates applicable to non-salaried individuals would apply. In the case of salaried individuals deriving income exceeding Rs.600,000, eleven taxable slabs with progressive tax rates ranging from 5% to 35% are being introduced as under:-

S. No	Taxable Income	Rate of Tax	Effective Tax rate on the basis of highest Slab limit
(1)	(2)	(3)	(4)
1.	Where taxable income does not exceed Rs. 600,000	0%	0%
2.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	5% of the amount exceeding Rs. 600,000	2.5%
3.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 1,800,000	Rs. 30,000 plus 10% of the amount exceeding Rs. 1,200,000	5.00%
4.	Where taxable income exceeds Rs. 1,800,000 but does not exceed Rs. 2,500,000	Rs. 90,000 plus 15% of the amount exceeding Rs. 1,800,000	7.8%
5.	Where taxable income exceeds Rs. 2,500,000 but does not exceed Rs. 3,500,000	Rs. 195,000 plus 17.5% of the amount exceeding Rs. 2,500,000	10.57%
6.	Where taxable income exceeds Rs. 3,500,000 but does not exceed Rs. 5,000,000	Rs. 370,000 plus 20% of the amount exceeding Rs. 3,500,000	13.40%
7.	Where taxable income exceeds Rs. 5,000,000 but does not exceed Rs. 8,000,000	Rs. 670,000 plus 22.5% of the amount exceeding Rs. 5,000,000	16.81%

8.	Where taxable income exceeds Rs. 8,000,000 but does not exceed Rs. 12,000,000	Rs. 1,345,000 plus 25% Of the amount exceeding Rs. 8,000,000	19.59%
9.	Where taxable income exceeds Rs. 12,000,000 but does not exceed Rs.30,000,000	Rs. 2,345,000 plus 27.5% of the amount Exceeding Rs. 12,000,000	24.32%
10.	Where taxable income exceeds Rs. 30,000,000 but does not exceed Rs.50,000,000	Rs. 7,295,000 plus 30% of the amount exceeding Rs. 30,000,000	26.59%
11.	Where taxable income exceeds Rs. 50,000,000 but does not exceed Rs.75,000,000	Rs. 13,295,000 plus 32.5% of the amount exceeding Rs. 50,000,000	28.56%
12.	Where taxable income exceeds Rs.75,000,000	Rs. 21,420,000 plus 35% of the amount exceeding Rs. 75,000,000";	--

Division II Rate of tax for companies

Presently, reduced tax rate for companies i.e. 30% in tax year 2018 to 25% in tax year 2023 is in place. At present, for tax year 2019 the tax rate is 29%. The Finance bill has proposed to fixed tax rate at 29% for tax year 2019 and onwards in order to recover and maintain the tax base to ensure revenue.

Division III Rates of Dividend Tax

Description	Existing rate	Proposed rate
Dividend from Power project privatized by WAPDA	7.5%	15%
In case of dividend other than power projects and mutual funds	15%	15%
In case dividend received from mutual fund is exceeding Rs. 2.5 million	12.5%	-
In case dividend received from mutual fund is less than or equal to Rs. 2.5 million	10%	-
Where dividend is received from a company which is not liable to pay tax due to exemption, tax credit or adjustment of business losses	-	25%

Division IIIA Rates for profit on debt

S. No.	Profit on debt	Rate of tax Proposed
(1)	(2)	(3)
1.	Where profit on debt does not exceed Rs.5,000,000	15%
2.	Where profit on debt exceeds Rs.5,000,000 but does not exceed Rs.25,000,000	17.5%
3.	Where profit on debt exceeds Rs.25,000,000 but does not exceed Rs.36,000,000	20%

Division VIA Income from property

Rate of tax on income from property has proposed to be increased where gross amount of rent is Rs. 4 million or more. Following are the slabs rates:

1.	Where the gross amount of rent does not exceeds Rs. 200,000	Nil
2.	Where the gross amount of rent exceeds Rs.200,000 but does not exceed Rs.600,000	5 per cent of the gross amount exceeding Rs.200,000
3.	Where the gross amount of rent exceeds Rs. 600,000 but does not exceed Rs.1,000,000	Rs.20,000 plus 10 per cent of the gross amount exceeding Rs.600,000
4.	Where the gross amount of rent exceeds Rs.1,000,000 but does not exceed Rs.2,000,000	Rs.60,000 plus 15 per cent of the gross amount exceeding Rs.1,000,000
5.	Where the gross amount of rent exceeds Rs.2,000,000 but does not exceed Rs. 4,000,000	Rs.210,000 plus 20 per cent of the gross amount exceeding Rs.2,000,000”
“6.	Where the gross amount of rent exceeds Rs.4,000,000 but does not exceed Rs.6,000,000.	Rs.610,000 plus 25 per cent of the gross amount exceeding Rs.4,000,000
7.	Where the gross amount of rent exceeds Rs.6,000,000 but does not exceed Rs.8,000,000	Rs.1,110,000 plus 30 per cent of the gross amount exceeding Rs.6,000,000

8.	Where the gross amount of rent exceeds Rs.8,000,000	Rs.1,710,000 plus 35 percent of the gross amount exceeding Rs.8,000,000”;

Division VII Capital gains on disposal of securities

S.No	Period	Tax Year 2015	Tax Year 2016	Tax Year 2017	Tax Years 2018, 2019 and 2020	
					Securities acquired before 01.07.2016	Securities acquired after 01.07.2016
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Where holding period of a security is less than twelve months	12.5%	15%	15%	15%	15%
2.	Where holding period of a security is twelve months or more but less than twenty-four months	10%	12.5%	12.5 %	12.5 %	
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%	7.5%	
4.	Where the security was acquired before 1st July, 2013	0%	0%	0%	0%	0%
5.	Future commodity contracts entered into by the members of Pakistan Mercantile Exchange	0%	0%	5%	5%	5%"; and

Division IX Minimum tax under section 113

S.No	Person(s)	Minimum Tax as percentage of the person's turnover for the year	
		Existing	Proposed
(1)	(2)	(3)	
1.	(a) Oil marketing companies, Oil refineries, Sui Southern Gas Company Limited and Sui Northern Gas Pipelines Limited (for the cases where annual turnover exceeds rupees one billion.) (b) Pakistani Airlines; and (c) Poultry industry including poultry breeding, broiler production, egg production and poultry feed production. [3][(d) Dealers or distributors of fertilizer [4][; and] [5][(e) person running an online marketplace as defined in clause (38B) of section 2.]	0.5%	0.75%
2.	(a) Distributors of pharmaceutical products, [1][ ] fast moving consumer goods [2][ ] and cigarettes; (b) Petroleum agents and distributors who are registered under the Sales Tax Act, 1990; Rice mills and dealers; and (d) Flour mills.	0.2%	0.25%
3.	Motorcycle dealers registered under the Sales Tax Act, 1990.	0.25%	0.3%
4.	In all other cases	1.25%	1.5%";

PART II
Rates of advance tax (on Imports)

"S.No.	Persons	Rate
(1)	**(2)**	**(3)**
1.	(i) Industrial undertaking importing remeltable steel (PCT Heading 72.04) and directly reduced iron for its own use; (ii) Persons importing potassic fertilizers in pursuance of Economic Coordination Committee of the cabinet's decision No.ECC-155/12/2004 dated the 9th December, 2004; (iii) Persons importing urea; (iv) Manufacturers covered under Notification No. S.R.O. 1125(I)/2011 dated the 31st December, 2011 and importing items covered under S.R.O. 1125(I)/2011 dated the 31st December, 2011; (v) Persons importing Gold; (vi) Persons importing Cotton; and Persons importing LNG]	1% of the import value as increased by customs-duty, sales tax and federal excise duty
2.	Persons importing pulses	2% of the import value as increased by customs-duty, sales tax and federal excise duty
3.	Commercial importers covered under Notification No. S.R.O. 1125(I)/2011 dated the 31st December, 2011 and importing items covered under S.R.O. 1125(I)/2011 dated the 31st December, 2011.	3% of the import value as increased by customs-duty, sales tax and federal excise duty
4.	Persons importing coal	4%

5.	Persons importing finished pharmaceutical products that are not manufactured otherwise in Pakistan, as certified by the Drug Regulatory Authority of Pakistan	4%
6.	Ship breakers on import of ships	4.5%
7.	Industrial undertakings not covered under S. Nos. 1 to 6	5.5%
8.	Companies not covered under S. Nos. 1 to 7	5.5%
9.	Persons not covered under S. Nos. 1 to 8	6%"; and

PART III

Division I **Advance tax on dividend**

Rate of collection of tax on dividend received from power project privatized by WAPDA or on shares of a company set up for power generation or on shares of a company supply coal exclusively to power generation projects has been proposed to be increased from 7.5% to 15%. Further, in case of dividend from other companies, applicable tax deduction rate of 20% for non-filers has been proposed to be withdrawn.

Division IA **Profit on debt**

Rate of collection of tax on profit on debt is proposed to be increased from 10% to 15% subject to condition that where profit on debt does not exceed Rs. 500,000, rate of deduction of tax shall be 10%. Further, tax deduction for non-filers applicable at the rate of 17.5% is proposed to be withdrawn.

Division IB **Return on investment in Sukuks**

Collection of tax on return on investment in Sukuks applicable at the rate of 17.5% for non-filers has proposed to be withdrawn.

Division V **Income from property**

Rate of deduction of tax on income from property has proposed to be increased where gross amount of rent is Rs. 4 million or more. Following are the new slabs rates:

1.	Where the gross amount of rent does not exceeds Rs. 200,000	Nil

2.	Where the gross amount of rent exceeds Rs.200,000 but does not exceed Rs.600,000	5 per cent of the gross amount exceeding Rs.200,000
3.	Where the gross amount of rent exceeds Rs. 600,000 but does not exceed Rs.1,000,000	Rs.20,000 plus 10 per cent of the gross amount exceeding Rs.600,000
4.	Where the gross amount of rent exceeds Rs.1,000,000 but does not exceed Rs.2,000,000	Rs.60,000 plus 15 per cent of the gross amount exceeding Rs.1,000,000
5.	Where the gross amount of rent exceeds Rs.2,000,000 but does not exceed Rs. 4,000,000	Rs.210,000 plus 20 per cent of the gross amount exceeding Rs.2,000,000''
"6.	Where the gross amount of rent exceeds Rs.4,000,000 but does not exceed Rs.6,000,000.	Rs.610,000 plus 25 per cent of the gross amount exceeding Rs.4,000,000
7.	Where the gross amount of rent exceeds Rs.6,000,000 but does not exceed Rs.8,000,000	Rs.1,110,000 plus 30 per cent of the gross amount exceeding Rs.6,000,000
8.	Where the gross amount of rent exceeds Rs.8,000,000	Rs.1,710,000 plus 35 percent of the gross amount exceeding Rs.8,000,000";

Division VI Prize and winnings

Rate of deduction of tax applicable at the rate of 25% for non-filers has proposed to be withdrawn in line with introduction of provisions for person whose name is not appearing in ATL

Division VIA Petroleum Products

Rate of deduction of tax applicable at the rate of 17.5% for non-filers has proposed to be withdrawn in line with introduction of provisions for person whose name is not appearing in ATL

Division VIB CNG Stations

Rate of deduction of tax applicable at the rate of 6% for non-filers has proposed to be withdrawn in line with introduction of provisions for person whose name is not appearing in ATL

PART IV

Division II **Brokerage and Commission**

Rate of deduction of advance tax shall be as follows

S. No.	Person	Rate of tax
(1)	(2)	(3)
1.	Advertising agents	10%
2.	Life insurance agents where commission received is less than Rs. 0.5 million per annum	8%
3.	Persons not covered in 1 and 2 above	12%";

Division III **Tax on motor vehicles**

Deduction of tax at applicable rate for non-filers has proposed to be withdrawn in line with introduction of provisions for person whose name is not appearing in ATL

Division VI **Cash withdrawal from a bank**

Deduction of tax from non-filers i.e. a person whose name in not appearing in ATL shall continue to be 0.6% on cash withdrawal

Division VIA **Advance tax on transactions in bank**

Deduction of tax from non-filers i.e. a person whose name in not appearing in ATL shall continue to be 0.6% on certain banking transactions.

Division VII **Advance tax on purchase registration and transfer of motor vehicles**

Deduction of tax at applicable rate for non-filers has proposed to be withdrawn in line with introduction of provisions for person whose name is not appearing in ATL

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

Deduction of tax at applicable rate of 15% for non-filers has proposed to be withdrawn in line with introduction of provisions for person whose name is not appearing in ATL

Division X **Advance tax on sale or transfer of immovable property**

Deduction of tax at applicable rate of 2% for non-filers has proposed to be withdrawn in line with introduction of provisions for person whose name is not appearing in ATL

Division XIV **Advance tax on sale to distributors, dealers or wholesalers**

Deduction of tax at applicable rate for non-filers has proposed to be withdrawn in line with introduction of provisions for person whose name is not appearing in ATL

Division XV **Advance tax on sale to retailers**

Deduction of tax at applicable rate for non-filers has proposed to be withdrawn in line with introduction of provisions for person whose name is not appearing in ATL

Division XVA **Advance tax on sale of certain petroleum products**

Collection of tax at applicable rate of 1% for non-filers has proposed to be withdrawn in line with introduction of provisions for person whose name is not appearing in ATL

Division XVII **Advance tax on dealers, commission agents and arhatis etc**

Presently every market committee is required to collect advance tax from dealers, commission agents and arhatis at the time of issuance or renewal of licenses. Now the tax rates has proposed to be increased for Class A from Rs 10,000 to Rs 100,000/-, for Class B from Rs 7,500 to 75,000/-, for Class C from Rs 5,000/- to Rs. 50,000 and for any other category from Rs 5,000.to Rs. 50,000

Division XVIII **Advance tax on purchase of immovable property**

The Finance Bill has proposed to withdraw existing advance tax collection and provide flat 1% rate on fair market value of property purchase

Division XXI **Advance tax on banking transaction otherwise than through cash**

Deduction of tax from non-filers i.e. a person whose name in not appearing in ATL shall continue to be 0.6% on banking transactions otherwise than cash

Division XXV **Advance tax on insurance premium**

Collection of tax from non-filers i.e. a person whose name in not appearing in ATL shall continue to be applicable on premiums paid by such person

Division XXV **Advance tax on extraction of minerals**

Collection of tax at the rate of 5% from non-filers i.e. a person whose name in not appearing in ATL shall continue to be applicable

Division XXVII Advance tax on amount remitted abroad through credit, debit or prepaid card

Collection of tax at applicable rate of 3% for non-filers has proposed to be withdrawn in line with introduction of provisions for person whose name is not appearing in ATL

SECOND SCHEDULE

PART I EXEMPTION FROM TOTAL INCOME

Clause 39A Exemption has been proposed to armed forces personal in respect of internal security allowance and compensation in lieu of bearing allowance in addition to other allowance that are already exempt

Clause 61 Donation paid to following organizations are proposed to be exempt

i. Layton Rahmatullah Benevolent Trust (LRBT)
ii. Akhuwat

Clause 66 Exemption from total income has been proposed in respect of following organizations:

i. Akhuwat
ii. Audit Oversight Board

Clause 99A Profit and gains on sale of immoveable property to a rental REIT scheme has proposed to be exempt from tax up to 30th June 2021.

Clause 114B Profit and gains on first sale of immovable property acquired from or allotted by the Federal Government or Provincial Government or any authority duly certified by the official allotment authority, and the property acquired or allotted is in recognition of services rendered by the Shaheed or the person who dies in service, is proposed to be exempted. Exemption from collection of tax on sale of such property is already exempt under section 236C of the Ordinance

PART III REDUCTION IN TAX LIABILITY

Clause 2 Rebate available to full time teacher or researcher has proposed to be reduced from 40% to 25%. Further, teachers or researchers employed by training institutions and teachers of medical profession who are also deriving income from private practice are proposed to be excluded from purview of tax reduction under this clause.

Clause 9A Reduction in tax payable on capital gain from first sale of immoveable property has proposed to be reduced by 50% if the property was acquired or allotted to ex-servicemen and serving personnel of Armed Forces or serving personnel of Federal and Provincial Governments, being original allottees of the immovable property, duly certified by the allotment authority

PART IV EXEMPTION FROM SPECIFIC PROVISONS

Clause 43E Exemption from withholding of taxes under section 153(1)(a) on purchase of goods available to goods transport contraction as a withholding agent is subject to payment of tax at the rate of 2.5%. the Finance bill has proposed to increase the rate to 3% for claiming exemption as a withholding agent under this clause.

Clause 81 Exemption from requirement to furnish name, CNIC number, and address in monthly withholding statement under section 165 was available to manufacturers, distributor, dealer and wholesalers of specified sectors in respect of advance tax collected from retailers under section 236H is proposed to be withdrawn.

Clause 81A Exemption from requirement to furnish name, CNIC number, and address in monthly withholding statement by banks under section 165 has proposed to be withdrawn in respect of deduction of taxes under section 231A and 151 of the Ordinance

Clause 94 Exemption available to specified service sectors from applicability of minimum tax and claiming tax exemption on payment of minimum tax at the rate of 2% on gross turnover has proposed to be withdrawn. Such sectors are proposed to be covered under section 153 of the Ordinance on which tax is required to be deducted at the rate of 4%.

Clause 105 Immunity available from selection of audit under section 177 and 214C for period of three years has proposed to be withdrawn.

FOURTH SCHEDULE

RULE 6E The Finance bill has empowered the Commissioner to examine and amend income disclosed in the financial statements of insurance companies presented to SECP with respect to commission paid and claimed for losses.

SEVENTH SCHEDULE

Rule I (c) Clarification has been proposed regarding computation of taxable income by banking companies in respect of following:

i. provision for advances and off balance sheet items allowed under this clause, at the rate of 1 percent or 5 percent, as the case may be, shall be exclusive of reversals of such provisions
ii. reversal of “bad debts” classified as “doubtful” or “ loss” are taxable as the respective provisions have been allowed under this clause; and
iii. with effect from tax year 2020 and onward; reversal of “bad debts” classified as “ loss” are taxable as the respective provisions have been allowed under this clause.

Rule 1 (d) Debts that are classified as doubtful under the Prudential Regulations issued by the State Bank of Pakistan has proposed as inadmissible expenses against taxable income

Rule 1(e) Banks are also allowed to claim deduction in respect of provisions classified as "doubtful" and "loss". Now only deductions only in respect of provisions classified as "loss" are to be allowed.

Rule 1(h)	Explanation has been proposed regarding powers of Commissioner to call for record, information and document in respect of income, asset and liabilities of the banking company
Rule 6C	Banks are earning substantial profits on account of incremental exposure to government securities. Therefore profit from such government securities as is in excess of twenty percent of total profit before tax is being taxed separately at the rate of 37.5%. Further, formula for computation of taxable income arising from additional investments has also been proposed.
Rule 7C	Adjustment of brought forward losses are proposed to be excluded from the computation of income subject to Super Tax under section 4B of the Ordinance.

SALES TAX

Section 2 (5AB) Cottage Industry

The Finance Bill seeks to amend the definition of Cottage Industry, accordingly manufacturing concern which fulfils following conditions will falls in the Cottage Industry:

- having no industrial electricity and gas connections
- Is located in a residential area
- Does not employ more than 10 workers
- Annual turnover from all supplies does not exceed 2 million.

Presently there are two conditions for Cottage Industry:

- Annual turnover from taxable supplies does not exceed 10 million.
- Annual utility bill does not exceed 800,000 during last 12 month ending any tax period.

Cottage industries are not required to get itself registered under the Act and hence are not liable to charge sales tax on supplies made by them. Now, through the proposed amendment, many manufacturers operating as cottage industry will be brought in tax net and will be required to get itself registered under the Act and require to charge sales tax at applicable rate of tax.

Section 2 (27) Retail price

The Finance bill seeks to amend the definition of retail price and proposes to include importer who will charge sales tax on retail price of the goods listed in Third Schedule of the Act. Presently value of supply in case of goods specified under third schedule by importer for further supply, is consideration received on which goods were sold. Sales tax was charged accordingly on value of supply. Now, the Finance Bill has proposed to amend value of supply in case of goods imported as above shall be retail price of goods on which it will be supplied. Accordingly Scope of tax under section 3(2) of the Act and definition of value of supply under clause 2(46) of the Act has also proposes to be amended to cater the above change in the law.

The Finance Bill has proposed to include following goods in the Third Schedule of the Act on which sales tax will be charged and collected on retail price. Presently extra tax on following goods are charged, however, after such amendment, no extra tax will be charged on supply of such goods:

- electric and gas appliances
- foam and foam products for household use
- Paints, distempers, e.t.c (in retail packing)
- Lubricants (in retail packing)
- Storage batteries
- Tyres / tubes.

The Finance Bill has also proposed to add motorcycle and auto rickshaws under the Third Schedule of the Act which are chargeable to sales tax on retail price.

Section 2 (43A) Tier-1 retailers

The Bill seeks to add in the definition in Tier-1 retailers who have shop measuring 1,000 sq. ft or more in area. These retailers are now proposes to charge sales tax on supplies at the applicable rate of taxes. Whereas, before such amendment, the retailers as above may require to pay tax through electricity bills as per Sales tax special procedure rules.

Furthermore, the Finance Bill seeks to alter the chargeability of sales tax by the Tier-1 retailer. The Tier-1 retailer are now propose to charge sale tax on applicable rate of tax and file return accordingly. The option available for tier - 1 retailer regarding payment of sales tax at the rate of 2% of total turnover including turnover relating to exempt supplies has now proposes to be withdrawn.

Further, the Bill seeks to provide upto 5% cash back to customer of Tier-1 retailers for which rule and date will be determined by Board.

Section 2 (46) Value of Supply

The Finance Bill seeks to amend the value of supply in case where goods are being manufactured under toll manufacturing agreement. Presently, the value of goods if processed by the manufacturer on behalf of other was market price on which the goods shall be sold. Now, the bill proposes that the value of supply for the manufacturer shall be the consideration received for value addition carried on such goods and sales tax shall be paid accordingly on such consideration.

Furthermore, the Finance Bills seeks to clarify value of supply of electricity by independent power producer and distribution company.

In case of independent power company, the bill proposes that value of supply shall be the amount received on account of energy purchase price only. The amount received on account of capacity purchase price, energy purchase price premium, excess bonus and supplemental charges etc shall not be included in value of supply

In case of supply of electric power and gas by a distribution company, the value of supply shall be total amount billed including price of electricity and natural gas, any charges, rents, commissions and all duties and taxes local, provincial and federal shall be accounted. However, the amount of late payment surcharge and the amount of sales tax shall be excluded from value of supply.

Section 3 (1B) Scope of tax - taxable on production capacity or fixed basis

Tenth Schedule

The Finance Bill proposes to include tenth schedule in the Act for goods on which tax is chargeable on production capacity or on fixed basis. The Finance bill proposes to tax bricks according to region or area as per following table

S. No.	Region or area	Tax payable per month
(1)	**(2)**	**(3)**
1.	Lahore, Rawalpindi and Islamabad districts	Rs. 12,500
2.	Attock, Chakwal, Jehlum, Mandi Bahauddin, Sargodha, Gujrat, Sialkot, Narowal, Gujranwala, Hafizabad, Sheikhupura, Kasur, Nankana Sahib, Chiniot, Faisalabad, Jhang, Toba Tek Singh, Okara and Sahiwal districts	Rs. 10,000
3.	Khushab, Mianwali, Bhakar, Layyah, Muzaffarghar, Dera Ghazi Khan, Rajanpur, Multan, Lodhran, Khanewal, Vehari, Bahawalpur, Pakpattan, Bahawalnagar, Rahim Yar Khan districts; and Sindh, Khyber-Pakhtunkhwa provinces and Baluchistan	Rs. 7,500

Section 3 (7) Scope of tax - Withholding tax Rules

Eleventh Schedule

The Finance Bill proposes to insert Eleventh Schedule in the Act for withholding agent. Presently withholding are being made under Sales Tax Special Procedure Withholding Rules 2007.

The 11th Schedule is reproduced below for ready reference:

S No.	Withholding agent	Supplier category	Rate or extent of deduction
(1)	(2)	(3)	(4)
1.	(a) Federal and provincial government departments; autonomous bodies; and public sector organizations (b) Companies as defined in the Income Tax Ordinance, 2001 (XLIX of 2001)	Registered persons	1/5th of Sales Tax as shown on invoice
2.	(a) Federal and provincial government departments; autonomous bodies; and public sector organizations (b) Companies as defined in the Income Tax Ordinance, 2001 (XLIX of 2001)	Person registered as a wholesaler, dealer or distributor	1/10th of Sales Tax as shown on invoice

3.	Federal and provincial government departments; autonomous bodies; and public sector organizations	Unregistered persons	Whole of the tax involved or as applicable to supplies on the basis of gross value of supplies
4.	Companies as defined in the Income Tax Ordinance, 2001 (XLIX of 2001)	Unregistered persons	5% of gross value of supplies
5.	Registered persons as recipient of advertisement services	Person providing advertisement services	Whole of sales tax applicable

Section 7 Determination of tax liability

The Finance Bill seeks to include requirement for claiming input tax on Electricity and Gas Bill. Now for claiming input tax on bills the same must bear registration and address of taxpayer.

Section 7A Minimum value addition

The Finance bill has proposed to insert 12th Schedule for charging minimum value addition tax on import of goods at the rate of 3%. Presently minimum value addition is payable under Special Procedure for payment of sales tax by Importer. The following goods / importers are proposed to be excluded for value addition tax namely:

- By the persons who imports raw materials and intermediary goods for use in an industrial process which are subject to customs duty at 16% or 20% ad valorem under First Schedule to the Customs Act, 1969
- The petroleum products falling in Chapter 27 of Pakistan Customs Tariff as imported by a licensed Oil Marketing Company for sale in the country
- Registered service providers importing goods for their in-house business use for furtherance of their taxable activity and not intended for further supply; and
- Cellular mobile phones or satellite phones.

Section 8 Tax credit not allowed.

The Finance Bill now proposes to restrict claim of input tax against output tax on pro-rata basis, where supplies are made to un-registered persons in case invoice does not bearing NIC number of the buyer.

Section 23 Tax Invoices

The Finance Bill has proposed to provide option for issuance of tax invoice in Urdu or in English language. Further, the bill has proposes for insertion of NIC number on invoice in case where supplies are made to unregistered person and description including count, denier and construction in case of textile yarn and fabric.

Section 25 Access to Records

The Finance bills seeks to delete proviso inserted through Finance Act 2018 whereby audit could only be conducted once in every three years.

Section 26 Return

The Finance bill has proposed for automatic revision of sales tax return without approval of Commissioner in case where revised return is filed within 60 days of filing of return and where tax payable is greater than the tax paid with return or tax refund claimed is less than refund claimed at time return was filed

Section 33 Offences and penalties

The Finance bill has proposed to increase penalty in respect of non-filing of sales tax return within due date from Rs. 5,000 to Rs. 10,000. Further, in case where return is filed within 10 days of the due date the penalty has to proposed to be increase from Rs. 100 per day to Rs. 200 per day for each day of default.

Section 33A Proceedings against persons

The Finance bill has proposed for initiating criminal proceedings against officers, officials of the Board, the persons who has offered bribe and the taxpayer if they have found in committing acts against the law or for personal benefits.

Section 58 Liability for payment of tax in case of private companies or business enterprises

The Finance Bill has proposed to correlate the provision regarding the recovery of tax, with the provisions as of provided in Income Tax Ordinance, 2001, from owner, partners, directors, shareholders not owing less than 10% paid up capital of business enterprise.

Section 72B Selection for audit by the Board

The Finance Bill has proposed that the Board may keep the selection parameters for audit through computer balloting under section 72B confidential.

THE SIXTH SCHEDULE

The Finance Bill has proposed to exempt following goods from sales tax on the import and supply stage.

- Meat in packing other than retail packing
- Uncooked poultry meat whether or not fresh, frozen or otherwise preserved or packed.
- Supplies and imports of plant, machinery, equipment for installation in tribal areas and industrial inputs by the industries located in tribal areas till 30th June 2023 with certain conditions
- Electricity to all residential and commercial consumers in tribal areas and to industries which has started industrial production before 31st May 2018 excluding steel and ghee / cooking oil industries till 30th June 2023
- Steel billets, ingots, ship plates, bars and other long re-rolled profiles, on such imports and supplies by the manufacturer on which federal excise duty is payable in sales tax mode

The Finance Bill has proposed to rescind exemption from charging sales tax on the import and supply of following goods:

- Wheat and Meslin flour sold by milling industry in retail packing bearing brand name or trade mark
- Silver, Gold in unworked condition
- Electricity / gas supplied to hospitals run by Federal or Provincial government, Charitable operating hospital of 50 or more beds or the teaching hospitals of statutory universities of 200 or more beds
- Frozen, prepared or preserved sausages sold in retail packing under a brand name or a trademark
- Meat of any kind sold in retail packing under a brand name or a trademark
- Fat filled milk sold in retail packing under a brand name or a trademark

The Finance Bill has proposed to rescind exemption from charging sales tax on supply of Ginned cotton.

The Finance Bill has proposed to exempt cottonseed oil and wheat bran from sales tax on the supply only.

THE EIGHTH SCHEDULE

The Finance Bill has proposed to charge sales tax at standard rate i.e. 17% on following goods which were charged at fixed rate:

- Reclaimed lead

- Rapeseed, sunflower seed and canola seed
- Soya been seed
- White crystalline sugar

The Finance Bill has proposed to revised sales tax on Potassium chlorate from 17% along with 65 rupees per kg to 17% along with 70 rupees per kg.

The Finance Bill has proposed to charge sales tax on different rates which were either exempted or charged at the rate of zero percent:

Products	**Previous Taxing structure**	**Proposed taxing structure**
Products of milling industry except wheat and meslin flour	Exempt	10% (if sold in retail packing under a brand name or trade mark)
Fat filled milk	Exempt	10% (If sold in retail packing under a brand name or trademark).
Silver, in unworked condition.	Exempt	1% along with 2% value addition tax
Gold, in unworked condition	Exempt	1% along with 2% value addition tax
Jewellery	17% taxable to the extent of making charges	1.5% of value of gold, plus 0.5% of value of diamond used therein (if any), plus 3% of making charges
Prepared Food, foodstuff and sweetmeats supplied by restaurants, bakeries, caterers and sweetmeat shops	17%	7.5%
Ginned cotton	Exempt	10%
Supplies of finished articles of textile, textile made-ups, leather and artificial leather, as made by retailers	12%, 17%	15%

LNG imported for servicing CNG sector and local supplies thereof		5%

THE NINTH SCHEDULE

The Finance bill has proposed to reduce sales tax on cellular mobile phone at the time of import/supply and at the time of registration of IMEI number by CMOs.

No.	**Description / Specification of Goods**	**Sales tax on import** 2[**or local supply**]	**Sales tax chargeable at the time of registration (IMEI number by CMOs)**	**Sales tax on supply (payable at time of supply by CMOs)**
(1)	**(2)**	**(3)**	**(4)**	**(5)**
2	Cellular mobile phones or satellite phones to be charged on the basis of import value per set, or equivalent value in rupees in case of supply by the manufacturer, at the rate as indicated against each category:--			
	A. Not exceeding US$ 30	Rs. 135	Rs. 135	
	B. Exceeding US$ 30 but not exceeding US$ 100	Rs. 1,320	Rs. 1,320	
	C. Exceeding US$ 100 but not exceeding US$ 200	Rs. 1,680	Rs. 1,680	
	D. Exceeding US$ 200 but not exceeding US$ 350	Rs. 1,740	Rs. 1,740	

	E. Exceeding US$ 350 but not exceeding US$ 500	Rs. 5,400	Rs. 5,400	
	F. Exceeding US$ 500	Rs. 9,270	Rs. 9,270	

FEDERAL EXCISE DUTY

Section 3 Duties specified in the First Schedule to be levied

A sub-section 5(A) is being proposed to be inserted in section 3 of the Act, in respect of goods specified in Fourth Schedule, simultaneously Fourth Schedule to the Act is also proposed to be inserted. The newly inserted provision proposed to provide method to determine minimum production of certain steel products, on the basis of inputs consumed in the process as per prescribed criterion in the Schedule. It mainly provide where minimum production for the month exceeds actual supplies for the month, such minimum production shall be treated as quantity supplied during the month and the liability to pay duty shall be discharged accordingly.

Section 19 Offences and Penalties

The bill propose to amend penalty provision and proposes to levy penalty of Rs. 25,000 on such person who sells cigarettes in retail at a price lower than the retail price plus the amount of sales tax as printed thereon.

Section 19A Proceeding against persons

The Finance bill has proposed for initiating criminal proceedings against officers, officials of the Board, the persons who has offered bribe and the taxpayer if they have found in committing acts against the law or for personal benefits.

FIRST SCHEDULE

The Finance bill has proposed following amendment in 1st Schedule

Table I

Excisable Goods

1.	Edible oils excluding deoxidized soybean	15.07, 15.08, 15.09, 15.10, 15.11, 15.12, 15.13, 15.14, 15.15, 15.16 1517, and 15.18,	~~Sixteen~~ Seventeen Percent
2.	Vegetable ghee and cooking oil (a) In retail packing (b) Not in retail packing	Respective heading	Seventeen percent of Retaill price Seventeen Percent of Retail Price
4.	Aerated Water	2201.1020	~~Eleven and a half~~ ***Fourteen*** per cent of retail price

5.	Aerated waters, containing added sugar or other sweetening matter or flavored	2202.1010	~~Eleven and a half~~ ***Fourteen*** 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	~~Eleven and a half~~ ***Fourteen*** per cent of retail price
7.	Un-manufactured tobacco "Explanation:– The duty payable under this serial number shall always be borne by the cigarette manufacturer and the burden thereof shall not be passed on to the tobacco grower in any manner.";	24.01	Three hundred rupee per kilogram
9.	The following has been added against 9 : ~~Locally produced cigarettes if their on-pack printed retail *price exceeds rupees four thousand five hundred rupees per thousand cigarettes*~~ ***Locally produced cigarettes if their on-pack printed retail price exceeds Five thousand nine hundred and sixty rupees per thousand cigarettes***	24.02	~~Rupees four thousand and five hundred per thousand Cigarettes~~ Rupees five thousand two hundred per thousand Cigarettes
10.	The following has been added against 10 : ~~Locally produced cigarettes if their on-pack *printed retail price does not two thousand nine hundred and twenty-five rupees per thousand cigarettes but does not exceed four thousand five hundred rupees per thousand cigarettes.*~~ ***Locally produced cigarettes if their on-pack printed retail price does not exceed five thousand nine hundred and sixty rupees per thousand cigarettes***	24.02	~~Rupees one thousand eight hundred and forty per thousand cigarettes.~~ Rupees one thousand six hundred and fifty per thousand cigarettes.
~~10a~~	Omitted ~~Locally produced cigarettes if their on-pack printed retail price does not exceed two thousand nine hundred and twenty-five rupees per thousand cigarettes.~~	~~24.02~~	~~Rupees one thousand two hundred and fifty per thousand cigarettes";~~
13.	Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether	25.23	~~One rupee and fifty paisa~~ Two rupees per kilogram

	or not coloured or in the form of clinkers		
31.	Liquefied Natural Gas	2711.1100	~~Seventeen rupees and eighteen paisa per hundred cubic meters.~~ Ten rupees per Million British Thermal Unit (MMBTu)
~~54.~~	Omitted ~~Oilseeds~~	~~Respective headings~~	~~Forty Paisa per kg~~
55B	~~Locally manufactured or assembled motor cars, SUVs and other motor vehicles of cylinder capacity of 1700cc or above, principally designed for the transport of persons (other than those of headings 87.02), including station wagons and racing cars of cylinder capacity of 1700cc or above~~ Locally manufactured or assembled motor cars, SUVs and other motor vehicles, principally designed for transport of persons (other than those of heading 87.02), including station wagons and racing cars: (a) of cylinder capacity up to 1000cc (b) of cylinder capacity from 1001cc to 2000cc (c) of cylinder capacity 2001cc and above	87.03	Ten percent ad val 2.5% ad val. 5% ad val. 7.5% ad val.
57	Fruit juices, syrups and squashes, waters containing added sugar or sweetening matter etc. excluding mineral and aerated waters	Respective headings	Five percent of retail price
58	Steel Billets, ingots, ship plates, bars and other long re-rolled products	Respective headings	Seventeen percent ad val."; and

Table II

Excisable Service

Note:	Facilities for travel (a)Services provided or rendered in respect of travel by air of passengers within the territorial jurisdiction of Pakistan (i) Long routes (ii) Short routes Explanation: For the purpose of this entry, "Long routes" means journeys	98.03 9803.1000	~~Two thousand~~ *fifteen hundred* rupees ~~One thousand two hundred and fifty~~ *nine hundred* rupees

	exceeding 500 kilometers, short routes means the remaining journeys, other than socio-economic route 5 [as defined in S. No. 9 of Table II of the Third Schedule]. Routes exempt from duty as on 1st July, 2014 shall, however, remain exempt. (b) Services provided or rendered in respect of travel by air of passengers embarking on international journey from Pakistan, (i) Economy and economy plus (ii) Club, business and first class		 Five thousand rupees Ten thousand rupees

Second Schedule

The Finance bill has proposed following amendment in Table I of 2nd Schedule. Second Schedule specifying Goods on which duty is collectible under sales tax mode with entitlement for adjustment with sales tax and vice versa.

Table I

4.	Steel Billets, ingots, ship plates, bars and other long re-rolled products	Respective headings

Third Schedule

Table II

Following are the proposed amendment in Third Schedule. Third Schedule relates to conditional exemption.

2.	Telecommunication services: ~~(i) Internet services whether dialup or broadband including email services, Data Communication Network services (DCNS) and Value added data services.~~ (ii) Such charges payable on the international leased lines or ***terrestrial*** bandwidth services used by— (a) software exporting firms registered with the Pakistan Software Exporting Board; and (b) data and internet service providers licensed by the Pakistan Telecommunication Authority	Respective subheading of Heading 98.02

	(c) Such amounts received by the Long Distance International license holders including Pakistan Telecommunication Company Limited on International incoming calls under agreements with the foreign telecommunication companies	

Fourth Schedule

(new schedule has been inserted)

(Minimum Production)

(See Sub-section (5A) of section 3)

1. Minimum production of steel product

Table

S.No.	Product	Production Criteria
(1)	**(2)**	**(3)**
1.	Steel billets and ingots	One metric ton per 700 kwh of electricity consumed
2.	Steel bars and other re-rolled long profiles of steel	One metric ton per 110 kwh of electricity consumed
3.	Ship plates	75% of the weight of the vessel imported for breaking

The minimum production for steel products shall be determined as per criterion specified against each in the Table below:

Procedure and conditions:–

(i) Both actual and minimum production, and the local supplies shall be declared in the monthly return. In case, the minimum production exceeds actual supplies for the month, the liability to pay duty shall be discharged on the basis of minimum production:

Provided that in case, in a subsequent month, the actual supplies exceed the minimum production, the registered person shall be entitled to get adjustment of excess duty on account of excess of minimum production over actual supplies:

Provided further that in a full year, as per financial year of the company or registered person, or period starting from July to June next year, in other cases, the duty actually paid shall not be less than the liability determined on the basis of minimum production for that year:

Provided also that in case of ship-breaking, the liability against minimum production, or actual supplies, whichever is higher, shall be deposited on monthly basis on proportionate basis depending upon the time required to break the vessel.

(ii) The Board, may notify minimum values for steel products as mentioned in the Table above in exercise of powers under sub-section (5) of section 12.

(iii) The payment of FED on ship plates in aforesaid manner does not absolve ship breakers of any tax liability in respect of items other than ship plates obtained by ship-breaking.

(iv) The melters and re-rollers employing self-generated power shall install a tamperproof meter for measuring their consumption. Such meter shall be duly locked in room with keys in the custody of a nominee of the Commissioner Inland Revenue having jurisdiction. The officers Inland Revenue having jurisdiction shall have full access to such meter.

(v) The minimum production of industrial units employing both distributed power and self-generated power shall be determined on the basis of total electricity consumption