

# TAX MEMORANDUM 2020



**IJAZ TABUSSUM & CO.**  
CHARTERED ACCOUNTANTS

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**HLB IJAZ TABUSSUM & CO.**  
**Chartered Accountants**  
**Islamabad.**

**June 13, 2020**

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**The information presented in this Memorandum has been sifted from the Federal Budget and Finance Bill, 2020, as presented in the National Assembly. It contains proposed amendments, which will become operative only after adoption by the legislative. Views expressed herein should not be acted upon without first obtaining professional advice, as the interpretation may differ in different circumstances.**



## ***CONTENTS***

<b>FROM SENIOR PARTNER'S DESK .....</b>	<b>3</b>
<b>BUDGET 2020-2021 AT A GLANCE .....</b>	<b>5</b>
<b>SALIENT FEATURES FOR BUDGET 2020-2021.....</b>	<b>6</b>
<b>INCOME TAX ORDINANCE 2001 .....</b>	<b>13</b>
<b>THE SALES TAX ACT, 1990.....</b>	<b>39</b>
<b>FEDERAL EXCISE ACT, 2005.....</b>	<b>48</b>



**FROM SENIOR PARTNER'S DESK**

The Government has announced the budget of Rs. 7.13 Trillion, which comes at a crucial time when the world battles a Pandemic. In addition to the severe cost of human lives, the COVID-19 crisis has forced Pakistan's already suffering economy to a grinding halt. Social distancing policies, necessary to stop the spread of the virus, has sent the global economy reeling, paralyzed the informal economy, and left Pakistan's businesses and citizens without income and sustenance. As the situation stands, much more will be needed for Pakistan to effectively address the crisis and revive the economy.

In September 2019, Pakistan's current account deficit dropped by 80 % to a 41-month low of \$259 million, with a 111.5% rise in foreign direct investment (FDI) and 194 % increase in private investment. FDI of \$1.34 billion during the first half of the current fiscal year, a 68.3% increase was registered in January 2020, compared to a \$796.8 million in the same period of the previous fiscal year.

In February 2020, the reserves of the State Bank of Pakistan (SBP) also hit a 21-month high at \$11.586 billion. The economic positivity was also reflected by the Karachi Stock Exchange (KSE), which registered a 16-month high in February 2020, crossing the 42,000 point mark after a cumulative increase of 13,000 points in four months.

The financial developments in Pakistan have been duly recognized globally as well, with Moody's Investor Service upgrading Pakistan's economy outlook from negative to stable in December 2019. The World Bank has also acknowledged Pakistan as one of the top 10 "most improved" countries in the Ease of Doing Business Index.

Unfortunately since the Pandemic touched Pakistan all economic progress turned negative as lockdown was the only solution. The recent budget aims to revive and rejuvenate the economy and counter the negative impact generated so far. The budget has been drawn keeping in mind the loss of business in the past three months and therefore, no new taxes have been introduced.

Even before the budget was announced, an amnesty was introduced during the lockdown whereby introducing incentives for the construction industry, in an effort to kickstart the already suffering economy. Unfortunately this scheme did not see much success.

Funds for the healthcare sector, education sector, daily wagers, agriculture sector, combating climate change and locust attack have been announced in this budget. The macroeconomic stability is a fundamental pre-requisite for sustained economic growth and so the GDP Growth target has been set at 2.1% and the inflation rate is planned to be brought down to 6.5% from 9.1%. Some of the other main points from the budget are as follows.

- Deficit worked out at Rs. 3.195 Trillion



- Rs. 2.946 Trillion set aside for debt servicing
- Salaries, pensions of government employees frozen
- PSDP slashed to Rs. 650 Billion
- FBR tax collection target set at Rs. 4.963 Trillion
- Subsidies cut down by 48%
- Rs. 70 Billion earmarked for coronavirus-related schemes

This Budget is being termed as a Relief Budget, which is aimed to revive the economy and put the Government back on track to achieve it's long term objectives and provide respite to businesses and citizens.

This Tax Memorandum provides an in depth analysis of the changes brought about in tax laws of the country by the budget. We hope our clients and other users will find this document useful. This document is simultaneously being made available at our website [www.hlbtc.com](http://www.hlbtc.com). The clients are encouraged to access this and other useful material made available by the firm.

We at HLB Ijaz Tabussum & Co., pray for your safety and health.

The Partners of HLB Ijaz Tabussum & Co. Chartered Accountants acknowledge the tireless efforts of it's Islamabad office in producing this document.

**IJAZ AKBER - FCA**

**Senior Partner and International Contact Person**



**BUDGET 2020-2021 AT A GLANCE**

<b>RECEIPTS:</b>		<b>Budget Estimates</b>
<b>S. No.</b>	<b>SOURCES OF FUNDS (ESTIMATED)</b>	<b>(Rs. In billion)</b>
1.	Tax Revenue	5,464
	• FBR Taxes	4,963
	• Other Taxes	501
2.	Non-Tax Revenue	1,109
	a)Gross Revenue Receipts	6,573
	b)Less: Provincial Share	2,874
I.	Net Revenue Receipts (a-b)	3,700
II.	Capital Receipts (Non-Bank)	1,395
III.	External Receipts (net)	810
IV.	Estimated Provincial Surplus	242
V.	Bank Borrowing	889
VI.	Privatization Proceeds	100
<b>TOTAL RESOURCES (I To IV)</b>		<b>7,136</b>
<b>EXPENDITURES:</b>		<b>Budget Estimates</b>
<b>S. No.</b>	<b>APPLICATION OF FUNDS (ESTIMATED)</b>	<b>(Rs. In billion)</b>
	<b>(A) Current: (1 To 8)</b>	<b>6,345</b>
1.	Mark-up Payment	2,946
2.	Pension	470
3.	Defense Affairs & Services	1,289
4.	Grants and Transfers	905
5.	Subsidies	209
6.	Running of Civil Government	476
7.	Pay & Pension	0
8.	Provision for Contingencies	50
	<b>(B) Development: (I to III)</b>	<b>829</b>
I.	Federal PSDP	650
II.	Net Lending	72
III.	Other development expenditure	70
<b>TOTAL APPLICATION (A+B)</b>		<b>7,136</b>



**SALIENT FEATURES FOR BUDGET 2020-2021**

**INCOME TAX**

**RELIEF MEASURES**

- **Deletion of Withholding Taxes**

To augment efforts towards simplification of the withholding tax regime, the following withholding tax provisions are being deleted:

<b>Section</b>	<b>Short Description</b>
236R	Collection of advance tax on education related expenses remitted abroad
235B	Tax on steel melters and composite units
156B	Withdrawal of balance under pension fund
148A	Tax on local purchase of cooking oil or vegetable ghee by certain persons
236D	Advance tax on functions and gatherings
236F	Advance tax on cable operators and other electronic media
236J	Advance tax on dealers, commission agents and arhatis etc.
236U	Advance tax on insurance premium
236X	Advance tax on tobacco

This measure would reduce the cost of the compliance of taxpayers, enhance the control of FBR over the withholding tax regime and would be pivotal in promoting ease of doing business.

- **Enhancement of Threshold for Becoming Prescribed Person for Withholding of Tax on Supplies, Services and Contracts from fifty to hundred million rupees and a similar threshold of hundred million rupees is being prescribed for a sales tax registered person to become a withholding agent.**

- **Reduction in Holding Period and Tax Rates for Capital Gain on Immoveable Property**

to incentivize and propel economic activity in the real estate sector, the bifurcation of plots and constructed property for determining holding period of capital gains is being done away with i.e. the holding period for taxation of capital gains on disposal of immovable property is being restricted to 4 years.

In addition, rates are also being reduced on capital gains emanating from disposal of immoveable property.

- **Increase in Threshold of Section 21 (I) per transaction delineated under section 21 (I) is being increased from Rs. 10,000/- to Rs. 25,000/-. Similarly, the threshold of payments under a single from Rs.50,000/- to Rs.250,000/-.**



- **Increase in Threshold of Section 21(m) from Rs. 15,000/- per month to Rs. 25,000/- per month.**
- **Enabling Adjustability of Property Expenses for All Individuals/AOPs.**
- **Exempting Withholding Tax on Cash Withdrawal to the extent of Foreign Remittances.**
- **Promoting Investment in Government Debt Instruments through a foreign bank account, a non-resident rupee account repatriable or a foreign currency account.**
- **Issuance of Centralized Income Tax Refunds.**
- **Hajj Operators to be Exempted from Withholding Tax on Payments to Non-Residents.**
- **Explanation for excluding Vehicles Up to 200cc from the Ambit of Advance Tax.**
- **Advance Tax on Auction of Immovable Property to be Collected in Installments.**
- **Prompt Issuance of Exemption Certificates to Public Listed Companies within 15 days.**
- **Collection of Advance Tax by Educational Institutions not to Apply to Persons on the ATL.**
- **Rationalizing Tax on Imports.**

by shifting from person-specific rates to goods specific rates cascaded according to the type of goods, with tax @1% for capital goods, 2% for raw materials and 5.5% for finished goods irrespective of status of the importer. However, the prevailing concessional rates on certain items such as re-meltable scrap of iron and steel, potassic and urea fertilizers, LNG, Gold, Cotton, goods that were importable by manufacturers under the rescinded SRO 1125(I)/2011 dated 31.12.2011, mobile phones etc. are being maintained.

- **Agreed Assessment through arbitration by Assessment Oversight Committee**
- **Strengthening Alternate Dispute Resolution Mechanism**
- **Taxation Of Resident Shipping Companies as per latest marine policy**

#### **PROCEDURAL MEASURES**

- **Taxpayer's Profile**
- **Automated Adjusted Assessment to rectify computational errors and wrongly claimed credits**
- **Real-Time Access to Databases of Certain Organizations**
- **Audit on the Basis of Benchmark Ratios**
- **Enabling E-Audit**
- **Strengthening Compliance Regime of Non-Profit / Welfare Organizations**





- **Electricity Expense to be Treated as an Inadmissible Business Deduction subject to non-disclosure of name of actual user from 01.01.2021.**
- **Disallowance of Business Expenditure Proportionate to Sales Made to Sales Tax Unregistered Persons.**
- **Rationalizing Depreciation Deduction based on the Half Year Rule.**
- **Limiting Interest Deductibility to Foreign Affiliates.**

**TECHNICAL MEASURES**

- **Rationalization of Cost of Transport Vehicle for Claiming Deduction on Account of Lease Rentals.**
- **Filing of Withholding Statements under section 165 on Quarterly Basis.**
- **Incentivizing and Promoting the Construction Industry.**
- **Tax Exemptions and Concessions for the Gwadar Port and the Gwadar Free Zone.**
- **Incorporation of Relief measures provided through SROs during the COVID pandemic.**



## **SALES TAX SALIENT FEATURES**

The budgetary measures pertaining to Sales Tax are primarily aimed at:

### **RELIEF MEASURES**

1. The minimum threshold of supplies by retailers for obtaining CNIC of the buyers is proposed to be increased from Rs 50,000 to 100,000.
2. In wake of COVID-19, the Federal Government granted exemption to health related items and equipment through SRO 237(I)/2020 dated 20-3-2020 which is going to expire on 19-6-2020. In the present circumstances vis-a-vis COVID-19, the said period is being extended for another three months starting from the 20th June 2020.
3. Exemption allowed on import of dietetic foods intended for special medical purposes for the children suffering from Inherited Metabolic Syndrome.

### **MEASURES FOR REMOVAL OF ANOMALIES**

- 3(a) In order to encourage documentation, it has been decided to provide relief to organized retail sector which is integrated online with FBR through Point of Sale system. Their existing sales tax rate is proposed to be reduced from 14% to 12%.

### **STREAMLINING MEASURES**

4. Concept of conducting audit proceedings through electronic means introduced;
5. Ninth Schedule is proposed to be amended in line with Mobile Manufacturing Policy approved by the ECC of the Cabinet.
6. Insertion of the Tax Laws Amendment Ordinance 2019, relating to tax concessions and exemptions to Gawadar Port and Gawadar Free Zone, in the Finance Bill 2020.
7. To strengthen the Alternate Dispute Resolution process and to make it more taxpayer-friendly, it is proposed that the taxpayer is allowed to withdraw his case from any court of law or any appellate authority after decision of ADRC. Furthermore, the decision of ADRC, once it is conveyed by the taxpayer to the tax authorities, is binding upon the tax authorities.
8. The scope of section 73 is proposed to be widened to cover all registered persons supplying taxable goods.
9. Board is empowered to fix minimum production on the basis of single or more inputs and for fixation of wastage.
10. Real-time access to information and databases to the Board by various authorities such as NADRA, FIA, provincial excise & taxation departments etc.



### **FEDERAL EXCISE SALIENT FEATURES**

The budgetary measures pertaining to Federal Excise Duty (FED) are primarily aimed at:

#### **HEALTH RELATED MEASURES**

1. Increase in the rate of FED on cigars, cheroots , and cigarillos and cigarettes from 65% to 100% of retail price; increase in the rate of FED on filter rods from Rs 0.75 to Rs 1 per filter rod.
2. Levy of FED on e-liquids of electric cigarettes @ Rs 10 per ml.
3. Levy of FED on caffeinated energy drinks @ 25%.

#### **MEASURES FOR REMOVAL OF ANOMALIES**

4. Levy of FED @ 7.5% ad valorem in case of locally manufactured double cabin (4x4) pick-up vehicles and @ 25% in the case of imported ones.
- 4(a). In the wake of worsening affect of COVID-19 and reduction in production of cement, it has been proposed to reduce FED on cement from Rs. 2 per kg to Rs. 1.75 per kg.

#### **STREAMLINING MEASURES**

5. Board is empowered to fix minimum production on the basis of single or more inputs and for fixation of wastage.
6. The scope of seizure of non-duty paid goods is extended to all products subject to FED besides cigarettes and beverages.
7. Real-time access to information and databases to the Board by various authorities such as NADRA, FIA, provincial excise & taxation departments etc.



## **CUSTOMS SALIENT FEATURES**

### **INDUSTRIAL RELIEF MEASURES**

1. Exemption of additional custom duties on those tariff lines which are now @ 0% customs duty in tariff.
2. Reduction of custom duty on 40 raw materials of various industries.
3. Tariff rationalization under National Tariff Policy 2019, by reducing customs duty on 90 tariff lines from 11% to 3% and 0%.
4. Allowing the exemption on import of raw material to those Nashiran-e-Quran also who do not have their own in-house printing facility.
5. Reduction in regulatory duty from 12.5% and 17.5% to 6% and 11%, respectively on Hot Rolled Coils (HRC) of Iron and steel falling under PCT codes 7208 and 7225 & 7226, respectively.
6. On the request of various local industries, a number of their inputs/intermediary raw materials are being allowed concessional import under new serial number of the fifth schedule through IOCO quota determination.
  - Exemption of custom duties on import of raw materials by manufacturers of Butyl Acetate.
  - Exemption of custom duty on import of raw material by manufacturer of syringes and saline infusion sets.
  - Exemption of customs duties on import of raw material by manufacturers of buttons.
  - Reduction in custom duty on import of raw material by manufacturers of interlining/buckram.
  - Reduction of custom duty and exemption of additional custom duty and regulatory duty on import of raw materials by manufacturers of Wire rod
  - Exemption of custom duties and regulatory duty on import of machinery, equipment and other project related items for setting up of internet cable landing stations.
  - Exemption of custom duties on import of raw material by beverage can manufacturers.
  - Reduction in Custom duty and exemption from Additional custom duty on import of raw material by food packaging industry.



**RELIEF TO COMMON MAN**

1. Exemption from customs duties on import of 61 COVID19 related items, which was due to expire on 20th June has been extended due to the continuation of pandemic.
2. Exemption from 2% ACD on import of edible oils and oil seeds under PM's COVID19 Relief Package has been extended.
3. Exemption of duties & taxes on import of Dietetic Foods for Children with inherited metabolic disorders.
4. Exemption of all duties & taxes on import of Diagnostic Kits for Cancer and Corona Virus.
5. Exemption of Customs duties on inputs of Ready to use Supplementary Foods (RUSF).
6. Exemption of Customs duties on import of life saving drug Meglumine Antimonite for treatment of leishmaniasis.
7. Extension up to 2023, in exemption of customs duties on imports for setting up new industries in erstwhile FATA area.

**MISCELLANEOUS**

1. Reduction in regulatory duty on smuggling prone items to bring these items under legal imports.
2. Regulatory duty on several industrial inputs is also being reduced to decrease their cost of doing business.
3. Tariff protection for domestic industry by increasing/levy of regulatory duty on import of those items which are also locally manufactured.
4. Incentivizing soap manufacturing industry by reducing rate of Additional customs duty on Palm Stearin.
5. Enhancing scope of concessions available to Special Economic Zones.



**INCOME TAX ORDINANCE 2001  
AMENDMENTS PROPOSED BY THE FINANCE BILL, 2020**

Through Finance Bill 2020, following further amendments are proposed to be incorporated in the Income Tax Ordinance, 2001 (XLIX of 2001):

<b>DEFINITIONS</b>	<b>SECTION 2</b>
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The definition of the term 'industrial undertaking' has been proposed to be expanded to include builders and developers for the purpose of import of plant and machinery.

<b>TAX ON SHIPPING OF A RESIDENT PERSON</b>	<b>SECTION 7A</b>
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Pakistan resident ship owning company registered with the Securities and Exchange Commission of Pakistan after the 15th day of November, 2019 and having its own sea worthy vessel registered under Pakistan Flag shall pay tonnage tax of an amount equivalent to seventy five US Cents per ton of gross registered tonnage per annum.

This is an incentivized rate provided to new Pakistan resident ship owning companies as previously Pakistan resident ship owning companies have to pay tonnage tax of an amount equivalent to one US \$ per gross registered tonnage per annum.

The provisions of this section shall not be applicable after the 30th June, 2023.

<b>DEDUCTIONS IN COMPUTING INCOME CHARGEABLE UNDER THE HEAD "INCOME FROM PROPERTY"</b>	<b>SECTION 15A</b>
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Previously, any expenditure including administration and collection charges wholly and exclusively incurred for deriving rent chargeable to tax under the head, "Income from Property" up to 6% of the rent chargeable was allowed as deduction for computing the income under the head "Income from Property" for a Company.

The rate has been reduced from 6% to 2%.

Furthermore, previously, individuals and AOPs deriving gross rent exceeding Rs.4 million had the option to pay tax at the rates of Tax for Individuals and Association of Persons on their income from house property. Persons availing this option could claim deductions in computing income from house property.

Through this amendment, the minimum limit of Rs. 4 million has been removed.



<b>DEDUCTIONS NOT ALLOWED</b>	<b>SECTION 21</b>
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- The limits for deductions not allowed in computing the income of a person under the head "Income from Business" have been enhanced as follows:
  - The threshold for any expenditure for a transaction under a single account head paid via banking channel has been increased to Rs. 250,000/- from Rs. 50,000/-.
  - The threshold where an expenditure shall not be disallowed has been enhanced from Rs. 10,000/- to Rs. 25,000/-.
  - The threshold of requirement of paying salaries through banking channel of employees is being increased from Rs. 15,000/- per month to Rs. 25,000/- per month.
- The scope for deductions not allowed in computing the income of a person under the head "Income from Business" have been enhanced as follows:
  - Any expenditure on account of utility bill in excess of such limits and in violation of such conditions as may be prescribed.
  - To compel industrial undertakings to sell to sales tax registered persons, their business expenditure equivalent to the proportion of their sales to unregistered persons is being disallowed in the same ratio as exists between their total business expenditure and total turnover, however, the aggregate disallowance shall not exceed twenty percent of total business deductions.

<b>DEPRECIATION</b>	<b>SECTION 22</b>
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Currently, full year depreciation is allowable in the year of acquisition and no depreciation is available in the year of disposal.

Through this amendment, normal depreciation for the first year of use of the asset, commencing on or after the 1st day of July, 2020, is being restricted to 50% of deduction. Similarly, in the year of disposal, normal depreciation is proposed to be allowed to the extent of 50%.

<b>PROFIT ON DEBT, FINANCIAL COSTS AND LEASE PAYMENTS</b>	<b>SECTION 28</b>
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An amendment is made to introduce an upper limit of Rs. 2.5 Million on cost of transport vehicles not plying for hire. Therefore, lease rentals can only be allowed as a deduction for a tax year if the cost of the leased transport vehicle not plying for hire is below Rs. 2.5 Million.

<b>CAPITAL GAINS</b>	<b>SECTION 37(1A)</b>
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The bifurcation of plots and constructed property for determining holding period of capital gains has been withdrawn.



The holding period for taxation of capital gain of immovable property is being restricted to 4 years.

Where the holding period does not exceed one year, the total amount of gain will be taxed. The gain will be calculated by deducting the cost from the consideration received.

If the holding period is more than one year but does not exceed two years, 75% of the gain will be taxed.

If the holding period is more than two years but does not exceed three years, 50% of the gain will be taxed.

If the holding period is more than three years but does not exceed four years, 25% of the gain will be taxed.

If the holding period is more than four years, capital gain will be exempt.

<b>CHARITABLE DONATIONS</b>
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<b>SECTION 61</b>
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Tax credit in respect of any sum paid, or any property given by the person in the tax year as a donation has been restricted in case where the donor is an associate of the NPO.

Previously, an amount of tax credit allowed for a tax year was computed at an average rate of tax on the lesser of the amount of donations or in case of an individual or association of persons, thirty per cent of the taxable income of the person for the year or in case of a company, twenty per cent of the taxable income of the person for the year.

These limits have been reduced to, in case of an individual or association of persons, fifteen percent of the taxable income of the person for the year or in case of a company, ten percent of the taxable income of the person for the year.

<b>TAX CREDIT FOR ENLISTMENT</b>
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<b>SECTION 65C</b>
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Previously, if a company opted for enlistment in any registered stock exchange in Pakistan it was entitled to avail tax credit equal to twenty percent of the tax payable for the Tax Year in which the company is enlisted and the following three Tax Years i.e. for a period of four tax years in aggregate. However, such tax credit shall be restricted to 10% of the tax payable for the last two Tax Years, instead of 20%.

Through this amendment, only those companies who opt for enlistment in any registered stock exchange in Pakistan, on or before the 30th day of June, 2022, shall be entitled to avail tax credit.





<b>TAX CREDIT FOR CERTAIN PERSONS</b>	<b>SECTION 100C</b>
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Non-profit organizations (NPOs), trusts and welfare institutions, in order to be eligible for hundred percent tax credit are also being required to file a statement of voluntary contributions and donations received in the preceding tax year.

Surplus funds of the NPOs, which are not spent during the year for welfare, are taxed at the rate of 10% with certain exclusions. One such exclusion is funds which could not be spent due to any obligation or restriction placed upon the NPO by the donor. However, where the donor is an associate of the NPO, the above exclusion does not apply in case where the donor is an associate of the NPO.

<b>RESTRICTION ON DEDUCTION OF PROFIT ON DEBT PAYABLE TO ASSOCIATED ENTERPRISE</b>	<b>SECTION 106A</b>
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Through this amendment, an interest payment to foreign affiliate, which exceeds 15% of taxable income before interest, amortization, and depreciation is being disallowed as a deduction.

<b>UNEXPLAINED INCOME OR ASSETS</b>	<b>SECTION 111</b>
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Suppression of any production, sale or any amount chargeable to tax and suppression of any item of receipt liable to tax in whole or in part are treated as concealed income if the sources of these items cannot be explained satisfactorily and were included in the person's income chargeable to tax under head "Income from Other Sources". Through this amendment, these will be included in the person's income chargeable to tax under head "Income from Business".

<b>MINIMUM TAX ON THE INCOME OF CERTAIN PERSONS</b>	<b>SECTION 113</b>
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Minimum tax under section 113 is currently levied on resident companies, individuals and AOPs. The scope of levy of minimum tax is being extended to permanent establishments of non-resident persons.

<b>RETURN OF INCOME</b>	<b>SECTION 114</b>
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Statement of final taxation is being incorporated as a part of the return of income. Presently, a person whose income is subject to final tax is required to furnish a statement final taxation instead of a return of income.



<b>TAXPAYER'S PROFILE</b>
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<b>SECTION 114A</b>
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Certain specified persons are required to prepare and furnish a Tax Profile to the FBR within the prescribed time.

<b>WEALTH STATEMENT</b>
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<b>SECTION 116</b>
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Revision of the wealth statement is being made conditional to the Commissioner's approval, as in case of return of income.

<b>ASSESSMENTS</b>
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<b>SECTION 120</b>
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A return of income shall be processed through automated system to arrive at correct amounts of total income, taxable income and tax payable by making adjustments for any arithmetical errors, any incorrect claims, any deductions, tax credits or losses which are not allowable under the Ordinance. Such processing shall be done automatically through the system.

However, no such adjustments shall be made unless a system generated notice is given to the taxpayer specifying the adjustments intended to be made and a response is received from the taxpayer which shall be considered before making any adjustment.

In case where no response is received within thirty days of the issue of such notice, adjustments shall be made. However, where no such adjustments have been made within six month of filing of return, the amounts specified in the return as declared by the taxpayer shall be deemed to have been taken as adjusted amounts on the day the return was filed and the taxpayer shall be intimated automatically through IRIS.

<b>AMENDMENT OF ASSESSMENTS</b>
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<b>SECTION 122</b>
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Presently, amendment under section 122 may be made on the basis of definite information acquired from an audit or otherwise subject to fulfillment of certain other conditions. Enabling provisions are being inserted whereby amendment in assessment under section 122 can also be made in pursuance of audit alone independent of the requirement of obtaining definite information from such audit.



<b>AGREED ASSESSMENT IN CERTAIN CASES</b>	<b>SECTION 122D</b>
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Where a taxpayer in response to a notice for amendment intends to get his case settled, he may file offer of settlement before the Assessment Oversight Committee for resolution of his dispute.

The Committee after examining the aforesaid offer may call for the record of the case and after affording opportunity of being heard to the taxpayer, may decide to accept or modify the offer of the taxpayer through consensus and communicate its decision to the taxpayer.

Where the taxpayer is satisfied with the decision of the Committee, the taxpayer shall deposit the amount of tax payable including any amount of penalty and default surcharge as per decision of the Committee. The Commissioner shall amend assessment in accordance with the decision of the Committee after tax payable including any amount of penalty and default surcharge as per decision of the Committee has been paid. The taxpayer shall waive the right to prefer appeal against such amended assessment; and no further proceedings shall be undertaken under this Ordinance in respect of issues decided by the Committee unless the tax has not been deposited by the taxpayer.

Where the Committee has not been able to arrive at a consensus or where the taxpayer is not satisfied with the decision of the Committee, the case shall be referred back to the Commissioner for decision on the basis of reply of the taxpayer in response to notice notwithstanding proceedings or decision, if any, of the Committee.

However, in cases involving concealment of income or where interpretation of question of law is involved having effect on other cases, settlement before the Assessment Oversight Committee for resolution of his dispute as above shall not be available.\

<b>APPEAL TO THE COMMISSIONER (APPEALS)</b>	<b>SECTION 127</b>
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The prescribed fee in the case of an appeal against an assessment has been increased from Rs. 1,000/- to, where the appellant is a company, Rs. 5,000/- and where the appellant is not a company, Rs. 2,500/-.

The prescribed fee in in any other case has been increased, where the appellant is a company, from Rs. 1,000/- to Rs. 5,000/- and where the appellant is not a company, from Rs. 200/- to Rs. 1,000/-.



<b>APPEAL TO THE APPELLATE TRIBUNAL</b>
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<b>SECTION 131</b>
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After the appeal has been decided by the first appellate authority, the second appeal before the Appellate Tribunal will be made conditional to payment of ten percent amount of tax demand upheld by the Commissioner (Appeals).

<b>ALTERNATIVE DISPUTE RESOLUTION</b>
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<b>SECTION 134A</b>
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The precondition of withdrawal of appeals pending before any appellate authority has now been withdrawn. An amendment is being made under which the decision of ADRC shall not be binding upon the aggrieved person. Where the aggrieved person is satisfied with the decision of ADRC, he shall withdraw his appeal within sixty days of decision of ADRC and the decision will become binding both upon the aggrieved person and the Commissioner. In this way, the ADRC's decision will become binding once the aggrieved person is satisfied with its decision.

<b>RECOVERY OF TAX OUT OF PROPERTY AND THROUGH ARREST OF TAXPAYER</b>
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<b>SECTION 138</b>
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Recovery powers as defined under clauses (a), (ca) and (d) of sub-section (1) of section 48 of the Sales Tax Act, 1990 are also being made available to Income Tax Authorities.

<b>ADVANCE TAX PAID BY THE TAXPAYER</b>
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<b>SECTION 147</b>
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Presently, every taxpayer whose income was charged to tax for the latest tax year shall be liable to pay advance tax for the year. Where the taxpayer is an association of persons or a company, the amount of advance tax due for a quarter shall be computed by taking into account the turnover for the quarter, tax assessed to the taxpayer for the latest tax year, turnover for the latest tax year and the tax paid in the quarter for which a tax credit is allowed.

Through this amendment, the Board may prescribe procedure for filing and calculation of turnover for the quarter through an automated system.

<b>IMPORTS</b>
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<b>SECTION 148</b>
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Rates of collection of tax at import stage from capital goods, raw material and finished goods proposed to be revamped by inserting a new Twelfth Schedule to the Ordinance.



Rate of tax proposed to be reduced to 1% and 2% on capital goods and raw material imported by an industrial undertaking, respectively.

It is proposed that for all categories of taxpayers, tax paid at import stage will be a minimum tax except for industrial undertaking paying tax at the rate of 1% or 2% in respect of goods for its own use.

<b>TAX ON LOCAL PURCHASE OF COOKING OIL OR VEGETABLE GHEE BY CERTAIN PERSONS</b>	<b>SECTION 148A</b>
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Presently, the manufacturers of cooking oil or vegetable ghee, were be chargeable to tax at the rate of two percent on purchase of locally produced edible oil. The tax payable was final tax in respect of income accruing from locally produced edible oil. Through this proposed amendment, this has now been withdrawn.

<b>PAYMENTS TO NON-RESIDENTS</b>	<b>SECTION 152</b>
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Tax deducted on payments made for advertisement services to a non-resident media person relaying from outside Pakistan shall be minimum tax.

Tax deducted on payments by way of advance to a permanent establishment in Pakistan of a non-resident person for the sale of goods, rendering of or providing services (including applicability of reduced 3% rate for specified sectors) and on the execution of a contract shall be minimum tax, except where payments are received for sale of goods by a company being a manufacturer of such goods.

Permanent establishments of non-resident persons applying for exemption certificate in respect of payments received for the sale of goods, rendering of or providing services and on the execution of a contract shall be obliged to make such applications for exemption certificates on the prescribed form.

The tax benefit available in the form of reduction of income tax liability to 30% of actual liability, to non-residents executing contracts, is being enhanced by allowing non-residents operating as part of a cohesive business operation to be liable to pay only 20% instead of 30% of their actual tax liability.

<b>PAYMENTS FOR GOODS, SERVICES AND CONTRACTS</b>	<b>SECTION 153</b>
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Toll manufacturing proposed to be treated as sale of goods for the purposes of deduction of tax. The withholding tax rate for payment regarding toll manufacturing is being reduced to 4% for companies and 4.5% in other cases.



Receipts on account of engineering services are proposed to be subject to withholding tax at 8% as against the current rate of 3%.

An amendment is being made, where by the Commissioner shall issue exemption certificate for the sale of goods including toll manufacturing, within fifteen days of filing of application, failing which the certificate will be automatically issued through the system, to a public company listed on a registered stock exchange in Pakistan if advance tax liability has been discharged.

The threshold of turnover, to become a withholding agent, in case of an individual and an AOP is being enhanced from fifty million to hundred million rupees .

<b>WITHDRAWAL OF BALANCE UNDER PENSION FUND</b>	<b>SECTION 156B</b>
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Tax deduction on payments from individual pension accounts, maintained under any approved Pension Fund is being withdrawn.

<b>EXEMPTION OR LOWER RATE CERTIFICATE</b>	<b>SECTION 159</b>
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The Commissioner is empowered to issue exemption or lower rate certificates contingent to certain conditions. Amendment is being made so that applications for issuance of such certificates are being furnished by taxpayers in the prescribed form.

<b>STATEMENTS</b>	<b>SECTION 165</b>
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The withholding tax statements are proposed to be filed on a quarterly basis as against the current requirement of bi-annual filing.

<b>FURNISHING OF INFORMATION BY BANKS</b>	<b>SECTION 165A</b>
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At present, banks are obliged to make arrangements for providing a list of persons receiving profit on debt exceeding Rs. 500,000/- along with information regarding tax deduction thereon during the preceding financial year on an annual basis to the Board. Through this amendment, the limit of Rs. 500,000/- required for providing information to the Board has been removed and now the banks shall be required to provide information to the Board of all persons receiving profit on debt along with information regarding tax deduction.



<b>CREDIT FOR TAX COLLECTED OR DEDUCTED</b>
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<b>SECTION 168</b>
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No tax credit shall be allowed for any tax collected or deducted that is a final tax on capital gain arising on the disposal of debt instruments and Government securities including treasury bills and Pakistan investment bonds invested through SCRA by a banking company or a financial institution maintaining special convertible rupee account (SCRA) of a non-resident company having no permanent establishment in Pakistan and on payment directly or through an agent or intermediary to a non-resident person for foreign produced commercial for advertisement on any television channel or any other media.

<b>REFUNDS</b>
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<b>SECTION 170</b>
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Through this amendment, the Board may rules regulating procedure for expeditious processing and automatic payment of refunds directly into the bank accounts of the taxpayer through a centralized processing system.

<b>REAL-TIME ACCESS TO INFORMATION AND DATABASES</b>
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<b>SECTION 175A</b>
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Through this amendment, real time access of various databases such as land record departments, excise and taxation departments, utility companies, visa and immigration offices, and others is made available to the Board.

<b>AUDIT</b>
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<b>SECTION 177</b>
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Through this amendment, the Commissioner may conduct audit proceedings electronically through video links, or any other facility as prescribed by the Board.

Furthermore, those cases selected for audit, where the taxpayer is unable to furnish books of accounts or where there are defects in accounts, the taxable income will be determined and assessment will be amended, if need be, on the basis of sectoral benchmark ratios notified by the Board.



<b>OFFENCES AND PENALTIES</b>
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<b>SECTION 182</b>
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It is made compulsory for taxpayers to furnish their particulars and update their profile by the due date. To ensure compliance, penalty of Rs 2,500 shall be proposed for each day commencing from the due date subject to a minimum penalty of ten thousand rupees.

Previously, a restriction had been placed on issuing industrial and commercial connections of electricity or natural gas to non-registered taxpayers. To ensure compliance, a penalty is being inserted @ Rs 10,000/- for each default by the authorities responsible for providing industrial and commercial connections of electricity and gas in contravention of the above.

<b>RETURN NOT FILED WITHIN DUE DATE</b>
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<b>SECTION 182A</b>
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A new proviso has been inserted, whereby if a person fails to furnish or update a taxpayer's profile within the due date, such person shall not be included in the active taxpayers' list for the latest tax year.

However, a person shall be included in the active tax payers' list even after furnishing their particulars and updating their profile after the due date if a surcharge is paid amounting to PKR 20,000, PKR 10,000 and PKR 1,000 in case of a company, association of persons and an individual respectively.

<b>DEFAULT SURCHARGE</b>
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<b>SECTION 205</b>
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Default surcharge is liable to be imposed upon on default of tax payment, however, can only be imposed after the period of default is defined upon actual payment of the defaulted tax. An amendment is being made in order to enable imposition of default surcharge prior to actual payment of tax.

<b>JURISDICTION OF INCOME TAX AUTHORITIES</b>
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<b>SECTION 209</b>
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Through this amendment, randomized allocation of cases through an automated case selection system is being introduced. After a case has been selected for audit, the jurisdiction for audit and adjudication will be assigned to separate officers through automated case selection system which is an algorithm for randomly assigning cases to officers through technological modes.





<b>DELEGATION</b>	<b>SECTION 210</b>
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Through this amendment, the Commissioner has been empowered to delegate amendment of an order of recovery to an officer not below the rank of Additional Commissioner.

<b>ADVANCE TAX ON PRIVATE MOTOR VEHICLES</b>	<b>SECTION 231B</b>
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Through this amendment, an explanation is being added to the effect that collection of advance tax under section 231B is not mandated in the case of motor vehicles having engine capacity up to 200cc (motorcycles and motor rickshaws).

<b>ELECTRICITY CONSUMPTION</b>	<b>SECTION 235</b>
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Previously, advance tax on the amount of electricity bill of a commercial or industrial consumer was not collected from a person who produced a certificate from the Commissioner that his income during tax year is exempt from tax. The scope of this section has now been enhanced to allow commercial and industrial consumers of electricity to avail exemption if advance tax liability is discharged.

<b>DOMESTIC ELECTRICITY CONSUMPTION</b>	<b>SECTION 235B</b>
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Advance tax on electricity bill of a domestic consumer has now been withdrawn.

<b>ADVANCE TAX AT THE TIME OF SALE BY AUCTION</b>	<b>SECTION 236A</b>
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Through this amendment, it has been clarified that sale by public auction or auction by tender includes renewal of license previously sold through public auction or auction by tender, and that where payment is received in installments, advance tax is to be received with each installment.

<b>ADVANCE TAX ON SALE OR TRANSFER OF IMMOVABLE PROPERTY</b>	<b>SECTION 236C</b>
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Previously, advance tax was to be collected from sellers who held the immovable properties for a period up to five years. Since Capital Gain Tax has been imposed only on



disposal of properties held for a period up to four years therefore, advance tax is also to be collected from sellers who held the immovable properties for a period up to four years.

<b>ADVANCE TAX ON FUNCTIONS AND GATHERINGS</b>	<b>SECTION 236D</b>
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Advance tax chargeable at the rate of 5% on functions and gatherings is now being withdrawn.

<b>ADVANCE TAX ON CABLE OPERATORS AND OTHER ELECTRONIC MEDIA</b>	<b>SECTION 236F</b>
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Advance tax on cable operators and other electronic media is now being withdrawn.

<b>COLLECTION OF ADVANCE TAX BY EDUCATIONAL INSTITUTIONS</b>	<b>SECTION 236I</b>
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Advance tax on tuition fees shall not be collected from persons whose names are appearing on the Active Taxpayers List.

<b>ADVANCE TAX ON DEALERS, COMMISSION AGENTS AND ARHATIS ETC.</b>	<b>SECTION 236J</b>
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Advance tax on dealers, commission agents and arhatis etc. is now being withdrawn.

<b>PAYMENT TO RESIDENTS FOR USE OF MACHINERY AND EQUIPMENT</b>	<b>SECTION 236Q</b>
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Previously, deduction of tax while making payment for use or the right to use scientific and commercial equipment or making payment on account of rent of machinery constituted final tax. Through this amendment, this deduction of tax shall now be minimum tax.



<b>COLLECTION OF ADVANCE TAX ON EDUCATION RELATED EXPENSES REMITTED ABROAD</b>	<b>SECTION 236R</b>
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Collection of advance tax on education related expenses remitted abroad is now being withdrawn.

<b>ADVANCE TAX ON INSURANCE PREMIUM</b>	<b>SECTION 236U</b>
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Advance tax on insurance premium which was collected from persons whose name were not appearing in the Active Taxpayers' list is now being withdrawn.

<b>ADVANCE TAX ON TOBACCO</b>	<b>SECTION 236X</b>
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Advance tax on tobacco is now being withdrawn.



**AMENDMENTS PROPOSED TO THE FIRST SCHEDULE TO THE INCOME TAX  
ORDINANCE, 2001.**

The following amendments are proposed to be made to the First Schedule of the Income Tax Ordinance, 2001:

**PART I-DIVISION I – NO CHANGE IN THE TAX RATES OF TAXABLE INCOMES OF SALARIED,  
NON-SALARIED PERSONS AND ASSOCIATION OF PERSONS**

There has been no proposed amendment in the taxable slabs of individuals and association of persons deriving income from either salary or business.

**PART-I-DIVISION II – FREEZING OF CORPORATE TAX RATE**

The tax rate for companies has gradually been decreased from 35% in tax year 2013, to 29% in tax year 2019. At present, for tax year 2020 the tax rate has been 29%. As the tax rates have already been reduced from 35% to 29% in the last seven years, and the fact that Pakistan has the lowest corporate tax rate in the region, the tax rate for companies has been fixed at 29% for a number of years in order to recover and maintain the tax base to ensure revenue. Whereas the tax rate for a small company is 22%, which was 23% in the tax year 2020.

**PART I-DIVISION VII – REDUCTION IN HOLDING PERIOD AND RATES FOR CAPITAL GAIN ON  
IMMOVEABLE PROPERTY.**

The gain on sale of immovable property would be reduced, so that where the holding period is up to one year the full gain will be taxed. Where the holding period is more than one but less than two years, 75% of the gain shall be taxed. Where the holding period is more than two but less than three years, 50% of the gain shall be taxed. Where the holding period is more than three but less than four years, 25% of the gain shall be taxed. Where the holding period is more than four no gain shall be taxable. Whereas the bifurcation of open plots and constructed property for determining the holding period of capital gains has been eliminated in order to incentivize and propel economic activity in the real estate sector.

**PART II- MODIFICATION OF THE TABLE ON IMPORT OF GOODS**

There has been made a modification in the particulars of persons given in the table provided in Part II of the First Schedule of the Income Tax Ordinance 2001. The relevant classifications of person who will be importing goods have been provided in the newly proposed Twelfth Schedule of the Income Tax Ordinance 2001.



### **PART III- DIVISION I - ADVANCE TAX RATE ON DIVIDEND**

A new clause is proposed to be added which states that tax on dividend shall be deducted at the rate of 25% in case of a person receiving dividend from a company where no tax is payable by such company, due to exemption of income or carry forward of business losses.

### **PART III- DIVISION IA – FURNISHING OF CERTIFICATE**

The rate of advance withholding tax on payment of profit on debt had been enhanced from 10% to 15% through Finance Act 2019. Where as in the proposed Finance Bill 2020, the condition is laid down which that a tax payer must furnish a certificate to the payer of profit for deduction of tax at the rate of 10% where the amount of profit during the year is equal to or less than five hundred thousand rupees.

### **PART III- DIVISION IB – INCREASE IN TAX RATE ON RETURN ON INVESTMENT IN SUKUKS**

The withholding tax rates provided in Division IB of Part III of the First Schedule of the Income Tax Ordinance 2001 regarding the withholding of the tax on return on investment in sukuk have been proposed to increase from 15% to 25%.

### **PART III- DIVISION II – PAYMENT OF SPECIFIED SERVICES TO NON-RESIDENTS**

The withholding tax rate provided in Division II of Part III of the First Schedule of the Income Tax Ordinance 2001 regarding the withholding of the tax on payments -residents on account transport services was 2% which is now proposed to increase to 3%. Moreover in addition to transport services, other specified services are also added such as freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, IT services and IT enabled services as defined in clause (133) of Part I of the Second Schedule, tracking services, advertising services (other than by print or electronic media), share registrar services, car rental services, building maintenance services, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited inspection and certification, testing and training services.

### **PART IV- DIVISION VIII – ADVANCE TAX AT THE TIME OF SALE OF IMMOVABLE PROPERTY BY AUCTION**

The rate of collection of tax under section 236A was 10% at the time of sale by auction. Whereby a new proviso is proposed to be added which states that the tax at the rate of 5% shall be collected in case of sale of immovable property by auction.

### **PART IV- DIVISION XI, XIII, XVII, XXIV and XXV – OMISSIONS OF THE DIVISIONS**

Through Finance Bill 2020, the following divisions in the Part IV of the First Schedule of the Income Tax Ordinance 2001 are proposed to be omitted:



- Division XI - Advance tax on functions and gatherings
- Division XIII - Advance tax on cable operators and other electronic media
- Division XVII - Advance tax on dealers, commission agents and arhatis, etc.
- Division XXIV - Collection of advance tax on education related expenses remitted abroad.
- Division XXV - Advance Tax on Insurance Premium.



**AMENDMENTS PROPOSED TO THE SECOND SCHEDULE TO THE INCOME TAX  
ORDINANCE, 2001.**

The following amendments are proposed to be made to the Second Schedule of the Income Tax Ordinance, 2001:

**PART I – EXEMPTIONS FROM TOTAL INCOME**

**Allowance of withdrawal from voluntary pension system before retirement age or at the time of or after retirement age**

The accumulated balance up to 50% received from the voluntary pension system offered by a pension fund manager under the Voluntary Pension System Rules, 2005 was exempted from a person's total income at the time of his retirement, disability rendering him unable to work or death by his nominated survivors. A new amendment is proposed which states that if a person withdraws before retirement age or at the time of or after retirement age in excess of fifty percent of the accumulated balance, tax shall be charged at the rate specified in sub-section 6 of section 12 of the Income Tax Ordinance 2001 and the pension fund manager shall at the time of making payment deduct tax at the said rate.

**Exemption for Donation to the Institutions/Funds**

Any amount paid as a donation to the following institutions/funds is now exempt from tax:

- The Prime Minister's COVID-19 Pandemic Relief Fund-2020
- Ghulam Ishaq Khan Institute of Engineering Sciences and Technology (GIKI)
- Lahore University of Management Sciences
- Dawat-e-Hadiya, Karachi
- Baitussalam Welfare Trust
- Patients' Aid Foundation
- Alkhidmat Foundation

**Allowance limit for the amounts donated in cash**

The amounts donated to the institutions/funds mentioned in Clause 61 of Part I of the Second Schedule of the Income Tax Ordinance 2001 in cash form shall not exceed fifteen percent of the taxable income of the person for the year in case of an individual or an association of person and ten percent of the taxable income of the person for the year in case of company. These provisions shall not be apply if the amount is donated by a crossed cheque.



**Exemption for Income of institutions, foundations, societies, boards, trusts and funds.**

Income derived by following institutions, foundations, societies, boards, trusts and funds is exempt from tax:

- International Islamic Trade Finance Corporation.
- Islamic Corporation for Development of Private Sector.
- National Memorial Bab-e-Pakistan Trust.
- Pakistan Agricultural Research Council.
- The corporatized entities of Pakistan Water and Power Development Authority from the date of their creation up to the date of completion of the process of corporatization i.e. till the tariff is notified.
- The Prime Minister's Special Fund for victims of terrorism.
- Chief Minister's (Punjab) Relief Fund for Internally Displaced Persons (IDPs) of NWFP.
- The Institutions of the Agha Khan Development Network (Pakistan) as contained in Schedule 1 of the Accord and Protocol, dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and the Agha Khan Development Network.
- Pakistan Council of Scientific and Industrial Research.
- The Pakistan Water and Power Development Authority established under the Pakistan Water and Power Development Authority Act, 1958 (W. P. Act XXXI of 1958).
- WAPDA First Sukuk Company Limited.
- Pension of a former President of Pakistan and his widow.
- State Bank of Pakistan and State Bank of Pakistan Banking Services Corporation.
- International Finance Corporation established under the International Finance Corporation Act, 1956 (XXVIII of 1956) and provided in section 9 of Article VI of Articles of Agreement 1955 as amended through April 1993.
- Pakistan Domestic Sukuk Company Ltd.
- ECO Trade and Development Bank.
- The Islamic Chamber of Commerce and Industry under the Organization of Islamic Conference (OIC).
- Commission on Science and Technology for Sustainable Development in the South (COMSATS) formed under International Agreement signed on 5th October, 1994.
- WAPDA on issuance of twenty billion rupees TFC's/SUKUK certificates for consideration of Diامر Bhasha Dam Projects.
- Federal Board of Revenue Foundation.
- WAPDA Second Sukuk Company Limited.
- Pakistan International Sukuk Company Limited.
- Second Pakistan International Sukuk Company Limited.
- Third Pakistan International Sukuk Company Limited.
- As i an Infrastructure Investment Bank and persons as provided in Article 51 of Chapter IX of the Articles of Agreement signed and ratified by Pakistan and entered into force on the 25th December, 2015.
- Supreme Court of Pakistan – Diامر Bhasha & Mohmand Dams -Fund.
- National Disaster Risk Management Fund.





- Deposit Protection Corporation established under sub-section (I) of section 3 of Deposit Protection Corporation Act, 2016 (XXXVII of 2016).
- SAARC Energy Centre.
- The Asian Development Bank established under the Asian Development Bank Ordinance, 1971 (IX of 1971).
- The Prime Minister's COVID-19 Pandemic Relief Fund-2020.
- Saarc Arbitration Council (SARCO).
- International Parliamentarians' Congress.

**Exemption for Income of institutions, foundations, societies, boards, trusts and funds subject to the provisions of section 100C of the Income Tax Ordinance 2001.**

Provided that with effect from the July 01 2021, exemption to these institutions, foundations, societies, boards, trusts and funds shall be subject to fulfilling the conditions specified in section 100C:

- Abdul Sattar Edhi Foundation.
- Al-Shifa Trust.
- Bilquis Edhi Foundation.
- Fatimid Foundation.
- Pakistan Engineering Council.
- The Institution of Engineers.
- Liaquat National Hospital Association.
- The Citizens Foundation.
- Sindh Institute of Urology and Transplantation, SIUT Trust and Society for the Welfare of SIUT.
- Greenstar Social Marketing Pakistan (Guarantee) Limited.
- Indus Hospital, Karachi.
- Gulab Devi Chest Hospital.
- Pakistan Poverty Alleviation Fund.
- National Academy of Performing Arts.
- Pakistan Sweet Homes Angels and Fairies Place.
- National Rural Support Programme.
- Pakistan Bar Council.
- Pakistan Centre for Philanthropy.
- Pakistan Mortgage Refinance Company Limited.
- Aziz Tabba Foundation.
- Shaukat Khanum Memorial Trust.
- Layton Rahmatullah Benevolent Trust (LRBT).
- The Kidney Centre Post Graduate Training Institute.
- Pakistan Disabled Foundation..
- Forman Christian College..
- Habib University Foundation.
- Begum AkhtarRukhsana Memorial Trust Hospital.
- Al-Khidmat Foundation.
- Dawat-e-Islami Trust.
- Sardar Trust Eye Hospital, Lahore..



- Akhuwat.
- Au dit Oversight Board..
- Patient's Aid Foundation.
- Al-Shifa Trust Eye Hospital.
- Saylani Welfare International Trust.
- SARMAVA-E-PAKISTAN LIMITED.
- Lahore University of Management Sciences, Lahore.
- Dawat-e-Hadiya, Karachi.
- Ghulam Ishaq Khan Institute of Engineering Sciences and Technology.
- Society for the Promotion of Engineering Sciences and Technology in Pakistan (SOPREST).
- Businessmen Hospital Trust.
- Baitussalam Welfare Trust.

### **Exemption from capital gains from sale of residential property**

Any capital gains derived by a resident individual from the sale of constructed residential property if at the time of sale, the residential property was being used for the purpose of personal accommodation by the resident individual, his spouse or dependents and for which any of the utility bills is issued in the name of such individual and the land area of the property does not exceed 500 square yards in case of a house and 4000 square feet in case of a flat, such capital gain shall be exempt from tax if exemption under this clause previously has not been availed by the individual, his spouse or dependents.

### **Exemption of income of Federal Government Employees Housing Authority**

Any income derived by the Federal Government Employees Housing Authority for the tax year 2020 and the following four tax years shall be exempt from tax.

### **Extension of Exemption to profit from Sale of Immoveable Property to Developmental REIT Scheme**

To encourage development and construction of residential building through REIT scheme, profit realized from sale of immoveable property has been exempted from tax if sold with the object of development and construction of residential buildings. The benefit of such exemption available up to 30<sup>th</sup> June 2020 is being extended until 30<sup>th</sup> June 2021.

## **PART II – REDUCTION IN TAX RATES**

1. Through this proposed amendment, The rate of tax to be deducted under subsection (2) of section 152, in respect of payments to an non-resident individual, on account of profit on debt earned from a debt instrument, whether conventional or shariah compliant, issued by the Federal Government under the Public Debt Act,



1944 and purchased exclusively through a bank account maintained abroad, a non-resident Rupee account repatriable (NRAR) or a foreign currency account maintained with a banking company in Pakistan shall be 10% percent of the gross amount paid.

2. The rate of tax under clause (a) of sub-section (1) of section 153 in case of a person, other than a company, as a recipient of payment for goods supplied to Utility Stores Corporation of Pakistan shall be 1.5% of the gross amount of payment in respect of supply of tea, spices, salt, dry milk, sugar, pulses wheat flour and ghee for the period commencing from the 7th day of April, 2020 and ending on 30th day of September, 2020.

This reduced rate shall not be applicable to supply of tea, spices, salt and dry milk which are sold under a brand name:

Provided further that this reduced rate shall not be applicable where rate of tax under clause (a) of sub-section (1) of section 153 is less than 1.5% of the gross amount of payment.

### **PART III – REDUCTION IN TAX LIABILITY**

1. The tax payable on the income, profits and gains of projects of 'low cost housing' developed or approved by Naya Pakistan Housing and Development Authority (NAPHDA) or under the Ehsaas Programme shall be reduced by 90%.

### **PART IV – EXEMPTIONS FROM SPECIFIC PROVISIONS**

1. The provisions of section 113, regarding minimum tax, shall not apply to The Prime Minister's COVID-19 Pandemic Relief Fund-2020 and the Federal Government Employees Housing Authority for the tax year 2020 and the following four tax years.
2. The provisions of section 153 shall not apply to the following persons as recipients of payment, namely:
  - Provincial Government
  - a local authority
  - persons who are residents of Azad Kashmir and execute contracts in Azad Kashmir only and produce a certificate to this effect from the concerned income tax authority persons receiving payments from a company or an association of persons having turnover of fifty million rupees or more or from an individual having turnover of fifty million rupees or more exclusively for the supply of agriculture produce including fresh milk, fish by any 122 person engaged in fish farming, live chicken, birds and eggs by any person engaged in poultry farming and by an industrial undertaking engaged in poultry processing which has not been subjected to any process other than that which is ordinarily performed to render such produce fit to be taken to market.
  - Companies receiving payments for the supply of electricity and gas.



- Companies receiving payments for the supply of crude oil.
  - Hotels and restaurants receiving payments in cash for providing accommodation or food or both, as the case may be.
  - Shipping companies and air carriers receiving payments for the supply of passenger tickets and for the cargo charges of goods transported.
3. The provisions of section 148 shall not apply to the import of goods mentioned in the table in the proposed bill for a period commencing from 20th day of March, 2020 and ending on 30th day of September, 2020 and to persons importing pulses for a period commencing from the 7th day of April, 2020 and ending on 30th September, 2020.
  4. The provisions of section 148, regarding withholding tax on imports shall not apply in respect of:
    - The Federal Government.
    - A Provincial Government.
    - A Local Government.
    - A foreign company and its associations whose majority share capital is held by a foreign government.
    - Person who imports plant and machinery for execution of a contract with the Federal Government or a provincial government or a local government and produces a certificate from that government
    - Companies importing high speed diesel oil, light diesel oil, high octane blending component or kerosene oil, crude oil for refining and chemical used in refining thereof in respect of such imports.
    - Petroleum (E&P) companies covered under the Customs and Sales Tax Notification No. S.R.O.678 (I)/2004, dated the 7th August, 2004, except motor vehicles imported by such companies.
  5. The provisions of cash withdrawal from a bank, advance tax on transactions in bank and advance tax on banking transactions otherwise than through cash shall not apply to a Pak Rupee Account in a tax year to the extent of foreign remittances credited into such account during that tax year.
  6. The provisions of section 233 shall not apply to commission received by a retail branchless banking agent on any amount disbursed by the Ehsaas Emergency Cash Transfer Programme for the period commencing on 16th April, 2020 and ending on 30th day of September, 2020.
  7. The provisions of advance tax on banking transactions otherwise than through cash shall not apply to a non-resident rupee account repatriable (NRAR) or a foreign currency account maintained with a banking company in Pakistan of a non-resident individual investing in a debt instrument, whether conventional or shariah compliant, issued by the Federal Government under the Public Debt Act, 1944.
  8. The provisions of advance tax on profit on debt, cash withdrawal from a bank, advance tax on transactions in bank and advance tax on banking transactions



otherwise than through cash shall not apply to The Prime Minister's COVID-19 Pandemic Relief Fund-2020. More over advance tax on banking transactions otherwise than through cash shall not apply time of transfer of any sum to The Prime Minister's COVID-19 Pandemic Relief Fund-2020.



**AMENDMENTS PROPOSED TO THE SEVENTH SCHEDULE TO THE INCOME TAX  
ORDINANCE, 2001.**

1. Finance Bill 2020 seeks to exclude the brought forward losses from income computed under this Schedule for the purpose of computation of Super Tax under section 4B of the Ordinance and maintains the rate of super tax at 4%.



**AMENDMENTS PROPOSED TO THE TENTH SCHEDULE TO THE INCOME TAX  
ORDINANCE, 2001.**

1. The rate of tax to be deducted in respect of payments to an individual, on account of profit on debt earned from a debt instrument, whether conventional or shariah compliant, issued by the Federal Government under the Public Debt Act, 1944 and purchased exclusively through a bank account maintained abroad, a non-resident Rupee account repatriable (NRAR) or a foreign currency account maintained with a banking company in Pakistan shall not attract the provision of the Tenth Schedule.
2. Following provision are proposed to be removed from the Tenth Schedule which means that the rate of tax under the relevant sections will not attract the provisions of the Tenth Schedule and the rates under the said sections will not be increased to the extent of hundred percent if the tax payer's name is not appearing in the Active Tax Payers' list.



**THE SALES TAX ACT, 1990  
AMENDMENTS PROPOSED BY THE FINANCE BILL, 2020**

**All amendments shall be effective from July 01, 2020 unless otherwise provided**

The summary of the amendments proposed in various sections and schedules of Sales Tax Act, 1990 is as under:-

<b>DEFINITIONS</b>	<b>SECTION 2</b>
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The following amendments to section 2 of the Sales Tax Act, 1990, have been proposed through the Finance Bill, 2020.

**Active Taxpayer**

**Clause 1**

The proposed amendment seeks to change the criteria for taxpayers to become inactive on default of non filing of sales tax returns. Now a taxpayer will be inactive if he does not file returns for a quarter. Prior to this amendment, taxpayer became inactive if monthly sales tax return for two consecutive months were not filed.

**Output Tax**

**Clause 20**

The proposed amendment seeks to rationalize the definition of output tax on services under Sales Tax Act by replacing “provincial sales tax” with “Islamabad Capital Territory Sales Tax”.

**Value of supply**

**Clause 46**

Following amendments have been proposed in this clause:-

- In order to calculate value of electricity supplied by WAPDA for levy of sales tax, same procedure / formula will be adopted as adopted in case of electricity supplied by independent power producer. This amendment is proposed to be retrospectively effective from July, 1, 2019.
- In case of registered person who is engaged in purchasing used vehicles from general public on which sales tax had already been paid at the time of import or manufacturing, and which are, later on, sold in the open market after making certain value addition, value of supply will be the difference between sale and purchase price of the said vehicle.

<b>SCOPE OF TAX</b>	<b>SECTION 3</b>
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The proposed amendment seeks to clarify that sales tax withholding shall be applicable both on purchase of goods and procurement of services.





<b>DETERMINATION OF TAX LIABILITY</b>	<b>SECTION 7</b>
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The proposed amendment empowers Board to fix maximum wastage of raw materials which are used in production of specified goods.

<b>TAX CREDIT NOT ALLOWED</b>	<b>SECTION 8</b>
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It has been clarified that the disallowance of respective input tax against sale invoice which do not contain CNIC / NTN number of unregistered buyer includes both input tax claimed on goods and /or input claimed on services.

<b>POWER OF TAX AUTHORITIES TO MODIFY ORDERS, ETC.</b>	<b>SECTION 11C</b>
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This newly inserted section provides that the tax authorities will follow the question of law which has been decided by a High Court or the Appellate Tribunal on or after first day of July, 1990, in the case of a registered person, and shall apply it on any assessment pending before tax authorities in case of said taxpayer in so far as it applies to said question of law, regardless of the fact that tax authorities have preferred an appeal against the decision of the High Court or made an application for reference against the order of the Appellate Tribunal.

If decision of High Court or the Appellate Tribunal, is reversed or modified, the tax authorities may, within one year of the reversed / modified decision, modify all the assessments to which said question of law was applied.

<b>TAX INVOICES</b>	<b>SECTION 23</b>
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It has been proposed that NTN or CNIC of unregistered person is not required in case of retail sales where invoice amount does not exceed Rs. 100,000/-.

Prior to this proposed amendment, this relaxation was available on retail sale where invoice amount do not exceed Rs. 50,000/-.

<b>ACCESS TO THE RECORD, DOCUMENTS ETC.</b>	<b>SECTION 25</b>
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It has been proposed that audit proceedings under this section may be conducted electronically through video link or other facilities as prescribed by the Board.



<b>RETURN</b>	<b>SECTION 26</b>
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The proposed amendment bounds taxpayer to provide all relevant information in respective Annexures of Sales Tax Return.

<b>OFFENCES AND PENALTIES</b>	<b>SECTION 33</b>
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Following amendment have been proposed in this section:-

- The proposed amendment seeks to provide that, if a taxpayer who is required to integrate his business with FBR computerized system fails to do so, an initial penalty up to one million rupees can be imposed and if taxpayer commit same offence after two months of imposition of penalty, his business premises will be sealed till such business is integrated in prescribed manner. Currently, business premises can be sealed and embargo on sales can be placed, if taxpayer commits same offence of not integrating his business with FBR computerized system after six months of imposition of penalty.
- If the authorities and persons who are required to share information with FBR under newly inserted section 56AB, fails to do so, penalty of Rs. 25,000/- shall be imposed for first default and Rs. 50,000/- for each subsequent default.

<b>AUTHORIZED OFFICERS TO HAVE ACCESS TO PREMISES, STOCKS, ACCOUNTS AND RECORDS.</b>	<b>SECTION 38</b>
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The proposed insertion empowers the tax authorities to have real-time electronic access to taxpayer record. The Board is empowered to make rules relating to electronic real-time access for audit and survey of persons liable to tax.

<b>APPEALS</b>	<b>SECTION 45B</b>
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The proposed insertions in this section provides guidelines for filing and processing of appeals before Commissioner Appeals, which are as under:-

- Appeal shall be in the prescribed form, verified in the prescribed manner, state precisely the grounds upon which the appeal is made, should be accompanied by the prescribed fee and should be filed before Commissioner (Appeals) within prescribed time limit.



- If appeal is against an assessment then appeal fee shall be Rs. 5,000/- where appellant is a company and Rs. 2,500/- where appellant is not a company.
- If appeal is in any other case then appeal fee shall be Rs. 5,000/- where appellant is a company and Rs. 1,000/- where appellant is not a company.
- The Commissioner (Appeals) shall not admit any documentary material or evidence which was not produced before the Officer Inland Revenue unless the Commissioner (Appeals) is satisfied that the appellant was prevented from producing such material or evidence before the Officer Inland Revenue.

<b>ALTERNATE DISPUTE RESOLUTION</b>	<b>SECTION 47A</b>
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The existing section 47A is proposed to be substituted with new section. Following are the important provisions of newly proposed substitutions:-

- The Board may appoint a committee, within sixty days of receipt of application comprising of Chief Commissioner Inland Revenue having jurisdiction over the case, two persons from panel notified by the Board comprising of chartered accountants, cost & management accountants and advocates and a reputable businessman.
- The Board shall communicate the order of appointment of committee to the court of law or the appellate authority where the dispute is pending and to the Commissioner.
- The Committee shall examine the issue and may, if it deemed necessary, conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and shall decide the dispute through consensus, within one hundred and twenty days of its appointment. If the Committee fails to decide the dispute within the period of one hundred and twenty days, the Board shall dissolve the committee and the matter shall be decided by the respective court of law or the appellate authority where the dispute is pending.
- The Committee may, in case of hardship allow stay of recovery of tax payable in respect of dispute pending before it for a period not exceeding one hundred and twenty days in aggregate or till the decision of the Committee or its dissolution, whichever is earlier.
- If the aggrieved person is satisfied with the decision of the committee and has withdrawn the appeal pending before any appellate authority or the court of law and communicated the same to the Commissioner, then such decision of the committee shall be binding on the Commissioner. However if the order of withdrawal of pending appeal is not communicated by aggrieved person to the Commissioner within sixty



days of the decision of the committee, then such decision shall not be binding on the Commissioner.

- The aggrieved person may make the payment of sales tax and other taxes as decided by the committee and all decisions and orders made or passed shall stand modified to that extent.
- The Board may prescribe the amount to be paid as remuneration for the services of the members of the Committee.

<b>SERVICE OF ORDERS, DECISIONS ETC.</b>	<b>SECTION 56</b>
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The service of notices and orders, to all registered persons through e-mail or to their e-folder maintained for the purpose of e-filing of returns, shall be treated as properly served.

Previously service of notices and orders through above means was valid in case of registered companies only.

<b>REAL-TIME ACCESS TO INFORMATION AND DATABASES</b>	<b>SECTION 56AB</b>
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This newly inserted section empowers the Board to have real time access to information and database of different authorities and organizations. Detail of organizations and nature of information to which the Board have access is given below:-

- NADRA record with respect to information pertaining to National Identity Card (NIC), Pakistan Origin Card, Overseas Identity Card, Alien Registration Card, and other particulars contained in the Citizen Database.
- FIA and the Bureau of Emigration and Overseas Employment record with respect to details of international entry and exit of all persons and information pertaining to work permits, employment visas and immigration visas.
- Islamabad Capital Territory and Provincial and local land record and development authorities with respect to record-of rights including digitized edition of record-of-rights, periodic record, record of mutations and report of acquisition of rights.



- Islamabad Capital Territory and Provincial Excise and Taxation Departments with respect to information regarding registration of vehicles, transfer of ownership and other associated record.
- Electricity suppliers and gas transmission and distribution companies with respect to particulars of a consumer, the units consumed and the amount of bill charged or paid. Where the connection is shared or is used by a person other than the owner, the name and CNIC of the owner and the user shall also be furnished. All electricity suppliers and gas transmission and distribution companies shall make arrangements by the 1st day of January, 2021 for allowing consumers to update the ratio of sharing of a connection or the particulars of users, as the case may be.
- Any other agency, authority, institution or organization notified by the Board.
- The Board shall make arrangements for laying the infrastructure for real-time access to information and database and aligning it with its own database. Until real-time access to information and database is made available such information and data shall be provided periodically in such form and manner as may be prescribed.
- All information received under this section shall be used only for tax purposes and shall be kept confidential.

<b>REPRESENTATIVES</b>	<b>SECTION 58A</b>
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The proposed amendment clarifies that representative of a non-resident person shall be considered as representative for the whole financial year in which relevant tax periods fall. It has further been clarified that non-resident person shall have the same meaning as provided in Income Tax Ordinance, 2001.

<b>CERTAIN TRANSACTIONS NOT ADMISSIBLE</b>	<b>SECTION 73</b>
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It has been proposed that if any registered person made taxable supplies exceeding Rs. 100 million in a financial year or Rs. 10 million in a tax period to a certain un-registered person, then, such registered person will not be entitled to claim / adjust respective input attributable to such taxable supplies.

Prior to this proposed amendment, the above provision was applicable only on taxable supplies made by registered manufacturers and producers.



<b>FIFTH SCHEDULE</b>	<b>ZERO RATING</b>
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It has been proposed to extend the zero rating facility provided to Gwadar Free Zone vide serial # 13 and 14 of fifth schedule with effect from June 1, 2020.

<b>SIXTH SCHEDULE</b>	<b>EXEMPT GOODS</b>
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a) Following amendments have been proposed in Table 1 of Sixth Schedule which relates to sales tax exemption on both imports and local supplies:-

- Existing exemption to Gwadar Port and Gwadar Free Zone is extended with effect from June 1, 2020.
- Conditional exemption on import and supply of ships has been extended up till 2023. This exemption was going to expire in June 2020.
- Exemption of sales tax on dietetic foods intended for consumption by children suffering from inherent metabolic disorder subject to the conditions that the importer shall acquire approval and quota from Ministry of National Health Services, Regulations and Coordination

b) Amendments have also been proposed in table 3 of the schedule pertaining to conditional exemption. Under proposed amendment exemption is available on import of following parts and components for manufacturing LED lights if imported by LED light manufacturers registered under the Sales Tax Act, 1990 subject to annual quota determination by the Input Output Co-efficient Organization (IOCO):-

- Housing /shell. Shell cover and base cap for all kinds of LED lights and bulbs.
- Bare and stuffed Metal Clad Printed Circuit Boards (MCPCB) for LED.
- Constant Current Power Supply for of LED Lights and Bulbs (1-300W).
- Lenses for LED lights and bulbs.



<b>EIGHTH SCHEDULE</b>	<b>REDUCED RATE OF TAX</b>
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Following amendments have been proposed in this schedule:-

- The current rate of sales tax on Potassium Chlorate (KClO<sub>3</sub>) has been increased from 17% along with Rs. 70 per kilogram to 17% along with Rs. 80 per kilogram.
- The rate of sales tax is reduced from 14% to 12% on supplies of finished articles of textile, textile made-ups, leather and artificial leather, as made by retailers subject to the condition that they are integrated with FBR's online system and maintained 4% value addition during last six months.

<b>NINTH SCHEDULE</b>	<b>FIXED TAX</b>
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The fixed sales tax on smart phones having value not exceeding US\$30 is proposed to be increased from Rs. 130/- to Rs. 200/-.

<b>ELEVENTH SCHEDULE</b>	<b>SALES TAX WITHHOLDING</b>
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It has been proposed that different sales tax withholding rates shall be applied on suppliers based on their status as active or inactive taxpayer. Prior to this proposed amendment, these withholding rates were applicable on suppliers based on their status as registered person or unregistered person. After the proposed amendment, sales tax withholding shall be applicable as per following table:-

<b>Sr. #</b>	<b>Withholding Agent</b>	<b>Supplier Category</b>	<b>Rate of Sales Tax Withholding</b>
1	Federal and provincial government departments; autonomous bodies; and public sector organizations.	Active Taxpayer	1/5th of Sales Tax as shown on invoice
2	Companies as defined in the Income Tax Ordinance, 2001.	Active Taxpayer	1/5th of Sales Tax as shown on invoice
3	Federal and provincial government departments; autonomous bodies; and	Active Taxpayer	1/10th of Sales Tax as shown on



	public sector organizations.	registered as a wholesaler, dealer or distributor	invoice
4	Companies as defined in the Income Tax Ordinance, 2001.	Active Taxpayer registered as a wholesaler, dealer or distributor	1/10th of Sales Tax as shown on invoice
5	Federal and provincial government departments; autonomous bodies; and public sector organizations.	Persons other than Active Taxpayer	Whole of the tax involved or as applicable to supplies on the basis of gross value of supplies
6	Companies as defined in the Income Tax Ordinance, 2001.	Persons other than Active Taxpayer	5% of gross value of supplies
7	Registered persons as recipient of advertisement services.	Person providing advertisement services	Whole of sales tax applicable
8	Registered persons purchasing cane molasses	Persons other than Active Taxpayer	Whole of sales tax applicable

<b>TWELFTH SCHEDULE</b>	<b>MINIMUM VALUE ADDITION TAX</b>
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It has been proposed that minimum value addition shall not be charged on raw materials and intermediary goods imported by a manufacturer for in-house consumption.

Previously under this corresponding clause, minimum value addition was not applicable on import of raw materials and intermediary goods meant for use in an industrial process which are subject to customs duty at a rate less than 16% ad valorem under First Schedule to the Customs Act, 1969.





**FEDERAL EXCISE ACT, 2005  
AMENDMENTS PROPOSED BY THE FINANCE BILL, 2020**

**All amendments shall be effective from July 01, 2020 unless otherwise provided**

The detail of amendments proposed in various sections and schedules of Federal Excise Act, 2005 are as under:-

<b>ADJUSTMENT OF DUTIES OF EXCISE</b>	<b>SECTION 6</b>
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The proposed amendment empowers Board to fix maximum wastage of raw materials which are used in production of specified goods.

<b>POWER OF TAX AUTHORITIES TO MODIFY ORDERS, ETC.</b>	<b>SECTION 14C</b>
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This newly inserted section provides that the tax authorities will follow the question of law which has been decided by a High Court or the Appellate Tribunal on or after first day of July, 2005, in the case of a registered person, and shall apply it on any assessment pending before tax authorities in case of said taxpayer in so far as it applies to said question of law, regardless of the fact that tax authorities have preferred an appeal against the decision of the High Court or made an application for reference against the order of the Appellate Tribunal.

If decision of High Court or the Appellate Tribunal, is reversed or modified, the tax authorities may, within one year of the reversed / modified decision, modify all the assessments to which said question of law was applied.

<b>POWER TO SEIZE</b>	<b>SECTION 26</b>
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It has been proposed to expand the scope of this section so that all dutiable goods on which duty has not been paid shall be liable to seizure along with the conveyance, which has been used for the movement, carriage or transportation of such goods.

Prior to this proposed amendment, this section was applicable where duty was not paid on counterfeited cigarettes, beverages and un-manufactured tobacco only.



<b>CONFISCATION OF GOODS SUBJECT TO FEDERAL EXCISE DUTY</b>	<b>SECTION 27</b>
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It has been proposed to expand the scope of this section so that all the dutiable goods seized for the reasons of counterfeiting shall be liable to outright confiscation and shall be destroyed in the manner prescribed in section 19 of the Act.

However, the owner of such goods shall be given an option to pay penalties and fines and meet other obligations as provided under the Act, for release of such goods. If such release is not claimed or availed, no reduction or abatement in respect of amounts of duty, penalties and fine shall be admissible in case such goods are auctioned.

Prior to this proposed amendment, this section was applicable only on confiscation of cigarettes, un-manufactured tobacco and beverages only.

<b>APPEALS TO COMMISSIONER APPEALS</b>	<b>SECTION 33</b>
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The proposed insertions in this section provides guidelines for filing and processing of appeals before Commissioner Appeals, which are as under:-

- Appeal shall be in the prescribed form, verified in the prescribed manner, state precisely the grounds upon which the appeal is made, should be accompanied by the prescribed fee and should be filed before Commissioner (Appeals) within prescribed time limit.
- If appeal is against an assessment then appeal fee shall be Rs. 5,000/- where appellant is a company and Rs. 2,500/- where appellant is not a company.
- If appeal is in any other case then appeal fee shall be Rs. 5,000/- where appellant is a company and Rs. 1,000/- where appellant is not a company.
- The Commissioner (Appeals) shall not admit any documentary material or evidence which was not produced before the Officer Inland Revenue unless the Commissioner (Appeals) is satisfied that the appellant was prevented from producing such material or evidence before the Officer Inland Revenue.



<b>APPEALS TO THE APPELLATE TRIBUNAL</b>	<b>SECTION 34</b>
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In order to streamline the procedure and harmonize the existing provisions with corresponding provisions in Sales Tax Act, 1990 and Income Tax Ordinance, 2001, it has been proposed that the Appellate Tribunal may admit, hear and dispose of the appeals pertaining to Federal Excise Duty as per procedure laid down in section 131 and 132 of the Income tax Ordinance, 2001.

<b>ALTERNATIVE DISPUTE RESOLUTION</b>	<b>SECTION 38</b>
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The existing section 38 is proposed to be substituted with new section. Following are the important provisions of newly proposed substitutions:-

- The Board may appoint a committee, within sixty days of receipt of application comprising of Chief Commissioner Inland Revenue having jurisdiction over the case, two persons from panel notified by the Board comprising of chartered accountants, cost & management accountants and advocates and a reputable businessman.
- The Board shall communicate the order of appointment of committee to the court of law or the appellate authority where the dispute is pending and to the Commissioner.
- The Committee shall examine the issue and may, if it deemed necessary, conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and shall decide the dispute through consensus, within one hundred and twenty days of its appointment. If the Committee fails to decide the dispute within the period of one hundred and twenty days, the Board shall dissolve the committee and the matter shall be decided by the respective court of law or the appellate authority where the dispute is pending.
- The Committee may, in case of hardship allow stay of recovery of tax payable in respect of dispute pending before it for a period not exceeding one hundred and twenty days in aggregate or till the decision of the Committee or its dissolution, whichever is earlier.
- If the aggrieved person is satisfied with the decision of the committee and has withdrawn the appeal pending before any appellate authority or the court of law and communicated the same to the Commissioner, then such decision of the committee



shall be binding on the Commissioner. However if the order of withdrawal of pending appeal is not communicated by aggrieved person to the Commissioner within sixty days of the decision of the committee, then such decision shall not be binding on the Commissioner.

- The aggrieved person may make the payment of federal excise duty and other taxes as decided by the committee and all decisions and orders made or passed shall stand modified to that extent.
- The Board may prescribe the amount to be paid as remuneration for the services of the members of the Committee.

<b>SELECTION FOR AUDIT BY THE BOARD</b>	<b>SECTION 42B</b>
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The proposed insertion in this section empowers the Board to keep confidential the parameters, which are used for selection of taxpayer for audit.

<b>AUDIT</b>	<b>SECTION 46</b>
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The restriction on tax authorities to conduct the audit of a taxpayer once in three years has been withdrawn. After this proposed withdrawal, tax authorities may conduct the audit of a taxpayer for each and every year.

<b>SERVICE OF NOTICES AND OTHER DOCUMENTS</b>	<b>SECTION 47</b>
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The service of notices and orders, to all registered persons through e-mail or to their e-folder maintained for the purpose of e-filing of returns, shall be treated as properly served.

Previously service of notices and orders through above means was valid in case of registered companies only.



<b>REAL-TIME ACCESS TO INFORMATION AND DATABASES</b>	<b>SECTION 47AB</b>
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This newly inserted section empowers the Board to have real time access to information and database of different authorities and organizations. Detail of organizations and nature of information to which the Board have access is given below:-

- NADRA record with respect to information pertaining to National Identity Card (NIC), Pakistan Origin Card, Overseas Identity Card, Alien Registration Card, and other particulars contained in the Citizen Database.
- FIA and the Bureau of Emigration and Overseas Employment record with respect to details of international entry and exit of all persons and information pertaining to work permits, employment visas and immigration visas.
- Islamabad Capital Territory and Provincial and local land record and development authorities with respect to record-of rights including digitized edition of record-of-rights, periodic record, record of mutations and report of acquisition of rights.
- Islamabad Capital Territory and Provincial Excise and Taxation Departments with respect to information regarding registration of vehicles, transfer of ownership and other associated record.
- Electricity suppliers and gas transmission and distribution companies with respect to particulars of a consumer, the units consumed and the amount of bill charged or paid. Where the connection is shared or is used by a person other than the owner, the name and CNIC of the owner and the user shall also be furnished. All electricity suppliers and gas transmission and distribution companies shall make arrangements by the 1st day of January, 2021 for allowing consumers to update the ratio of sharing of a connection or the particulars of users, as the case may be.
- Any other agency, authority, institution or organization notified by the Board.
- The Board shall make arrangements for laying the infrastructure for real-time access to information and database and aligning it with its own database. Until real-time access to information and database is made available such information and data shall be provided periodically in such form and manner as may be prescribed.
- All information received under this section shall be used only for tax purposes and shall be kept confidential.



<b>FIRST SCHEDULE</b>	<b>RATE OF DUTY ON GOODS AND SERVICES</b>
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a) Federal excise duty has been imposed on following goods:-

- 25% duty on retail price of caffeinated energy drinks.
- Rupees ten per ml on E-liquids for electric cigarette kits.
- 25% duty on imported double cabin (4x4) pick-up vehicles.
- 7.5% duty on locally manufactured double cabin (4x4) pick up vehicles.

b) Rate of excise duty has been increased on following goods:-

- Duty on cigars, cheroots, cigarillos and cigarettes, of tobacco and tobacco substitutes is increased from 65% of retail price to 100% of retail price.
- Duty on filter rod for cigarettes is increased from Rupee 0.75 per filter rod to One Rupee per filter rod.

c) Rate of excise duty has been reduced on following goods:-

- Rate of duty on Cement has been reduced from Rs. 2/kg to Rs. 1.75/kg.

**PROPOSED TAX CARD  
Tax Year 2021**

**TAX RATES FOR SALARIED INDIVIDUALS**

Income group		Rate
Up to	Rs. 600,000	Nil
Rs. 600,001 to	Rs. 1,200,000	5% of amount exceeding Rs.600,000
Rs. 1,200,001 to	Rs. 1,800,000	Rs.30,000 plus 10% of the amount exceeding Rs.1,200,000
Rs. 1,800,001 to	Rs. 2,500,000	Rs.90,000 plus 15% of the amount exceeding Rs.1,800,000
Rs. 2,500,001 to	Rs. 3,500,000	Rs.195,000 plus 17.5% of the amount exceeding Rs. 2,500,000
Rs. 3,500,001 to	Rs. 5,000,000	Rs. 370,000 plus 20% of the amount exceeding Rs. 3,500,000
Rs. 5,000,001 to	Rs. 8,000,000	Rs. 670,000 plus 22.5% of the amount exceeding Rs. 5,000,000
Rs. 8,000,001 to	Rs. 12,000,000	Rs. 1,345,000 plus 25% of the amount exceeding Rs. 8,000,000
Rs. 12,000,001 to	Rs. 30,000,000	Rs. 2,345,000 plus 27.5% of the amount exceeding Rs. 12,000,000
Rs. 30,000,001 to	Rs. 50,000,000	Rs.7,295,000 plus 30% of amount exceeding Rs. 30,000,000
Rs. 50,000,001 to	Rs. 75,000,000	Rs.13,295,000 plus 32.5% of amount exceeding Rs. 50,000,000
above	Rs. 75,000,000	Rs.21,420,000 plus 35% of amount exceeding Rs. 75,000,000

**Minimum Tax u/s 113 chargeable as per Division IX, Part-I, 1st Schedule**

- Oil Marketing Companies, Oil Refineries, Sui Southern & Sui Northern Gas Co., (where annual turnover exceeds 1 billion, Pakistani Airlines, Poultry industry including poultry breeding, broiler production, egg and poultry feed production, Dealers or distributors of fertilizer, person running an online marketplace as defined in clause (388) of section 2 of ITO 2001 (Tax Rate : 0.75%)
- Distributor of pharmaceutical products, fast moving consumer goods and cigarettes, petroleum agents and distributors (who are registered under Sales Tax Act, 1990), Rice Mills, Dealers & Flour Mills (Tax Rate : 0.25%)
- Trader having turnover upto one hundred million Rupees (Tax Rate : 0.5 %)
- Motor Cycle dealers registered under ST Act, 1990 (Tax Rate : 0.3%)
- In all other cases (Tax Rate : 1.5 %)

**WITHHOLDING TAX RATES FOR INDIVIDUALS & AOPs UNDER SECTION 155**

- Up to Rs. 200,000 Nil
- Rs. 200,001 to Rs. 600,000 5% of gross amount exceeding Rs. 200,000
- Rs. 600,001 to Rs. 1,000,000 Rs. 20,000 plus 10% of amount exceeding Rs. 600,000
- Rs. 1,000,001 to Rs. 2,000,000 Rs. 60,000 plus 15% of exceeding amount Rs.1,000,000
- Rs. 2,000,001 to Rs. 4,000,000 Rs. 210,000 plus 20% of exceeding amount Rs.2,000,000
- Rs. 4,000,001 to Rs. 6,000,000 Rs. 610,000 plus 25% of exceeding amount Rs.4,000,000
- Rs. 6,000,001 to Rs. 8,000,000 Rs. 1,110,000 plus 30% of exceeding amount Rs.6,000,000
- Exceeding Rs. 8,000,000 Rs. 1,710,000 plus 35% of exceeding amount Rs.8,000,000

**WITHHOLDING TAX RATE FOR COMPANIES UNDER SECTION 155**

The rate of tax in the case of company shall be 15% of gross amount of rent

**Particulars**

Particulars	Rate
<b>Rates of Depreciation, Initial Allowance and Amortisation as per Third Schedule</b>	
Buildings (all types)	10%
Furniture including Fittings, Plant & machinery	15%
Motor Vehicle (all types)	15%
Ships, Technical and Professional Books	15%
Computer Hardware including Printer etc.	30%
<b>Mineral Oil Concerns</b>	
- Below Ground Installations	100%
- Off Shore Platforms	20%
- Production Installations	20%
Ramp built for disabled persons not exceeding Rs. 250,000/-	100%
Initial Allowance for Plant and Machinery u/s 23	25%
Amortisation of Pre-commencement expenditure u/s 25	20%

**ADVANCE TAX ON IMPORT OF MOBILE PHONE**

C&F Value of mobile phone ( in US Dollars)	In CBU condition	In CKD/SKD condition
upto 30, except smart phones	70	0
from 31 to 100, smart phones upto 100	730	0
from 101 to 200	930	0
from 201 to 350	970	0
from 351 to 500	3,000	5,000
above 500	5,200	11,500

**Profit On Debt u/s 7B**

Particulars	Rate
Where profit on debt does not exceed Rs. 5,000,000	15%
Where profit on debt exceeds Rs. 5,000,000 but does not exceed Rs.25,000,000	17.5%
Where profit on debt exceeds Rs. 25,000,000 but does not exceed Rs.36,000,000	20%

**TAX RATES FOR INDIVIDUALS AND ASSOCIATION OF PERSONS**

Income group		Rate
Up to	Rs. 400,000	Nil
Rs. 400,001 to	Rs. 600,000	5% of amount exceeding Rs.400,000
Rs. 600,001 to	Rs. 1,200,000	Rs.10,000 plus 10% of the amount exceeding Rs.600,000
Rs. 1,200,001 to	Rs. 2,400,000	Rs.70,000 plus 15% of the amount exceeding Rs.1,200,000
Rs. 2,400,001 to	Rs. 3,000,000	Rs.250,000 plus 20% of the amount exceeding Rs.2,400,000
Rs. 3,000,001 to	Rs. 4,000,000	Rs.370,000 plus 25% of the amount exceeding Rs.3,000,000
Rs. 4,000,001 to	Rs. 6,000,000	Rs.620,000 plus 30% of the amount exceeding Rs.4,000,000
above	Rs. 6,000,000	Rs.1,220,000 plus 35% of the amount exceeding Rs.6,000,000

**RATE OF TAX FOR COMPANIES**

	TAX YEAR	TAX YEAR
	2020	2021
Rate of tax for small companies	23%	22%
Rate of tax for all kinds of companies	29%	29%
Rate of tax for banking companies	35%	35%

**TAX ON SALE OF IMMOVABLE PROPERTY Section 37(1A)**

Period	Taxable gain
1. Where holding period is upto one year	100%
2. Where holding period is more than one but less than two years	75%
3. Where holding period is more than two but less than three years	50%
4. Where holding period is more than three but less than four years	25%
5. Where holding period is more than four years	0%

**TAX ON GAIN ON SALE OF IMMOVABLE PROPERTY Section 37(1A)**

1. Where the gain does not exceed Rs. 5 million	2.5%
2. Where the gain exceeds Rs. 5 million but does not exceed Rs. 10 million	5%
3. Where the gain exceeds Rs. 10 million but does not exceed Rs. 15 million	7.5%
4. Where the gain exceeds Rs. 15 million	10%

**TAX ON MOTOR VEHICLES U/S 234 PASSENGER TRANSPORT VEHICLE - PLYING FOR HIRE**

Seating Capacity	(Rs./ seat./ annum)
Four or more but less than ten	50
Ten or more but less than twenty	100
Twenty or more persons	300

**ADVANCE TAX ON PURCHASE, REGISTRATION OF PRIVATE MOTOR VEHICLE U/S 231B(1)&(3)**

Engine Capacity	Tax
Upto 850cc	Rs. 7,500
851cc to 1000cc	Rs. 15,000
1001cc to 1300cc	Rs. 25,000
1301cc to 1600cc	Rs. 50,000
1601cc to 1800cc	Rs. 75,000
1801cc to 2000cc	Rs. 100,000
2001cc to 2500cc	Rs. 150,000
2501cc to 3000cc	Rs. 200,000
Above 3000cc	Rs. 250,000

**ADVANCE TAX ON TRANSFER OF PRIVATE MOTOR VEHICLE U/S 231B(2)**

Engine Capacity	Tax
Upto 850cc	0
851cc to 1000cc	Rs. 5,000
1001cc to 1300cc	Rs. 7,500
1301cc to 1600cc	Rs. 12,500
1601cc to 1800cc	Rs. 18,750
1801cc to 2000cc	Rs. 25,000
2001cc to 2500cc	Rs. 37,500
2501cc to 3000cc	Rs. 50,000
Above 3000cc	Rs. 62,500

**TAX AT TIME OF COLLECTION OF ADVANCE TAX ON MOTOR VEHICLE U/S 234**

Engine Capacity	Tax
Upto 1000cc	Rs. 800
1001cc to 1199cc	Rs. 1,500
1200cc to 1299cc	Rs. 1,750
1300cc to 1499cc	Rs. 2,500
1500cc to 1599cc	Rs. 3,750
1600cc to 1999cc	Rs. 4,500
2000cc & above	Rs. 10,000

**Note:**

Where tax is required to be deducted or collected u/s 231 and 234 at above mentioned rates from persons not appearing in the active taxpayers' list, the tax required to be deducted or collected, as the case may be, shall be increased by hundred percent of the tax mentioned above.

**RATES OF APPEAL FEE**

Commissioner (Appeals) / Adtl. Commissioner

Income Tax Appellate Tribunal.

**Appeal against assessment**

Company Rs. 5,000/-  
Other than company Rs. 2,500/-

Any person Rs. 2,000/-

**Other cases**

Company Rs. 5,000/-  
Other than company Rs. 1,000/-

Any person Rs. 2,000/-

**PROPOSED TAX CARD**

**Tax Year 2021**

**Payments for Goods, Services & Contracts (Section 153)**

	<b>Rate</b>
<b>In case of goods including toll manufacturing</b>	
- in case of company	4%
- in case of other cases	4.5%
- in case of distributor of FMCG if supplier is company	2%
- in case of distributors of FMCG if supplier is other than company	2.5%
- gross amount of rice, cotton seed or edible oils	1.5%
<b>In case of services</b>	
- in case of company	8%
- in case of other cases	10%
- in case of specified services	3%

**In case of contracts including contracts signed by sports persons**

- in case of company	7%
- in case of other cases	7.5%
- in case of sports persons	10%

**Payments to non-residents u/s 152**

On execution of Contract, Sub-Contract for the design, Construction or supply of plant & equipment:	
- Under any other power project	7%
- Any other contract:	7%
- Royalty or fee for technical services	15%
- Payment for supplies of goods in case of company	4%
- Payment for supplies of goods other than a company	4.5%
- Payment for services in case of company	8%
- Payment for services other than a company	10%
- Payment for advertisement services	10%
- Payment for insurance premium or re-insurance premium	5%
- Payment for specified services	3%

**Brokerage and Commission u/s 233**

	<b>Filer</b>
- Advertising Agents	10%
Life insurance agents where commission received is less than Rs. 0.5 million per annum	8%
- Other Cases	12%

**Miscellaneous Sections**

- Payment of Royalty to resident persons u/s 153B	15%
- Prize on Prize Bond or a Cross-Word Puzzle u/s 156	15%
- Petroleum products u/s 156A	12%
- On gas consumption charges of CNG Stations u/s 234A	4%
- On goods sold by auction u/s 236A	10%
- On immovable property sold by auction u/s 236A	5%
- On sales to distributors, dealers or wholesalers u/s 236G	0.1%
- On sales to retailers - Electronics u/s 236H	1%
- On sales to retailers - Others u/s 236H (on gross sales)	0.5%
- Advance tax on extraction of minerals u/s 236V	5%

**Imports u/s 148 (on import value as increased by custom duty, sales tax and FED)**

	<b>Rate</b>
- Persons importing goods classified in Part I of the Twelfth Schedule	1%
- Persons importing goods classified in Part II of the Twelfth Schedule	2%
- Persons importing goods classified in Part III of the Twelfth Schedule	5.5%
- Manufacturers covered under S.R.O 1125(I)/2011 dated December 31, 2011, importing goods covered under said S.R.O.	1%
- Finished Pharmaceutical products, certified by DRAP	4%

**ADVANCE TAX ON SALE OR TRANSFER OF IMMOVABLE PROPERTY**

Rate of tax under section 236C if property is held for less than four years and then sold, shall be : 1%

**ADVANCE TAX ON PURCHASE OF IMMOVABLE PROPERTY**

Rate of tax under section 236K shall be : 1%

**WITHHOLDING TAX RATE ON DIVIDEND**

(Under Section 150)

1. Dividends paid by Independent Power Purchasers subject to fulfillment of certain conditions.	7.5%
2. Other than above case	15%
3. Person receiving dividend from company where no tax is payable by company due to some conditions.	25%

**Tax years 2018, 2019, 2020 and onwards**

**RATES OF ADVANCE TAX ON SALE OF SECURITIES (Section 37A)**

<b>Period</b>	<b>Acquired before 01/07/2016</b>	<b>Acquired after 01/07/2016</b>
1. Where holding period of a security is less than twelve months.	15%	15%
2. Where holding period of a security is more than twelve months but less than twenty four months.	12.5%	15%
3. Where holding period of a security is twenty four months or more but the security was acquired on or after July 1st, 2013.	7.5%	15%
4. Where the security was acquired before July 1st, 2013.	0%	0%
5. Future commodity contracts entered in to by members of Pakistan Mercantile Exchange	5%	5%
6. Rate for companies in respect of Debt Securities shall be 29%		

**Note:**

Where tax is required to be deducted or collected at any of the above mentioned rates from persons not appearing in the active taxpayers' list, the rate of tax required to be deducted or collected, as the case may be, shall be increased by hundred percent of the rate mentioned above.

**Following withholding tax provisions are applicable only on persons not appearing in ATL**

<b>Tax on amount of fee charged by educational institutes u/s 236I</b>	<b>5%</b>
<b>Tax on Cash withdrawal from Bank u/s 231A</b>	<b>0.6%</b>
<b>Tax on Banking transactions u/s 231AA</b>	<b>0.6%</b>
<b>Advance tax on banking transactions otherwise than through cash u/s 236P</b>	<b>0.6%</b>



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