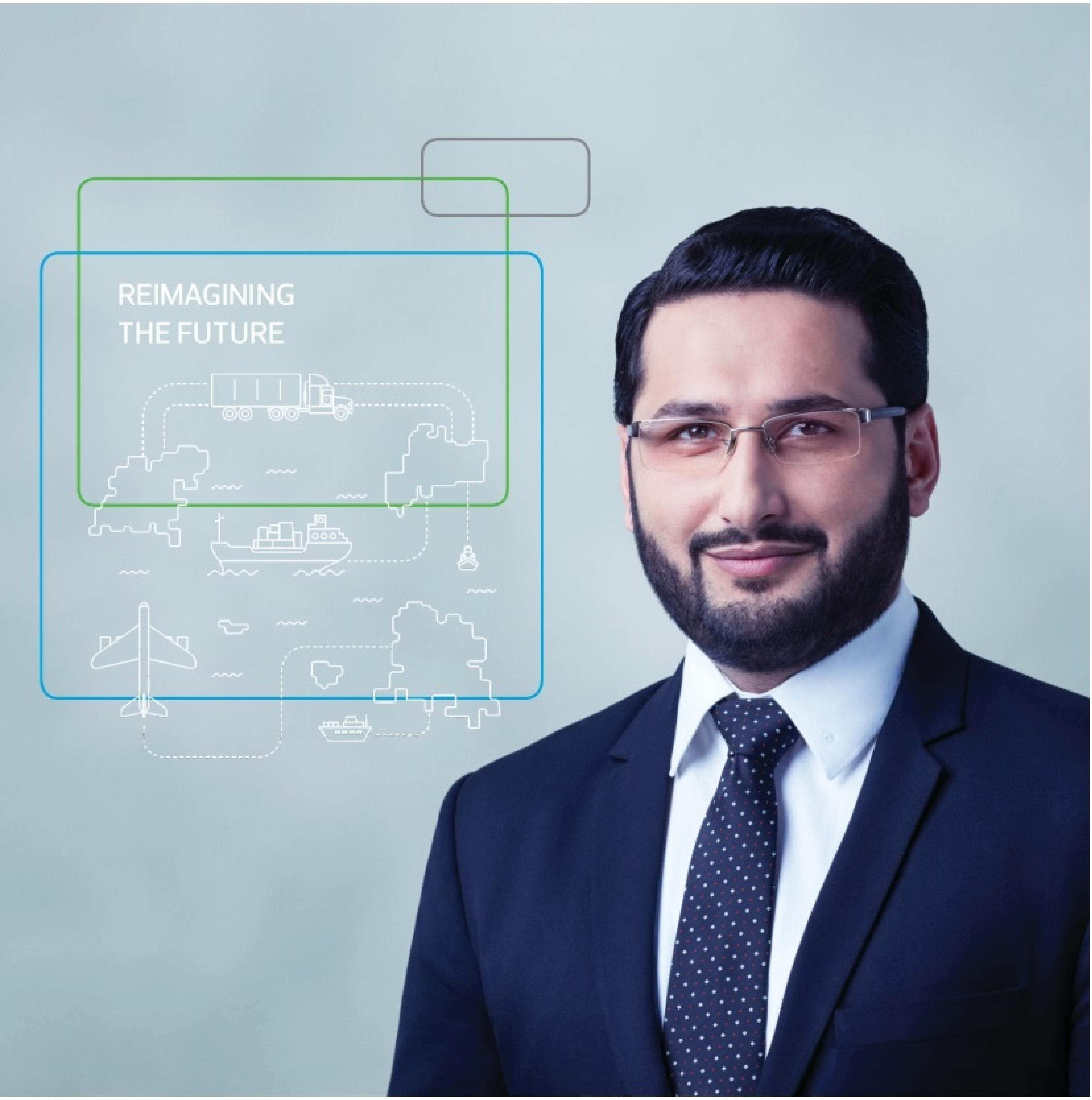

BUDGET 2017 – AN INSIGHT

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM

ABOUT RSM PAKISTAN

RSM Pakistan (legal name RSM Avais Hyder Liaquat Nauman) is a member firm of RSM International and is operating in Pakistan since 1977 under the leadership of its Founder & Managing Partner Mr. Wiqar Avais. It is providing Audit, Tax, Risk Advisory, Corporate Advisory, Business Process Outsourcing and Consulting Services. It has over 300 professionals working under the supervision of 10 Partners in 6 offices located in Pakistan and 1 in Afghanistan.

RSM International is the 6th largest network of independent accounting and consulting firms with offices in 120 countries and in each of the top 40 major business centres around the world. It has a total fee income of US $ 4.87 Bn and a combined staff strength of over 41,420 in 793 offices across the America, Europe, MENA, Africa and Asia Pacific.

Fast facts

RSM – The global destination for your Audit, Tax and Consulting Needs

- We are the 6th largest global audit, tax and consulting network and amongst top 10 in Pakistan.
- We represent RSM International in Pakistan and Afghanistan who have network firms in 120 countries. We have branches in 6 major cities of Pakistan and 1 in Kabul Afghanistan
- We have combined staff of over 300 in Pakistan and over 41,400 across the Americas, Europe, MENA, Africa and Asia Pacific.
- We are on the panel of CA firms of all regulators and premier institutions like Category A of SBP and Satisfactory QCR rating of ICAP.

The publication

The tax, labour and corporate laws in Pakistan are reviewed annually at both the Federal and Provincial levels. The Government based on its policies and objectives issues the budget for the next fiscal year. The tax service team of RSM Pakistan under the supervision of Head of tax services Mr. Naveed Abbas prepares and publishes its commentary on the amendments proposed by the federal government in the tax, corporate and labour laws of Pakistan. This publication therefore, is based on our interpretation of the amendments proposed through the Finance Bill 2017. It is therefore, recommended that before taking any decision or taking any action that may affect your finances or businesses, you should consult RSM tax team for specific advise.

WITH COMPLIMENTS TO OUR VALUED CLIENTS AND ASSOCIATES

We hereby share the developments going on and the focus of the RSM Pakistan in the current socio economic and business environment as below:

Understanding our clients – Our client relationships are based on mutual respect and collaboration. We'll immerse ourselves in your business to gain a deeper understanding of who you are, what you believe in and what and what motivates you. We'll take a 360 degree analysis of your markets, laws and customs enabling us to identify opportunities or challenges before they arise. By fully understanding your goals and measures of success, we can support and empower you every step of the way –maximising your potential.

New door of economic development in Pakistan– The CPEC – In the recent past everybody in Pakistan is talking about the CPEC and that it will change the shape of world economy and Pakistan will be the prime beneficiary due to its strategic geographical location. A number of Chinese, Turkish and other world companies are looking at the Pakistan to invest and establish their businesses here. Considering the importance of this development RSM Pakistan has established a one window service desk for the CPEC related foreign clients at its head office at Lahore and major branches for their assistance. The service desk provides advisory and registration services with all the required regulatory bodies like Board of Investment, SECP, FBR, Provincial revenue departments, Labour department, Chamber of Commerce and Pakistan Engineering Council.

The global perspective to deal with complex taxation by middle market businesses: –
In its most recent report on trade restrictive measures, the World Trade Organisation called on governments to "resist protectionism and get trade moving again." However, with protectionism present in many countries around the world, this aim is difficult to achieve. Britain's decision to leave the European Union and the rise of economic nationalism in the USA are the most eye-catching developments in a new creeping deglobalisation. For outward looking businesses, however, there is no turning back the clock. Deglobalisation is just one more business challenge to be confronted in the hunt for international growth. This challenge is particularly acute for middle market businesses who lack the scale to invest in large compliance teams, but have the agility to adapt more quickly than large corporates.

It is against this backdrop that MNC asked RSM's tax experts to contribute to their latest tax complexity survey. Tax complexity is a serious issue that middle market businesses need to tackle.

Conclusion – *The survey concluded that, collaboration makes co-operation much easier. In order to navigate the complex tax environment, middle market businesses should keep tax top of mind but not make businesses decisions solely based on tax issues. Businesses should identify markets that are best for their needs, now and in the future. It is about finding a balance – marrying business needs and capabilities with tax regulations.*

We provide that capability to the customers to deal with the tax regulations so that they can focus their business.

RSM Pakistan Tax Team

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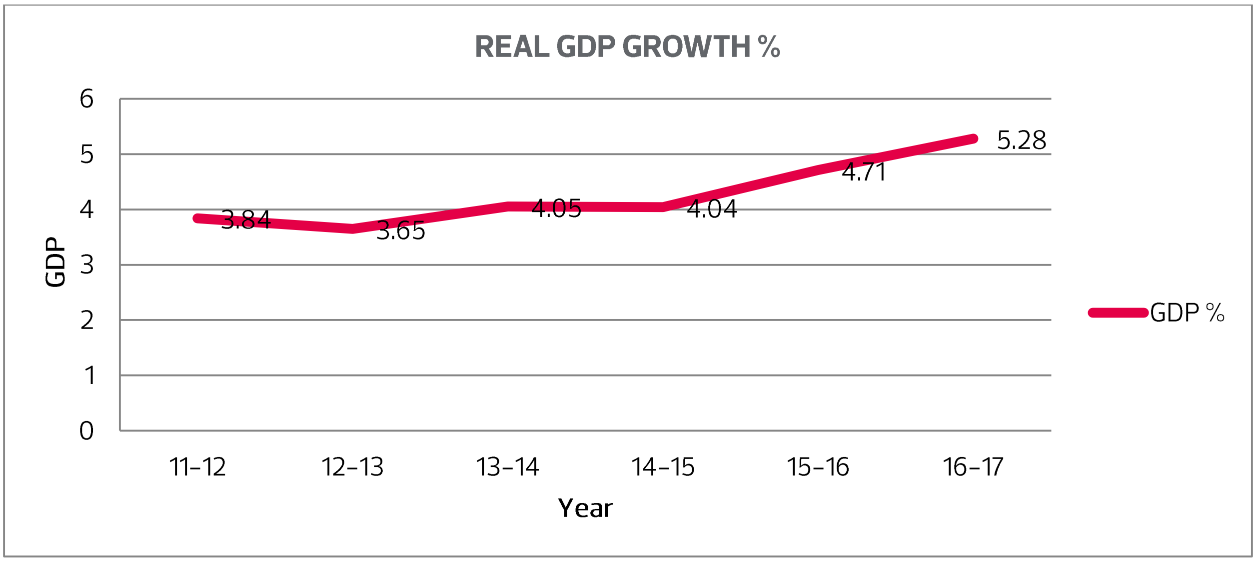
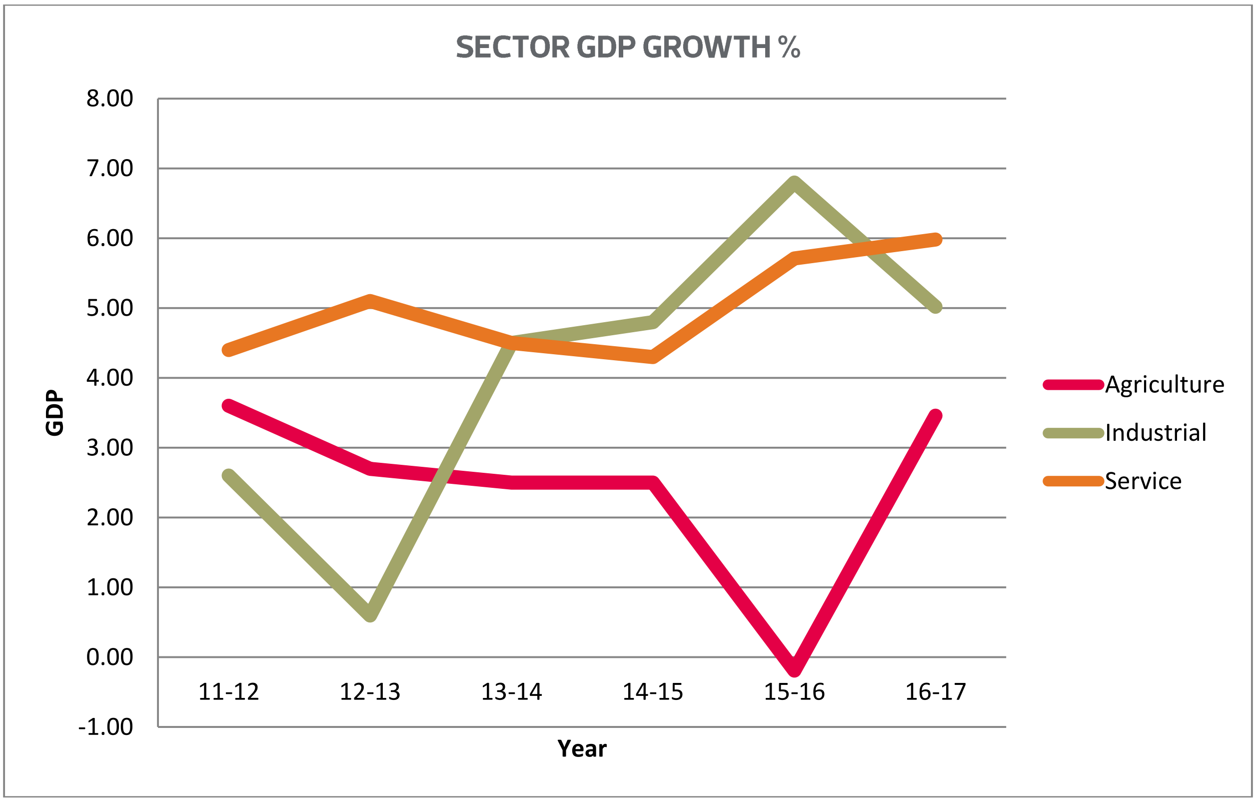
BUDGET AT A GLANCE

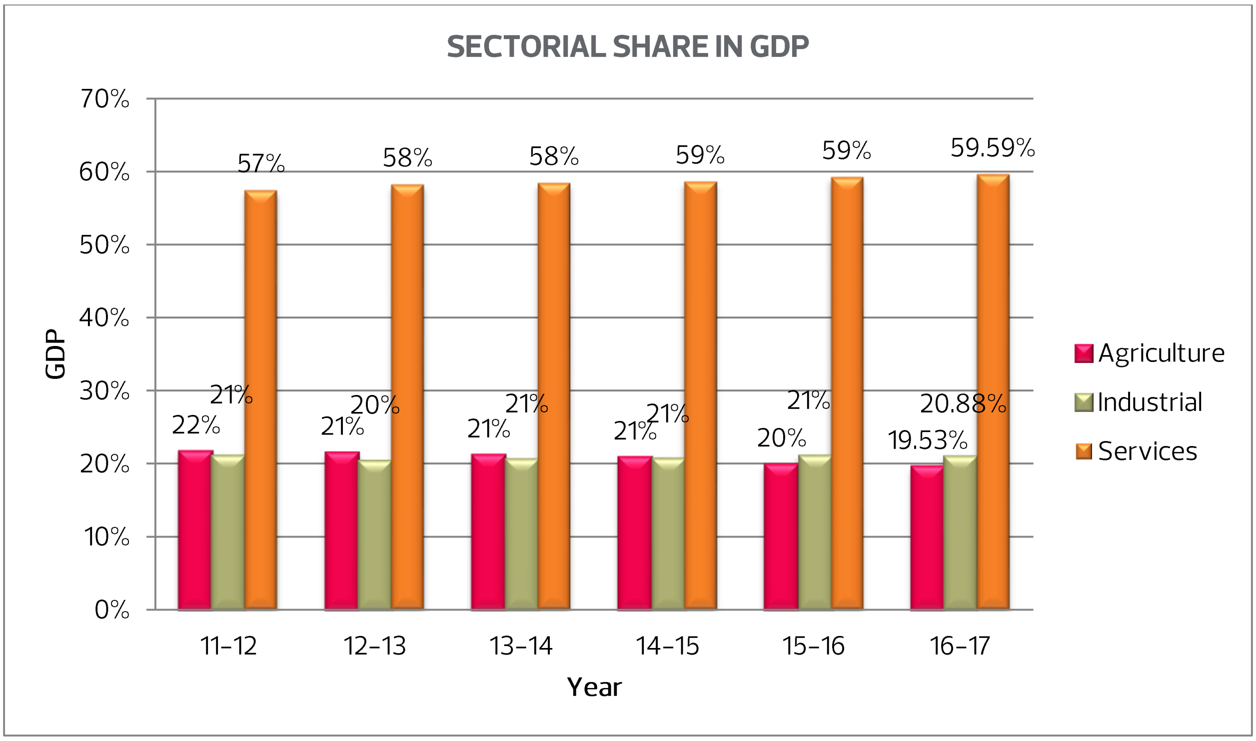
	2016-17		2017-18	
	Budgeted		Budgeted	
	Estimate		Estimate	
Revenue Receipt	**'Rs. In Bn'**	**%age**	**'Rs. In Bn'**	**%age**
Resource Revenue				
Tax Revenue	3,956	77	4,330	82
Non Tax Revenue	1,130	23	980	18
	5,086	100	5,310	100
Less: Provincial Share	2,136	42	2,384	33
Net Revenue	2,951	58	2,926	67
Total Expenditure	5,082	100	4,753	89
Deficit	2,131	42	1,827	38
Capital Receipts	470	22	528	29
External Receipts	820	39	511	28
Debt from banking sector	453	21	390	31
Privatization Proceeds	50	2	50	3
Provincial Surplus	339	16	347	19
Total Deficit	2,131	100	1,827	100

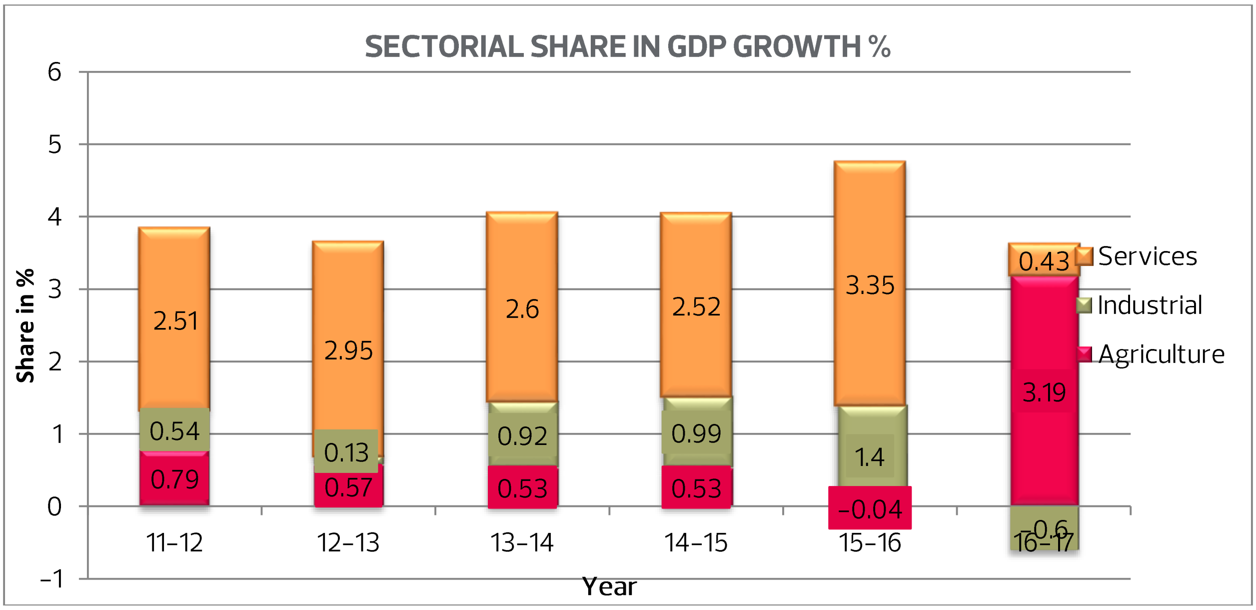
ECONOMY AT A GLANCE

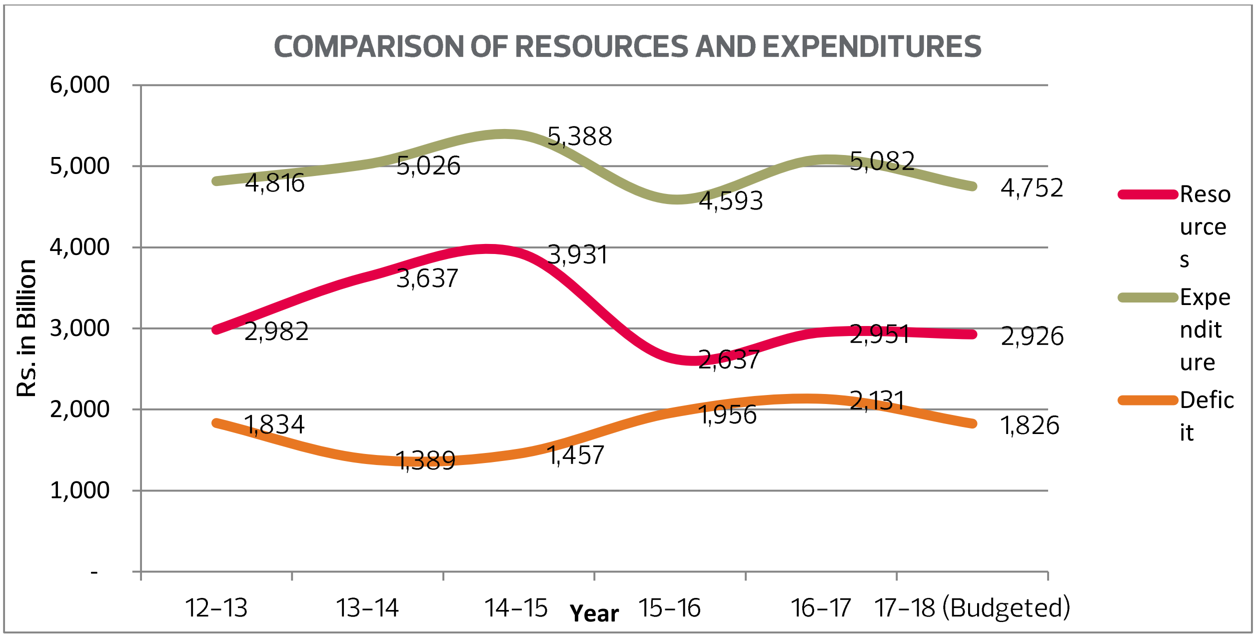
Economic Analysis 2012–2017 — Graphical Overview

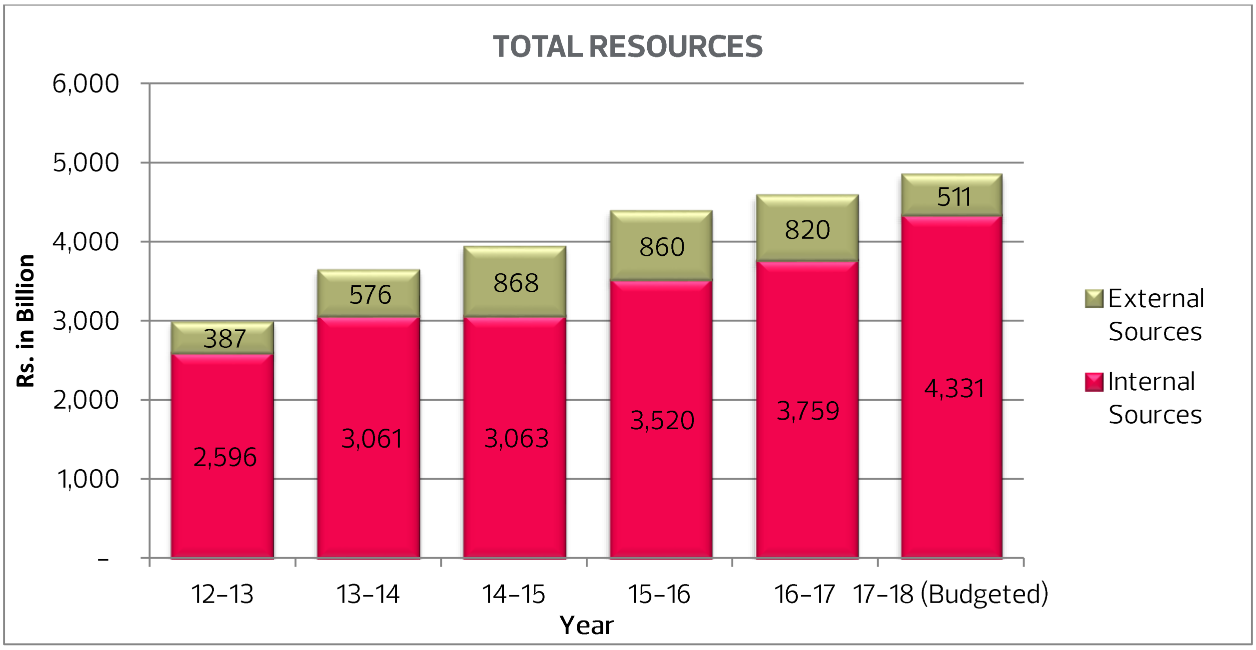


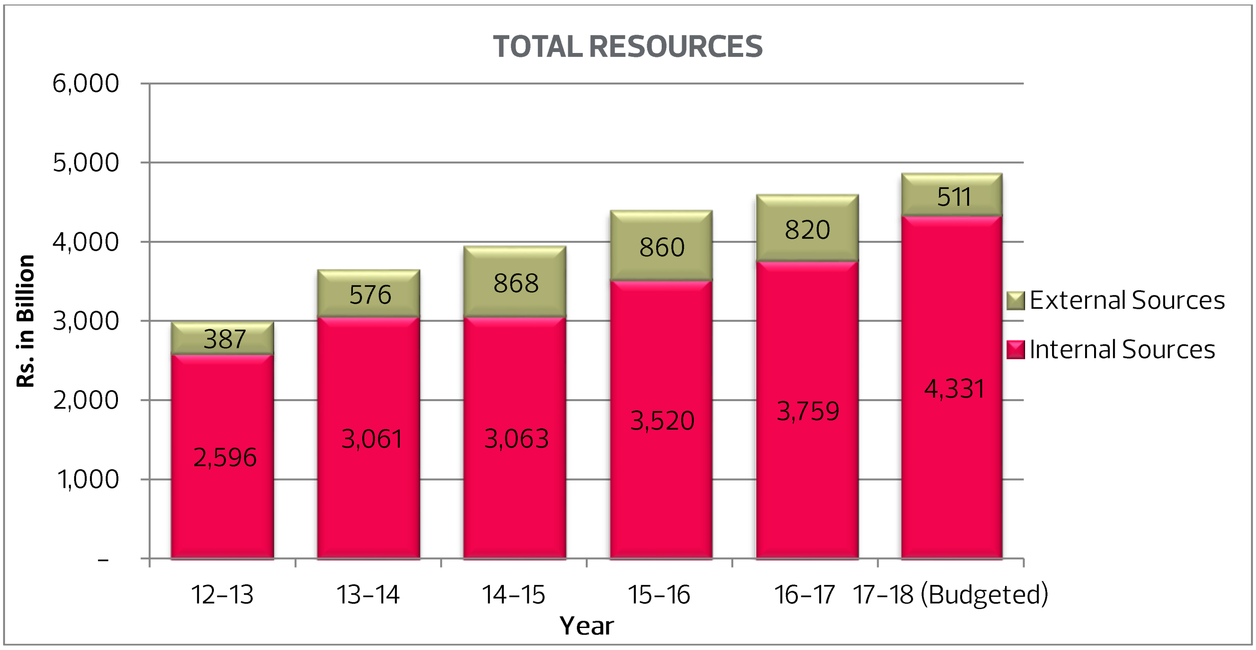



SECTORIAL SHARE IN GDP
70%
60%
50%
40%
30%
20%
10%
0%
GDP
57%
58%
58%
59%
59%
59.59%
22%
21%
21%
20%
21%
21%
21%
21%
21%
20%
20.88%
19.53%
11-12
12-13
13-14
14-15
15-16
16-17
Year
Agriculture
Industrial
Services


SECTORIAL SHARE IN GDP GROWTH %
6
5
4
3
2
1
0
-1
Share in %
2.51
0.54
0.79
2.95
0.13
0.57
2.6
0.92
0.53
2.52
0.99
0.53
3.35
1.4
-0.04
0.43
3.19
-0.6
11-12
12-13
13-14
14-15
15-16
16-17
Year
Services
Industrial
Agriculture


COMPARISON OF RESOURCES AND EXPENDITURES
6,000
5,000
4,000
3,000
2,000
1,000
-
Rs. in Billion
4,816
5,026
5,388
4,593
5,082
4,752
2,982
3,637
3,931
2,637
2,951
2,926
1,834
1,389
1,457
1,956
2,131
1,826
12-13
13-14
14-15
Year
15-16
16-17
17-18 (Budgeted)
Resources
Expenditure
Deficit


TOTAL RESOURCES
6,000
5,000
4,000
3,000
2,000
1,000
-
Rs. in Billion
387
576
868
860
820
511
2,596
3,061
3,063
3,520
3,759
4,331
12-13
13-14
14-15
15-16
16-17
17-18 (Budgeted)
Year
External Sources
Internal Sources


TOTAL RESOURCES
6,000
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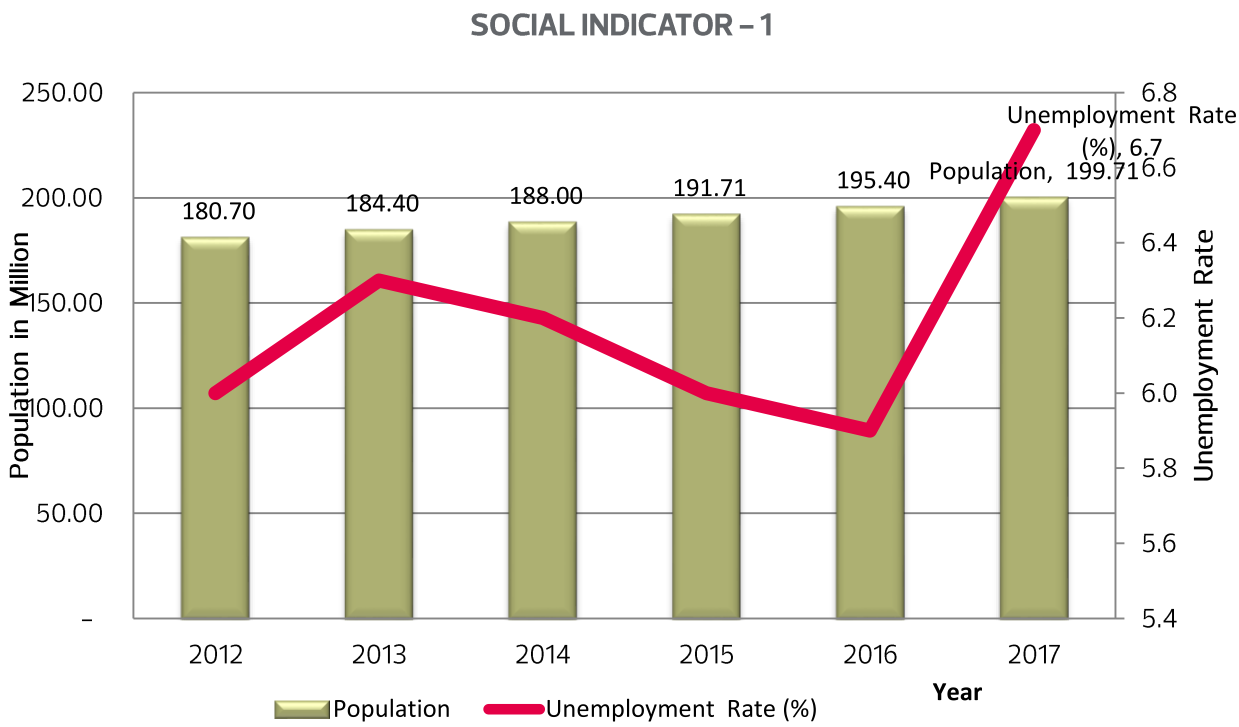
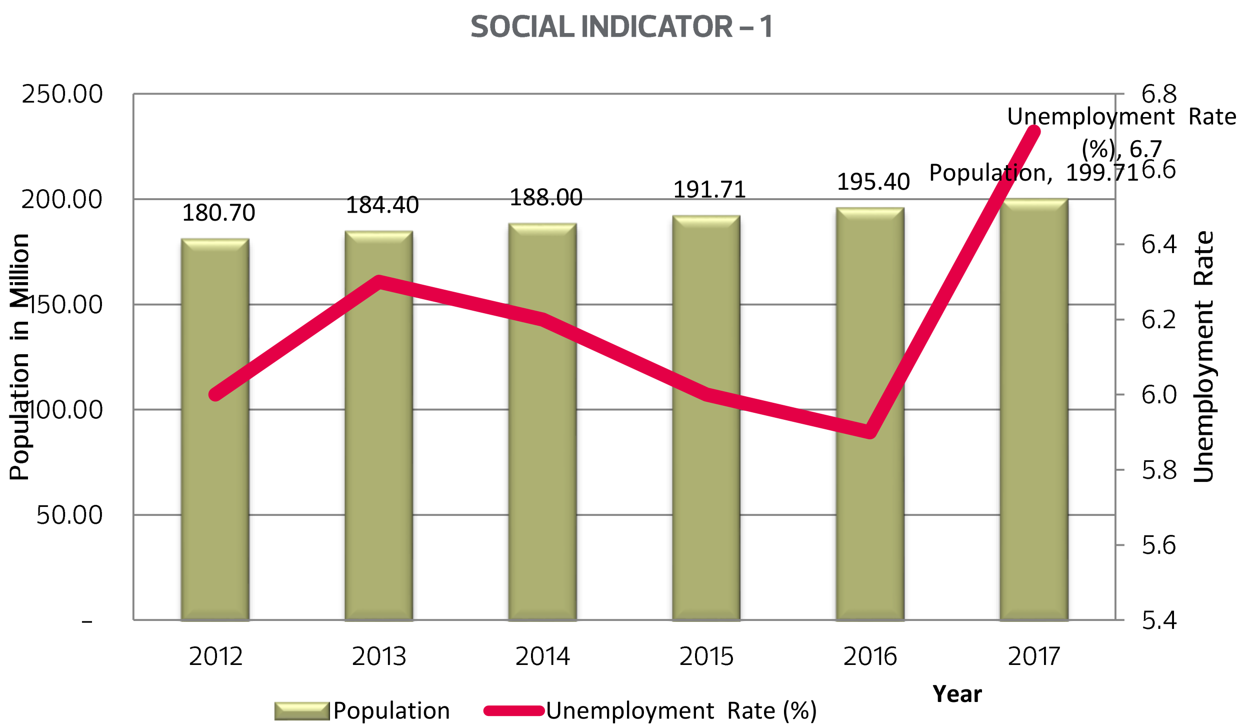
3,759
511
4,331
External Sources
Internal Sources
12-13
13-14
14-15
15-16
16-17
17-18 (Budgeted)
Year

Social Indicators





MACROECONOMIC INDICATORS

S. No	Indicator	2016 – 2017	2015 – 2016	Remarks
1.	Gross Domestic Product (GDP)	5.26%	4.71%	Favorable
2.	Manufacturing Growth	5.30%	5%	Favorable
3.	Inflation rate (Core)	5.1%	4.1%	Unfavorable
4.	Literacy rate	58%	60%	Unfavorable
5.	Per capita income	US$1,629	US$1,531	Favorable
6.	Fiscal deficit	3.9% of GDP*	3.4%of GDP*	Unfavorable
7.	Foreign exchange reserves	US$ 21.57 Billion**	US$ 21.4 Billion**	Favorable
8.	International credit rating (Moody)	B3	B3	Stable
9.	Foreign Direct Investment (FDI)	US$1,733 Billion*	US$1,573 Billion*	Favorable
10.	Unemployment rate	6.7%***	5.9%	Unfavorable

*at end April, 2017& 2016
**as at May 26, 2017
***source: CIA: The World Fact book

OVERVIEW OF ECONOMY

The Government of Pakistan has issued economy survey for the financial year 2016-2017 which reveals that from 2007-08 to 2012-13, the economy of Pakistan stood at 3.2 percent on an average. A growth of above 4 percent was recorded in the year 2013-14 and since then economy has been pacing up gradually. Current figures reveal a growth of 5.28 percent in real GDP which is the highest in 10 years but missed the budgeted target of 5.7 percent.

Pakistan has recently seen the achievement of Pakistan Stock Exchange as it was ranked the fifth best performing market in the world in the year 2016. It was ranked on account of making a total return of 46 percent of the year which emerged out as the best in MSCI Frontier Markets and compared favorably with the PSX average gains of 20 percent over the past 10 years and average return of 24 percent over the last 20 years.

On an average, CPI inflation for the fiscal year 2017 is reported at 4.09 percent as compared to 2.79 percent in the fiscal year 2016.The increase in CPI is observed due to the increase in aggregate demand and a trend-reversal in global commodity prices. However, YoY it increased by 4.8 percent in April 2017 compared to 4.2 percent in April 2016. But the inflation rate is expected to remain significantly below the target of 6 percent.

FDI amounted to $1.733 billion during Jul-Apr, FY2017 compared to $1.537 billion during the same period last year, posting a growth of 12.75 percent. The Financial account balance improved by 68 % during Jul-Apr, FY2017 and reached $ 5.428 billion compared to $ 3.228 billion in the previous year due to the increased FDI inflows by 12.75 percent and positive net Foreign Portfolio Investment receipts. The fiscal deficit during the first nine months of the fiscal year 2016-17 was 3.9 percent as compared to 3.5 percent last year during the same period.

SECTOR WISE GROWTH

Overall Economic Growth

Pakistan's economy grew by 5.28 percent in the Fiscal Year 2016-17, which is the highest in 10 years.

Agriculture Sector Growth

Agriculture sector recorded a growth of 3.46 percent against last year's meager growth of 0.27 %. This was possible by better harvesting of important crops through greater availability of agriculture inputs like water, agriculture credit and intensive fertilizers offtake.

Manufacturing Sector

Large Scale Manufacturing (LSM) during July-March FY2017 registered an impressive growth of 5.1 percent as compared to 4.6 percent in the same period last year.

Small Scale Manufacturing showed a growth of 8.80 percent against the growth of 8.21 percent last year.

In automobile sector, there has been surge in productions of all its sub sectors Remarkable growth has been witnessed in Farm Tractor which is recorded at 72.9 percent, Trucks 39.3 percent, Jeeps & Cars 4.68 percent, motor cycles 21.4 percent, Buses 19.7 percent during July-March FY 2017 whereas LCVs production declined by 36.9 percent.

Construction Sector

Construction is considered as one of the potential components of industrial sector in the economy of Pakistan. This sector has witnessed a growth of 9.05 percent against the growth of 14.60 percent last year hence a declining trend is noticed.

Service Sector

The Services sector registered a growth of 5.98 percent in 2016-17 against the growth of 5.55 % last year. The growth performance in services sector is broad based, all components contributing positively, Finance and Insurance 5.7 percent, General Government Services 12.8 percent, Housing Services 6.64 percent, Other Private Services 6.63 percent, Transport, Storage and Communication 3.94 percent and Wholesale and Retail Trade 6.82 percent.

Tax Collection

FBR has collected Rs. 2,264 billion as provisional collection during July-March 2016-17 as against Rs 2,103 billion during July-March 2015-16 entailing a growth of 7.65%. The revenue target for July-March, 2016-17 of Rs 3,145 billion has been achieved to the extent of 93.5%.

Net Collection Vis-à-Vis Targets for July-March: 2016-17

(Rs. Billion)

Tax Heads	Target	Collection July-March 2016-17	Collection July-March 2015-16	Growth (%)	Target Achieved
Direct Taxes	1,169	892	810	1.10%	No
Sales Tax	1,078	898	899	-0.10%	No
FED	160	132	117	1.12%	No
Custom	310	343	278	1.23%	Yes
Others	265	203	237	-14%	No
Total	**2,981**	**2,468**	**2,340**		

*source FBR website

Per Capita Income

Per capita real income increased to US $1629 in 2016-17 as compared to US $1531 last year.

Growth and Investment

Total investment has reached to the level of Rs.5027 billion as compared to the Rs.4527 billion last year, showing the growth of 11.04 percent in FY 2017. Investment to GDP ratio has reached to 15.78 percent in FY 2017.

Public Sector Investment increased by Rs.1363 billion in FY 2017 compared to Rs.1103 billion in FY2016. Fixed investment have increased to Rs.4517 billion as compared to Rs.4061 billion last year, and recorded growth of 11.23 percent and fixed investment as percentage of GDP is recorded at 14.18 %. Private investment has registered a growth of 6.63 percent and private investment as percentage of GDP reached to 9.90 percent.

National Savings

National savings play a vital role in achieving desired level of investment to attain the planned target of economic growth.

National savings reached to 13.1 percent of GDP in the fiscal year 2017 against 14.3 percent last year.

Foreign Investments

Net FDI inflows rose 14.8 percent to US$ 1.6 billion in July- March FY2017, against US$ 1.4 billion same period last year. In October, FY2017 foreign currency reserves hit all time high at $ 24.03 billion, of which net reserves with SBP were $18.93 billion and scheduled banks $ 5.10 billion.

Money and Credit

Healthy credit expansion, along with higher production of Kharif crops, recovery in LSM/industrial growth, uptick in CPEC related activities in energy sector and favorable business environment supported SBP's decision to keep the policy rate unchanged during FY2017.

Net government borrowing from the banking system reached to Rs 689.9 billion during July-21st April FY2017 against the borrowing of Rs 446.0 billion over the previous year.

Capital Market

The period during July 1, 2016 to May 08, 2017, witnessed an overall positive and bullish trend for the stock market in Pakistan. The KSE-100 Index demonstrated exceptional performance of equity market during the period mainly due to improved macroeconomic indicators, wide-ranging reform measures undertaken by SECP, better security situation and high spirit on Pakistan's reclassification in MSCI EM Index. The KSE-100 index which was at 37,783.54 level as on 30th June 2016 gained 14,604 points and remained at the level of 52,387.87 as on 15th May, 2017 showing a growth of 38.7 per cent.

In terms of market capitalization it increased from Rs.7, 588.47 billion as on 30th June 2016 to Rs 10,289.95 billion on 15th May, 2017 depicting a growth of 35.6 percent.

Inflation Rate

Inflation is reported at 4.8 percent in the fiscal year 2016-17where as the budgeted inflation rate was anticipated at 6 percent. But the inflation rate pertaining to last fiscal year 2015-16 was stated 4.1 percent. Therefore, inflation has risen up to 0.7 percent as compared to last year.

Food and non-food inflation have been estimated at 3.9 percent and 4.3 percent as compared to 2.1 percent and 3.3 percent respectively, in the same period last year. Core inflation during July-April recorded at 5.1 percent as against 4.1 percent during the same period last year.

Public Debt

Gross public debt was Rs.20,873 billion as at end March 2017 while net public debt was Rs.18,893 billion. Gross public debt recorded an increase of Rs.1,194 billion during first nine months of current fiscal year.

Out of this total increase, increase in domestic debt was Rs 1,121 billion while government borrowing from domestic sources for financing of fiscal deficit was Rs 1,018 billion. This differential is mainly attributed to increase in government credit balances with the banking system.

Imports and exports

During July-March FY 2017 exports declined by 1.3 percent and stood at US$ 16.1 billion as compared to US$ 16.3 billion in July-March FY2016. However Year on Year exports in March, 2017 increased by 1.4 percent.

The imports increased by 14.0 percent in July – March FY2017 as compared to last year.

The average exchange rate during July-May 04 FY2017, reported at 104.79 to a dollar against last year's comparable average of 104.30 resulted in the depreciation of Pakistani rupee by 0.5 percent.

Education

According to the latest Pakistan Social and Living Standards Measurement (PSLM) Survey FY2016, the literacy rate of the population (10 years and above) is 58 percent as compared to 60 percent in FY2015.

Energy

During July-March FY 2017, although installed capacity increased to 25.1 million MW from 22.9 million MW during corresponding period last year, however, there was decline in generation as it remained 85,206 GW/h during July-March FY 2017 compared to 101,970 GW/h during July-March FY 2016. The main reason of the decline is slow down in the share of hydro in electricity generation compared to 34 percent during the corresponding period last year mainly occurred due to weather condition and less flow of water in rivers.

Remittance

A decline is observed in the remittances segment of the economy. Remittances could not continue its upward growth trajectory during July-March FY2017 the remittances remained US$ 14.058 billion as compared to 14.388 billion during same period last year.

RISK TO THE ECONOMY

Law and Order Situation (Terrorism)

From being affected immensely by the terrorism to the instability created along the borders shared with India and Afghanistan, Pakistan has been a victim and paid huge prices in terms of loss of precious lives of innocent citizens, damage to infrastructure, upsetting political and economic stability and creating a law and order situation.

The loss encountered by different sectors of the economy of Pakistan (e.g. exports, physical infrastructure, foreign investment etc.) in the FY 2016-17, due to terrorism and unstable conditions in the neighboring country Afghanistan has reached to US $3,884.86 million (estimated on the basis of 9 months data i.e. July 2016-March 2017) Whereas, the direct and indirect cost incurred by Pakistan during the last 16 years due to incidents of terrorism amounted to US$ 123.13 billion equivalent to Rs. 10,373.93 billion

Though Pakistan has to go through such sacrifices, we have seen improvements in law and order situation as well. The counter-terrorism narratives, policies and operations have resulted in improved security, much stable conditions to promote business and trade. Due to the rigorous efforts against terrorism, the total losses incurred due to incidents of terrorism are declining. During 2015-16, the direct and indirect cost incurred on account of terrorism declined by 29.8 percent while during July-March 2016-17, it declined by 40.2 percent which clearly reflects better law and order conditions than before.

Contingent Liabilities

Contingent liabilities of Pakistan are guarantees issued to Public Sector Enterprises (PSEs). The sovereign guarantee is normally extended to improve financial viability of projects or activities undertaken by the government entities with significant social and economic benefits

The Government of Pakistan sanctioned fresh/rollover guarantees during the first half of current fiscal year amounting up to Rs.368 billion, while, outstanding stock of government guarantees as at end of December, 2016 was valued at Rs.838 billion.

The continuous increase in contingent liabilities is likely to put an additional pressure over the growing economy of Pakistan.

Energy Crises

Energy shortage is one of the major hindrance in the way of strengthening the economy. Industries are dependent extensively on generators and UPS which increases their cost of production in return. The shortfall of electricity, at present has reached around 5,000 MW. The situation of home consumers of electricity is also similar. Those residing in the urban areas are facing 8-10 hours of load shedding daily as opposed to 10-14 hours of load shedding for those dwelling the rural parts of the country.

THE WAY FORWARD

The Pakistan economy has stabilized and now is on a path of growth. Investor confidence is improving as international ratings agencies have improved their outlook for Pakistan. Current macroeconomic stability, achieved through domestic policies and favorable external developments, have allowed policy makers to focus on economic growth in the medium term.

Economic Cooperation Organization Summit (Connectivity for Regional Prosperity)
The Summit was preceded by Council of Ministers Meeting on 28th February 2017.

The Council of Ministers (COM) finalized Islamabad Declaration and adopted the ECO Vision 2025 along with its implementation framework.

The "Islamabad Declaration" which was adopted unanimously during the Summit focused on the Summit theme of Connectivity as a dynamic concept that encompasses multiple dimensions including transit transport such as rail, road, ports and shipping and cyber linkages. It set the target to double the trade between ECO Member countries within the next 2-3 years.

The Declaration acknowledged and welcomed, China Pakistan Economic Corridor (CPEC) as a far-reaching initiative that would act as catalyst for the development of the entire region.

One Belt One Road (OBOR) and China-Pak Economic Corridor (CPEC)
China has shared with the world its vision to strengthen world trade and access world markets much swiftly and with strong connectivity through One Belt, One Road (OBOR) and China Pakistan Economic Corridor (CPEC). The One Belt, One Road initiative was proposed by President Xi in 2013, with estimated investment of $5 trillion. In 2013, Chinese President Xi Jinping also unveiled plans for investment of $46 billion in China-Pakistan Economic Corridor (CPEC), which has reached $62 billion as of April 2017.

OBOR:
The "One Belt" part of it refers to the Silk Road Economic Belt while the "One Road" refers to the 21st-century Maritime Silk Road connecting Asia with Europe and Africa along ancient trade routes and encompassing through more than 60 countries. Jointly, they're meant to be a revival of the ancient Silk Road trading routes. OBOR is projected to cover about 65 percent of the world's population, about one-third of the world's GDP, and about a quarter of all the goods and services the world moves.

China seeks for the collaboration of the project of OBOR at the first One Belt, One Road Summit hosted by Beijing on 14 and 15 May, 2017. China has signed agreements with more than 30 countries along the routes to jointly build the Belt and Road, and more than 20 countries have teamed up with China in industrial cooperation. It is also reported that there are 900 deals underway currently related to OBOR project.

Pakistan and China both signed $492.95 million worth of memorandums of understanding. It will cover an airport in the southwestern town of Gwadar, which has a deep-water port that could provide an outlet to the Arabian Sea from the far western region of Xinjiang; development of the Havelian Dry Port in Pakistan; and economic and technical cooperation for the East Bay Expressway that will connect Gwadar to Pakistan's existing highway system.

CPEC:

CPEC envisages linking the ancient Chinese trading town of Kashgar with Pakistan's deep-sea port Gwadar through a network of highways, railways, oil and gas pipelines and fiber optic cables. This network will stretch from China to the Arabian Sea in three parallel sections along eastern, central and western alignments.

The China Pakistan Economic Corridor is also a closely related project with OBOR and is considered as a link between China's Maritime and Overland Silk Road and Gwadar Port would form the crux of the CPEC project.

Project Plans and Current Status

Of the $45.6 billion that China initially allocated for the project, $33.8 billion will go towards power generation plants and $11.8 billion for infrastructure development. Special economic zones and energy projects will be set up along these routes between Kashgar and Gwadar.

The need to advance in IT is realized by both the countries. Therefore under CPEC, 820 km long line is planned to be developed. The cross border optical fiber cable project was established in October 2015 to connect it from Khunjerab onwards to Rawalpindi. The project, currently under implementation with work on 220 km completed, is expected to finish by 2017. The estimated cost of the project is US$ 44 million. Other IT projects are also underway to achieve a higher standard of connectivity.

The CPEC projects have been divided into three phases: the Short-term project is estimated to be completed till 2017; a Mid-term project by 2025; Long term project 2030. While the entire CPEC plan is to be operationalized by 2030,

It is expected that with the completion of the energy projects in early harvest projects, 10,000 MW would be added in national grid by 2018. And the national grid will be strengthened with over 17,000 MW of electricity after the completion of CPEC energy projects.

It is reported that following the inclusion of new projects including Karachi Circular Railway and others, the investments under China Pakistan Economic Corridor (CPEC) have now extended to $62billion.

Conclusion

With the vision of CPEC and OBOR turning into reality, the economic experts are of the view that, due to the enhanced infrastructure such as roads and railways brought by the CPEC, the gross domestic product (GDP) growth should increase from around 4.7 percent last year to around 6 % by 2019, and stay around the same level for 2020 in the country.

CPEC also provides a shorter route between Western Asia and China. The current route mainly relied upon by china for trade is via the Straits of Malacca which is roughly 12,000 km long. It is another 3500 km of overland travel from Chinese ports to Xinjiang. Whereas, the route from Gwadar Port to Xinjiang is just 3000 km providing dramatic savings in shipment time, distance and co sts for both china and other countries opting for the same route, and also adding an alternate route to china for its trade.

All in all CPEC is a long term partnership and vision shared by both the countries. But its impact in the short term is the trade deficit which is expected to rise as a result of import of machinery and equipment. In the long run, however, it is anticipated that the current account balance would improve through import substitution and export expansion. The balance of payments position would also improve in the long run as projects under CPEC reach completion.

INDUSTRY WISE SALIENT FEATURES BUDGET FY 2017-18

Agricultural Sector

- Exemption from CD extended on import of combined harvesters- threshers up to 5 years old while 10% and 20% RD levied on five to ten years and more than ten years old respectively.
- The subsidy on various fertilizers to importers & manufacturers are proposed to be replaced by reduced rate of sales tax. Specific rates have been proposed instead of ad valorem rates. However, Urea fertilizer rate shall remain unchanged at 5% ad valorem.
- Combined harvesters which currently subject to sales tax at 7% under Eight Schedule is proposed to exempt from whole of Sales tax which applies only five-year-old harvester.
- Exemption from sales tax on agriculture diesel engine. Sales tax on agricultural diesel engines (from 3 to 36 HP) is proposed to be exempted.
- Exemption from payment of sales tax on import of sunflower and canola hybrid seeds meant for sowing, currently, which subject to taxed at the rate of 5%

Auto Industry

- Separate PCT code for compressors of vehicle @ 35% CD created.
- Concession in duty/taxes on Hybrid Electric Vehicles above 2500 cc withdrawn.
- Additional duty on cylinder head for motorcycles levied.
- Reduction in sales tax on import and supply of hybrid electric vehicles.
- Sales tax exemption to vehicles for construction & development of Gwadar port & Gwadar Free Zone.
- Sales tax reduction at the rate of 50% on the import of Hybrid Electric vehicle up to 1800cc is maintained in the new bill and Sales tax reduction at the rate of 25% which is restricted up to 2500cc are proposed in the New bill.
- Exemption from collection of advance tax at the rate of 3% is being accorded to vehicles leased under the Prime Minister's Youth Loan Scheme.

Banks

- Exemption on cash withdrawal by branchless banking agents. No increase in Super Tax.
- In order to promote and incentivize Islamic Banking, special provisions have been introduced whereby tax neutrality has been accorded in the case of Musharika financing by extending the benefit of depreciation on assets co-owned in the case of a Musharika arrangement.

Cement / Steel

- FED on cement has been increased from Rs1.0/kg to Rs1.25/kg, translating into an increase of ~Rs15/bag (after incorporating the impact of GST), which is likely to be passed on. Record PSDP allocation, focus on Diamer Bhasha Dam to be a positive for demand.
- Steel sector is currently paying sales tax on the basis of consumption of electricity at the rate of Rs9/unit of electricity. The existing rate of Rs9/unit of electricity is proposed to be enhanced to Rs10.5/unit. Higher PSDP spend will be a positive for Steel demand.

Electronics Industry

- Concessionary rate of 11% available on Set top boxes, TV broadcast transmitter and Reception apparatus etc. extended till 30.6.2018.
- Import of solar panels and related components were exempted from the condition of 'local manufacturing' till 30th June 2017 which is extended till 30th June, 2018.
- Exemption from sales tax on multimedia projectors. Exemption from sales tax is being provided on import of multimedia projectors by educational institutions.
- Exemption from Sales Tax to parts and components for manufacturing LED lights.
- Exemption form CD is proposed to be provided to parts and components for manufacturing LED lights on the pattern of exemption available under the Customs Act, 1969.
- Income Tax withholding on sales made by manufacturers, wholesaler, dealers and distributors of electronics goods to retailers is proposed to enhance from 0.5% to 1%.
- Manufacturers/commercial importers are required to collect withholding tax on sale of batteries to dealers, distributors and wholesalers at the rate of 0.1%.
- Every distributor, dealer, wholesaler while making sales to retailers in respect of batteries are required to collect withholding tax at the rate of 0.5%.

Energy Sector

- Exemption from sales tax to items for renewable sources of energy.
- Existing exemption available to items for renewable sources of energy is proposed to be aligned with exemption available to these items under the Customs Act, 1969.
- Exemption from sales tax to items for conservation of energy
- Fixation of minimum sales tax on supply of locally produced coal.
- Minimum sales tax @ Rs. 425 per metric tonne is proposed to be provided for locally produced coal.
- Reduction of CD on pre-fabricated modular clean rooms panels from 20% to 3%.
- CD rate on Bituminous coal and other coal equalized @ 5%. However, for the Power Projects in IPPs Mode, CD on import of both types of coal reduced to 3%

IT. Industry

- Exemption from sales tax is also proposed to be provided on export of IT services.
- Exemption from sales tax is also proposed to be provided on export of IT services to FATA, Gilgit Balistan.
- In order to incentivize the start-ups – IT Service Provider, tax exemption is being accorded to profits earned by such start-ups for a period of three years.
- Exemption from levy of minimum tax as well as withholding tax (as recipient) is also being accorded to such start-ups.

Non-Profit / Charitable Institutions:

- Surplus of NPO shall be taxed @10%
- For NPO, Admin and Mgt expenses should not exceed 15% of total receipts
- Exemption from sales tax on gifts and donations received from foreign government, organizations to the Federal and Provincial Governments and public-sector organizations.
- zero-rated supplies made to diplomats, privileged persons, duty free shops and similar categories shall be excluded from the purview of further tax.

Oil / Lubricant Industry

- The provision of Extra sales tax at the rate of 2% on lubricating oil is being omitted from the Act, in order to facilitate industrial consumer.
- Exemption from extra tax to lubricating oil.

Pharmaceutical Industry

- Reduction of CD on fabric (non-woven) for pharmaceutical industry from 16% to 5%.
- Admissible Expenditure cap in respect of Sales Promotion, advertisement and Publicity expenditure of pharmaceutical company is being enhanced from 5% to 10% of the turnover.

Poultry Industry

- Custom Duty reduced from 11% to 3% and removal of 5% RD on grandparent and parent stock of chicken.
- Custom Duty reduced on import of hatching eggs from 11% to 3%
- Reduction in rate of sales tax on poultry machinery. Sales tax on import of seven types of poultry machinery is proposed to be reduced to 7%.
- Exemption of 3% CD on import of ostriches.

Telecom Industry

- CD @ Rs. 250 per set converted into RD @ Rs. 250 per set on mobile phones.
- CD @ 11% and 16% exempted and instead RD at uniform rate of 9% levied on the telecom equipment.
- Federal Excise Duty on telecommunication services is proposed to be reduced from 18.5% to 17%.
- Mobile phones are subject to sales tax depending upon the category it falls at the rate of Rs.300, Rs.1000 & Rs.1500 per Phone set. The bill proposed to merge the category of Rs.300 & Rs.1000 to Rs.650 in order to promote I.T.
- The rate of Withholding income tax for Mobile Phone subscriber is proposed to be reduced from 14% to 12.5%.

Textiles

The significantly positive measure for the textile sector from the budget will be timely disbursements by the government with respect to Rs180bn textile package announced earlier. The government has also announced the payment of all sales tax refunds pending with the government by August 14, 2017. Other measures include:

- 5% regulatory duty imposed on import of synthetic filament yarn, which is a positive for Textile Spinners.
- Retail sales of five export oriented sectors are chargeable to sales tax at 5%. It is proposed to increase the said rate to 6%.
- Commercial import of fabrics is zero-rated. It is proposed to levy sales tax at 6% on commercial import of fabrics.
- Exemption of 3% CD on raw skins & hides.

Tobacco Industry

- Separate PCT code for classification of electric cigarettes created at 20% CD
- Federal Excise Duty on cigarettes has been increased. Since 2014, FED is being charged on cigarettes on the basis of specific rates for two tiers. In order to arrest the declining revenue trends and to curb the menace of illicit low-priced cigarettes of inferior quality, a new tier is being introduced and the proposed duty structure for the three tiers.
- Penalties are proposed to be imposed on persons manufacturing, possessing, transporting, distributing, storing, selling non-duty paid/ counterfeit cigarettes.
- Pakistan Tobacco Board shall collect advance tax at the rate of 5% by manufacturers of cigarettes on purchase of tobacco.
- RD on betel nuts increased from 10% to 25% while RD @ Rs.200/kg levied on betel leaves.

MISCELLANEOUS:

- Extension of concession on 11 more components of trailers
- Surcharge in excess of 0.25% for cargo in-bonded at Karachi for upcountry Bonds exempted
- Expansion of scope of exemption on import/donation by allowing imports and donation of Federal, Provincial, AJ&K, Gilgit-Baltistan Governments, NDMA, PDMA and Govt. emergency/ rescue services.
- Automatic Stay granted against recovery till the decision of the Commissioner Inland Revenue (Appeals) Subject to the payment of 25% of the Demand amount of sales tax and FED.
- Exemption from sales tax on premixes to fight growth stunting.
- Withdrawal of sales tax withholding. Sales tax withholding is proposed to be withdrawn on supplies from registered persons to other registered persons with the exception of advertisement services.
- Services which are subject to sales tax on the basis of turnover without input tax adjustment under Provincial Sales Tax Laws are proposed to be taxed in the similar manner.
- Reduction of RD on aluminium waste or scrap from 10% to 5%
- Exemption of 16% CD on stamping foils.
- Reduction of CD on sheets for veneering rom 16% to 11%.
- Increase of CD on aluminium beverage cans from 11% to 20%.
- CD reduced on uncoated polyester film and aluminum wire from 20% to 11% for manufacturers of metalized yarn
- CD reduced from 20% to 16% and from 16% to 11%, on raw materials for manufacturers of Baby Diapers
- RD @ 10% levied on animal protein meals.
- RD levied/increased on 565 non-essential items by various rates ranging from 5% to 15%
- Retailer is liable to pay sales tax at the rate of 2% of turnover without any input tax adjustment or to pay sales tax under normal tax regime.
- Clarificatory amendment regarding application of sales tax on imports.
- Goods imported into Pakistan are subject to sales tax. However, in order to clarify the matter in view of some court judgments Clarificatory amendment is being made to section 3 regarding application of sales tax on imports destined for non-tariff areas.
- Fixed Income tax on Builders and Developers is abolished.
- Individual to pay advance Income tax where income exceeds Rs.1 Million
- Credit on educational expenses increased to 1.5M income limit
- Provisional assessment u/s 122C has been abolished.
- Now withholding statements could be revised within 60 days of its filing

- The present rate of 12.5% is proposed to be increased to 15.0% on dividends, except for power companies. It should lower the attractiveness of yield plays.
- The rate of tax on dividend received from mutual funds is being rationalized and enhanced from existing 10.0% to 12.5%.
- At present, upon enlistment of a company in the stock exchange, 20.0% tax credit for a period of two tax years is available on the tax payable by such company. Such tax credit is being extended for another two tax years; however, such tax credit shall be allowed at 10.0% of the tax payable for each of these subsequent two tax years.
- As expected, the rate of corporate tax has been reduced by 1% to 30%.
- The rate of minimum tax is being enhanced from 1.00% to 1.25%.
- At present, there is exemption from tax on the undistributed reserves of a public company, other than a banking company or a modaraba, if the lesser of at least 40% of after tax profit or 50% of the paid up capital is distributed as dividend. The condition regarding distribution of 50% of paid up capital is being omitted.

Income Tax Ordinance, 2001

Proposed Amendments – Section wise

Section 2(22A) – Fast Moving Consumer Good - Amendment
The bill seeks to narrow the scope of the fast moving consumer goods by excluding the words "durable goods" from the definition of fast moving consumer goods.

Section 2(38A) – Officer of Inland Revenue– Amendment

The bill seeks to extend the authority by adding "District Taxation Officer" and "Assistant Director Audit" in the definition of Officer of Inland Revenue

Section 2(62A) – Startup– New insertion

The bill seeks to introduce the concept of startup and technology driven products or services through insertion of following new definition.

"(62A) "startup" means a business of resident individual, AOP or a company incorporated or registered in Pakistan on or after first day of July, 2012 and the person is engaged in or intends to offer technology driven products or services to any sector of the economy provided that the person is registered with and duly certified by the Pakistan Software Export Board (PESB) and having turnover of less than one hundred million in each of the last five tax years.";

Section 4B - Super tax for rehabilitation of temporarily displaced persons– Amendment

Presently section 4B(1) levied super tax on banking companies and other companies having income exceeding Rs. 500 million for tax year 2016 only.

The bill seeks to extend the applicability of the section for one more year i.e. for tax year 2017.

Section 5A – Tax on undistributed profits– New Insertion

The proposed new section seeks to impose tax on undistributed reserves held by the public company or Modaraba, if it does not issue dividend subject to terms and conditions. The proposed new section is read as follows:

"5A. Tax on undistributed profits.- (1) Subject to this Ordinance, for tax year 2017 and onwards, a tax shall be imposed at the rate of ten percent, on every public company other than a scheduled bank or a modaraba, that derives profit for a tax year but does not distribute at least forty percent of its after tax profits within six months of the end of the tax year through cash or bonus shares:

Provided that for tax year 2017, bonus shares or cash dividends may be distributed before the due date mentioned in sub-section (2) of section 118, for filing of a return.

(2) The provisions of sub-section (1) shall not apply to-

(a) A company qualifying for exemption under clause (132) of Part I of the Second Schedule; and

(b) A company in which not less than fifty percent shares are held by the Government."

Section 7C – Tax on Builders– Amendment

Presently the section provides for the levy of fixed tax in respect of the income earned by the builders who are approved after tax year 2016.

The bill seeks to restrict the applicability of this section for tax year 2017 only and intends to exclude the income of builders from separate block and treat it as normal income.

Section 7D – Tax on Developers– Amendment

Presently the section provides for the levy of fixed tax in respect of the income earned by the land developers who are approved after tax year 2016.

The bill seeks to restrict the applicability of this section for tax year 2017 only and intends to exclude the income of land developers from separate block and treat it as normal income.

Section 8 — General Provisions– Amendment

Presently this section talks about the final discharge of liability in respect of the income earned under the heads dividend, undistributed reserves, certain payments to non-residents, shipping and air transport income of non-residents, shipping income of residents, profit on debt, Builders and Land Developers under sections 5, 5A, 6, 7, 7A, 7B, 7C and 7D respectively.

The bill seeks to remove the Section 7C and 7D from the above section applicable in case of Builders and Land Developers from the applicability of final taxation, as proposed to be – Amendment.

Section 13 — Value of Perquisites– Amendment

Presently the section does not include the market rate of interest on the interest free or reduced rate loan provided by the employer up to the loan amount of Rs. 500,000/-.

The bill seeks to double the limit of interest free loan from Rs. 500,000/- to Rs. 1,000,000/-.

Section 21 — Deductions not allowed– Amendment

Presently the sub-section (o) allows expenditures in respect of sales promotion, advertisement and publicity up to 5% of the turnover.

The bill seeks to enhance the limit of the expenditure of sales promotion, advertisement and publicity up to 10% of the turnover.

Section 22 — Depreciation– Amendment

The bill seeks to enhance the scope of depreciable asset by adding the assets co-owned under an arrangement i.e. Musharika and Diminishing Musharika with Islamic financial institution licensed by State Bank of Pakistan or Securities and Exchange Commission of Pakistan (SECP).

Section 53 – Exemptions and tax concessions in the Second Schedule- Amendment

Presently the section empowers the Economic Coordination Committee of Cabinet to exempt or reduce the rates of tax.

The bill seeks to empower the board to exempt or reduce the tax rates with the approval of Minister In-charge. Further, new provisos are intended to be added through which already issued notifications will be rescinded till 30th June 2018.

Section 62A – Tax Credit for Investment in Health Insurance- Amendment

The bill seeks to enhance the limit of tax credit from Rs. 100,000/- to Rs. 150,000/-.

Section 64A – Deductible allowance for profit on debt- Amendment

The bill seeks to renumber the section from 64A to 60C.

Section 64AB – Deductible allowance for education expense- Amendment

The bill seeks to renumber the section from 64AB to 60D. Further, the section intends to extend the benefit of educational expense for the individuals earning income up to one and a half Million rupees which was previously one Million rupees.

Section 65A – Tax credit to a person registered under the Sales Tax Act- Omission

Presently the section provides three percent tax credit against the tax payable, if the Sales Tax Registered manufacturer makes ninety percent sales to Sales Tax Registered persons.

The bill seeks to withdraw the benefit by deleting the section.

Section 65C – Tax credit for enlistment`- Amendment

Presently the section provides twenty percent tax credit of tax payable to the company in the year of enlistment and the year after.

The bill seeks to increase the benefit of tax credit by further two years to promote the enlistment of companies.

Section 94 – Principles of Taxation of Companies- Omission

Presently the sub-section (3) provides that the dividend paid by a non-resident company to a resident person shall be taxed as income from business or income from other sources.

The bill seeks to delete the said sub-section, resultantly such dividend will also be taxed under Section 5 as separate block of income.

Section 100 – Special Provisions relating to the Production of Oil and Natural Gas, and Exploration and Extraction of Other Mineral Deposits - Amendment

Presently the profit and gains derived from sui gas fields are taxable under the Fifth Schedule.

The bill seeks to exclude the applicability of the Fifth Schedule on the profit and gains earned from the sui gas field.

Section 100C – Tax Credit for Certain Persons

The bill seeks to add another condition in order to be eligible for claiming 100% tax credit by the Nonprofit Organisations that the administrative and management expense of the non-profit organizations, trusts or welfare institutions shall not exceed 15% of the total receipts.

The bill further seeks to tax the surplus funds at the rate of 10% and added the definition of the surplus funds through adding Clause 1A in the Section 100C, which is read as follows:

"(1A) Notwithstanding anything contained in sub-section (1), surplus funds of non-profit organization shall be taxed at a rate of ten percent.

(1B) For the purpose of sub-section (1A), surplus funds mean funds or monies:

(i) Not spent on charitable and welfare activities during the tax year;
(ii) Received during the tax year as donations, voluntary contributions, subscriptions and other incomes;
(iii) or more than twenty five percent of the total receipts of the non-profit organization received during the tax year;
(iv) are not part of restricted funds:

Explanation: For the purpose of this subsection, "restricted funds" mean any fund received by the organization but could not be spent and treated as revenue during the year due to any obligation placed by the donor."

Section 113 – Minimum tax on the income of certain persons

Presently the section charges 1% minimum tax on the gross turnover.

The bill seeks to refer the rate of the tax with the First Schedule whereas it was currently mentioned in the section. Further, the proposed amendment intends to increase the rate by 0.25%.

Section 114 – Return of Income

Presently the sub-section (6)(c) does not allow a revised return to be filed by declaring loss more than an income less than as has been assessed/declared under sections 121, 122, 122A, 122C, 129, 132, 133 or 221.

The bill seeks to make a technical amendment by deleting section 122C as the order passed under section 122C is a provisional assessment, which is treated to be deemed assessment under section 121 after the expiry of 45 days.

Section 115 – Persons not required to furnish a Return of Income - Amendment

Presently the sub-section (3) does not bind the persons who owns immovable property as elaborated in section 114(1)(b)(iii).

The bill seeks to exclude person owning an immovable property, flat or motor vehicle from the requirement of filing of the return if it fulfill any of the conditions mentioned therein i.e widow, orphan below 25 years of age, disabled person; or in case of ownership of immovable property, a nonresident.

Section 116 – Wealth Statement - Amendment
Presently the sub-section (2A) requires the persons filing the return in response to a provisional assessment under section 122C to file the Wealth Statement along with the Wealth Reconciliation. Further, sub-section (3) allows the persons to file the revised Wealth Statement along with the revised Wealth Reconciliation any time before the assessment is made under section 122.

The bill seeks to omit sub-section (2A) as a technical amendment because the proposed bill intends to delete section 122C. Further, the proposed bill intends to restrict the revision of the Wealth Statement till such time notice under section 122 is received by the person.

Section 119 – Extension of Time for Furnishing Returns and Other Documents - Amendment
Presently the Commissioner Inland Revenue (CIR) is only authorized to grant extension in time for filing the returns and other documents.

The bill seeks to empower the Chief Commissioner Inland Revenue (CCIR) to grant extension in time for furnishing the returns and other documents, if the same is not entertained by the concerned CIR.

Section 121 – Best Judgement Assessment - Amendment
Presently the section allows to make an assessment in case the statement or return under section 115, 116, 143 or 144 is not furnished in response to the notice under the relevant section.

The bill seeks to enhance the scope of the section by bringing into the authority to make an assessment, if the return is not filed under section 114 as was previously provided under section 122C.

Section 122 – Amendment of Assessment - Amendment
The bill seeks to make a technical amendment by deleting the expression "or issued under section 122C" as the section 122C is intended to be deleted.

Section 122C – Provisional assessment - Omission
Presently the section provides that if the income tax return along with the wealth statement is not filed in response to the notice under section 122C the Commissioner may pass a provisional order under section 122C.

The bill seeks to omit section 122C and empowering the commissioner to make an assessment under section 121 in case of non-filing of income tax return in response to the notice under section 114.

Section 127 – Appeal to the Commissioner (Appeals) - Amendment
The bill seeks to omit the expression "section 122C" as the section 122C is intended to be removed.

Section 130 – Appointment of the Appellate Tribunal - Amendment
Presently sub-section (3)(c) allows the Officer of Inland Revenue having BS-20 grade or above with law graduation to become judicial member of the appellate tribunal.

The bill seeks to exclude Officer of Inland Revenue having BS-20 grade and above from the eligibility to become the judicial member of the Appellate Tribunal.

Section 137 – Due Date for Payment of Tax- Amendment
Presently the provisos to sub-section (2) states the time period for the payment of the demand raised through the assessment order passed under section 122C.

The bill seeks to omit the provisos as the proposed bill intends to delete the section 122C itself.

Section 146 – Recovery of Tax from Persons Assessed in Azad Jammu and Kashmir- Amendment
Presently the section provides the mechanism of recovery from the persons owing tax to the Tax Authorities of Azad Jammu and Kashmir.

The bill seeks to incorporate Gilgit-Baltistan into the scope of the section 146.

Section 147 – Advance tax paid by the taxpayer - Amendment
Presently the section is applicable on the individuals having latest assessed taxable income Rs. 500,000/- or more.

The bill seeks to enhance the limit for applicability of the provisions of section 147 from Rs. 500,000/- to Rs. 1,000,000/-.

Section 148 – Imports - Amendment
Presently the section excludes import of fertilizer by manufacturer of fertilizer from final tax which is deducted at import stage.

The bill seeks to impose final tax on the importer of fertilizer being a manufacturer of fertilizer.

Section 152 – Payment to Non-Residents - Amendment
The bill seeks to make certain technical amendments. It also proposes to provide the non-resident contractors to opt for Final Tax Regime which is currently compulsory. Further, clarificatory amendment in sub-section (4A) is intended to include grant of exemption from the commissioner in respect of the payment to the permanent establishment without deduction of tax which previously allowed a reduced rate exemption only.

Section 153 – Payment for goods, services and contracts - Amendment
The bill seeks to insert new proviso in sub-section (1) in order to include the payment of services made through an agent or third party in the scope of withholding tax.

Section 165 – Statements - Amendment
The bill seeks to bring the revision of the statements filed under sub-section (1) and (2) into the purview of section 165 which was not previously available.

Section 165B – Furnishing of information by financial institutions including banks - Amendment
The bill seeks to include other reportable persons into the purview of section 165B which is currently restricted to non-resident persons only.

Section 176 – Notice to obtain information or evidence - Amendment
Presently the sub-section (1)(c) authorizes firm of chartered accountants to obtain information for the purposes to conduct audit under section 177 provides a period of two years to apply for the refund claim from the date on which the refund was deemed.

The bill seeks to include the firm of cost and management accountants as the authorized persons to obtain the information as is delegated by the commissioner.

Section 182 – Offences and penalties - Amendment

The bill seeks to levy penalty on the persons who do not comply with the reporting provisions under section 108 and 165B.

Section 191 – Prosecution for Non-compliance with Certain Statutory Obligations - Amendment

Presently the sub-section (1)(a) includes prosecution against non-compliance of section 114(3) and in sub-section (1)(c) punishes a person who do not fulfill the obligation in respect of collection and payment of tax into the government treasury.

The bill seeks to include the provisions of section 114(4) in sub-section (1)(a). Further, it intends to enhance the prosecution against non-deduction and payment under chapter XII.

Section 205 – Default Surcharge -Amendment

Presently the sub-section (1B) invokes default surcharge at the rate of 1% per annum if the advance tax liability under section 147 is paid less than 90% of the total tax liability in respect of the persons following normal tax year I.e. from 1st July to 30th June.

The bill seeks to include the persons following special tax year by imposing default surcharge from the first day of the last quarter.

Section 206A – Advance Ruling -Amendment

Presently the provisions of advance ruling were not available to the permanent establishment of a non-resident in Pakistan.

The bill seeks to make proviso of sub-section (3) in order to include permanent establishment in the scope of the section to avail the benefit of the same accordingly.

Section 207 – Income Tax Authorities - Amendment

The bill seeks to include District Taxation Officer and Assistant Director Audit as the income tax authorities.

Section 208 – Appointment of Income Tax Authorities - Amendment

The bill seeks to include District Taxation Officer and Assistant Director Audit as the income tax authorities.

Section 216 – Disclosure of Information by a Public Servant - Amendment

The bill seeks to include Employees Old Age Benefit Institution in the list of the organizations from which the information obtained shall not be disclosed. Further, it intends to empower Minister In-charge under sub-section
(5) to provide approval to publish the information as obtained during the proceedings under the ordinance.

Section 227A – Reward to Officers and Officials of Inland Revenue - Amendment

The bill seeks to make some clarifactory changes.

Section 227B – Reward to Whistleblowers-Amendment
The bill seeks to exclude the persons who provide information without any supporting evidence from the eligibility of reward under this section.

Section 230D – Directorate General of Broadening of Tax Base – New insertion
The bill seeks to insert new section in order to introduce/create a new directorate.

Section 230E – Directorate General of Transfer Pricing – New insertion
The bill seeks to insert new section in order to introduce/create a new directorate including mechanism of their working.

Section 231B – Advance tax on private motor vehicle - Amendment
Presently the sub-section (1A) prescribe the leasing company, schedule bank, investment bank, development finance institution and modarba as the withholding agent at the time of leasing motor vehicles to non-filers.

The bill seeks to enhance the scope by including the non-banking financial institutions and modarba whether shariah compliant or conventional mode as withholding agent while leasing or ijara financing the motor vehicle to non-filers.

Section 233A – Collection of Tax by a Stock Exchange Registered in Pakistan - Amendment
Presently the tax collected under this section is adjustable under sub-section (2).

The bill seeks to modify the said deduction/collection of tax as final tax instead of adjustable.

Section 234A – CNG Stations - Amendment
The bill seeks to impose further tax on CNG stations by making advance tax collected under section 235 on electricity consumption as final tax under sub-section (3) in addition to the advance tax collected on the amount of gas bill.

Section 235 – Electricity Consumption - Amendment
The bill seeks to make certain clarificatory changes.

Section 235A – Domestic Electricity Consumption - Amendment
The bill seeks to make certain clarificatory changes.

Section 236C – Advance tax on sale or transfer of immovable property- Amendment
Presently the bill requires the registering or attesting the transfer of immovable property at the local authority level including Registrar of Properties.

The bill seeks to include housing authority, housing society and cooperative society as the withholding agent to collect advance tax at the time of transfer of property. Further, it seeks to make advance tax collected at source as minimum tax if sold within one year of acquisition.

Section 236G – Advance Tax on Sale to Distributors, Dealers and Wholesalers - Amendment
The bill seeks to increase the ambit of withholding on sales to distributors, dealers and wholesalers on batteries by the manufacturers or commercial importers.

Section 236H – Advance tax on Sale to Retailers - Amendment
The bill seeks to increase the ambit of withholding on sales to retailers on batteries by the manufacturers, commercial importers, distributors, dealers and wholesalers.

Section 236K – Advance tax on Purchase or Transfer of Immovable Property - Amendment
Presently the bill requires the registering or attesting the transfer of immovable property at the local authority level including Registrar of Properties.

The bill seeks to include housing authority, housing society and cooperative society as the withholding agent to collect advance tax at the time of transfer of property.

Section 236W – Advance tax on Purchase or Transfer of Immovable Property -Amendment
Presently the bill requires the registering or attesting the transfer of immovable property at the local authority level including Registrar of Properties.

The bill seeks to include housing authority, housing society and cooperative society as the withholding agent to collect advance tax at the time of transfer of property.

Section 236X – Advance tax on Tobacco – New insertion
The bill seeks to insert new section for imposing withholding tax in respect of the local manufacturer and persons purchasing tobacco at the rate of 5%. The tax is intended to be collected by Pakistan Tobacco Board which will be adjustable.

Section 241 – Validation –New insertion
The bill seeks to validate/authenticate all the notifications and orders issued prior to 1st July 2017.

First Schedule

Part I

Division III

Rate of Dividend – Amendment

Earlier, dividend from the companies except power generation companies is taxable at the rate of 12.5% whereas the dividend received from a mutual fund is taxable at 10%.

The Bill proposes to increase the rate of withholding tax on dividend by 2.5% i.e. 15% in case of the companies except power generation companies and 12.5% in respect of mutual funds.

Division IIIA

Rate for Profit on Debt – Amendment

Earlier, the 1st slab was upto the profit of Rs. 25,000,000/- and 2nd slab upto Rs. 50,000,000/- and last slab on the amount exceeding Rs. 50,000,000/-.

The Bill proposes to decrease the limits of each slab i.e. the 1st Slab is upto Rs. 5,000,000/-, 2nd Slab till 25,000,000/- and 3rd slab applicable on the amount of profit exceeding Rs. 25,000,000/-.

The existing slab limits and the proposed amendment is provided in the following table:

Current Provision		Proposed Amendment	
Tax Year 2017	**Rate of Tax**	**Tax Year 2018**	**Rate of Tax**
Where the amount does not exceed Rs. 25,000,000/-	10%	Where the amount does not exceed Rs. 5,000,000/-	10%
Where the amount exceeds Rs. 25,000,000/- but does not exceed Rs. 50,000,000/-	Rs. 2,500,000/- + 12.5% on the amount exceeding Rs. 25,000,000/-	Where the amount exceeds Rs. 5,000,000/- but does not exceed Rs. 25,000,000/-	12.5%
Where the amount exceeds Rs. 50,000,000/-	Rs. 5,625,000/- + 15% on the amount exceeding Rs. 50,000,000/-	Where the amount exceeds Rs. 25,000,000/-	15%

Division VII

Capital Gain on Disposal of Securities – Amendment

Presently in Income Tax Ordinance, 2001, section 37A, Gains on Disposal of Securities are taxable where the security are held on or after July 1, 2012. Rates have been divided into Filer and Non-Filer status of taxpayers. The future contracts has been subjected to tax as capital gains on securities.

The bill seeks to impose fix rate of tax irrespective of the year of acquisition and disposal. Further, it intends to increase the rate of non-filer by 2%.

The rates of tax based on the holding period of securities and according to status of taxpayer as Filer and Non-Filer are proposed as per following table:

Holding Period	Tax Year 2017		Tax Year 2018	
	Filer	Non-Filer	Filer	Non-Filer
Less than 12 months	15%	18%	15%	20%
12 months or more but less than 24 months	12.5%	16%		
24 months or more but acquired on or after July 1, 2013	7.5%	11%		
Acquired before July 1, 2013	0%	0%	0%	0%
Future contracts entered by members of Pakistan Mercantile Exchange	5%	5%	5%	5%

Division IX

Minimum Tax under section 113- Amendment

The bill seeks to increase the rate of minimum tax by 0.25% on companies stated at serial 4 i.e. from 1% to 1.25%.

Part III

Division I

Advance Tax on Dividend – Amendment

The Bill seeks to increase the rate of withholding tax on Dividend i.e. from 12.5% to 15%. Further, the rate of advance tax on dividend in respect of the funds is also intended to be increased from 10% to 12.5%, which is clarified through the below table:

Before Amendment				After Amendment			
Person	Stock Fund (%)	Money market Fund, Income Fund [or REIT scheme] or any other fund (%)		Person	Stock Fund (%)	Money market Fund, Income Fund or [or REIT scheme] or any other fund (%)	
		Filer	Non-Filer			Filer	Non-Filer
Individual	10	10	15	Individual	12	12	15
Company	10	25	25	Company	12	25	25
AOP	10	10	15	AOP	12	12	15

Division II

Payment to Non-Residents – Amendment

The Bill seeks to increase the rate of withholding tax on non-filers as under:

Person	Before Amendment		After Amendment	
	Non-Filer			
	Company	Others	Company	Others
Execution of Contract by Non-Resident Person	12%	12%	13%	13%
Supply of Goods by PE	6%	6.5%	7%	7.75%
Rendering of Services by PE	12%	15%	14%	15%
Execution of Contract by PE	12%	12%	13%	13%

Division III

Payment for Goods or Services- Amendment

The Bill seeks to make a clarifactory amendment in respect of the cotton seed and intends to reduce the rate of withholding tax on fast moving consumer good from 3% and 3.5% to 2% and 2.5% in case of the supplier being company and others respectively. Further, it seeks to increase the burden of tax on non-filer as under:

Person	Before Amendment		After Amendment	
	Non-Filer			
	Company	Others	Company	Others
Supply of Goods	6%	6.5%	7%	7.75%
Rendering of Services	12%	15%	14.5%	17.5%
Execution of Contract	10%	10%	12%	12.5%

Division V

Income from Property- Amendment

The Bill seeks to impose an additional 2.5% tax in case of companies being non-filer under clause (b) i.e. 17.5% in case of company being a non-filer.

Division VI

Prize and Winnings- Amendment

The Bill seeks to increase the rate of tax in case of the non-filers by 5% i.e. to increase the burden of tax from 20% to 25% for the persons being non-filers.

Division VIA

Petroleum Products- Amendment

The Bill seeks to increase the rate of tax in case of the non-filers by 2.5% i.e. to increase the burden of tax from 15% to 17.5% for the persons being non-filers.

Division VIB

CNG Stations- Amendment

The Bill seeks to introduce a tax rate for non-filers i.e. six percent for non-filers which is 2% higher than the existing rate of 4% for filers.

Part IV

Division IV

Electricity Consumption

The Bill seeks to make a technical amendment.

Division V

Telephone Users

The Bill seeks to reduce the rate on internet and mobile by 1.5% i.e. 12.5% which is currently 14%.

Division VII

Advance Tax on Purchase, Registration and Transfer of Motor Vehicles

The bill seeks to reduce the rate of advance tax as under:

Engine Capacity	Before Amendment	After Amendment
	Filers	
Upto 850cc	10,000/-	7,500/-
851cc to 1000cc	20,000/-	15,000/-
1001cc to 1300cc	30,000/-	25,000/-

Division VIII

Advance Tax at the time of sale by auction

The Bill seeks make the insertion in respect of the non-filers by introducing the rate of 15% for non-filers in comparison with the existing rate of 10% which would become applicable to filers only.

Division XV

Advance Tax on sale of retailers- Amendment

The Bill seeks introduce a separate rate for the non-filers and electronics retailers, which is provided as follows:

Category of Sale	Before Amendment	After Amendment	
		Filer	Non Filer
Electronics	0.5%	1%	1%
Others	0.5%	0.5%	

Division XXI

Advance Tax on Banking Transactions other than through Cash- Amendment

The Bill seeks make a technical amendment by empowering the Minister In-charge to amend the rate of advance tax. The power is currently with the Federal Government, which would be exclusively available to the Minister In-Charge after the said amendment.

Division XXV

Advance Tax on Insurance Premium- Amendment

The Bill seeks enhance the threshold for collecting the advance tax on the insurance premium in respect of the life insurance. The limit after which the advance tax became applicable is Rs. 0.2 Million that is intended to be increased to Rs. 0.3 Million.

Second Schedule

Part-I (Exemptions & Tax Concessions)

Clause 66 (Exemption to Income of Charitable Organizations) – Amendment
The existing clause of the Ordinance allow the exemption to income of approved list of certain entities. The bill proposes to add the name of following organizations in the list.

- Asian 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 December 25, 2015.
- Gulab Devi Chest Hospital
- Pakistan Poverty Alleviation Fund
- National Academy of Performing Arts

Further the name of "Society for Welfare of Patient of SUIT" is proposed to be changed by "Society for Welfare of SUIT" in the list of approved NPO / Charitable Institutions.

Clauses 126A, 126AB, 126AC & 126AD – Amendment
The proposed amendment seek to correct the spelling of word "Gwadar", which were previously appearing as 'Gawadar'.

Clause 140A (Exemption to the Income of Japan International Cooperation Agency (JICA)) – New insertion
A new Clause is being proposed to be inserted as a consequence of which any profits on debts, derived by Japan International Cooperation Agency (JICA) form Islamabad-Burhan Transmission Reinforcement Project (Phase-I), shall be exempt from tax; subject to the condition that the profit on debts is derived from the loan agreement undertaken for Islamabad-Burhan Transmission Reinforcement Project Phase-I.

Clause 143 (Exemption to the Income of Political Parties) — New insertion
A new Clause is being proposed to be inserted as a consequence of which any income derived by Political Parties registered under the Political Parties Order, 2002 with the Election Commission of Pakistan, shall be exempt from tax.

Clause 144 (Exemption to the Income of Start-ups) — New insertion
A new clause is being proposed to be inserted through which income / profits earned Start-Ups shall be exempted from levy of Income Tax. A start-up has been defined as a business set-up by an individual, AOP or a company having turnover up to Rs.100 Million, registered and certified by the Pakistan Software Export Board (PSEB) as an information technology entity engaged in offering technology driven products or services to any sector of the economy.

Moreover, exemption from levy of minimum tax as well as withholding tax (as recipient) is also being accorded to such start-ups.

Part IV (Exemptions from Specific Provisions)

Clause 11A (Exemption from Minimum Tax to Person falls in the definition of "Start-ups") – New insertion

The Bill proposed to insert a new sub clause (xxix) of clause (11A) as a consequence of which exemption shall be provided from levy of minimum tax to business set-up by an individual, AOP or a Company engaged in information technology driven product or services, having turnover up to Rs.100 Million in each of the last five tax years and registered with the Pakistan Software Export Board (PSEB).

Clause 41 (Payment to Non-Resident)- Omission

The new Bill proposes to omit the Clause 41. Previously by this clause, the payment to non-resident shall not be treated under presumptive tax regime until the non-resident opts for it.

Clause 43F (Exemption from Withholding of Income Tax on the Payment to Start-ups) – New insertion

The current Bill seeks to insert new clause after Clause 43E, as a consequence of which provisions of section 153 shall not apply in case of business of Start-ups, set-up by an individual, AOP or a Company engaged in technology driven product or services, having turnover up to Rs.100 Million in each of the last five tax years and registered with the Pakistan Software Export Board (PSEB).

Clause 56 (Exemption from Withholding Income Tax u/s 148 of the Ordinance) - Amendment

The existing clause of the Ordinance allow the exemption from withholding of income tax u/s 148 of the ordinance to the certain Oil and Gas sector companies the Bill proposes to add the following companies in the above said list.

a) Gas and Oil Pakistan (Pvt.) Ltd,
b) Z&M Oils (Pvt.) Ltd,
c) Exceed Petroleum (Pvt.) Ltd,
d) Petrowell (Pvt.) Ltd,
e) Quality-1 Petroleum (Pvt.) Ltd,
f) Horizon Oil company (Pvt.) Ltd,
g) Outreach (Pvt.) Ltd and
h) Kepler Petroleum (Pvt.) Ltd.

Clause 56A - Omission

The Bill seeks to omit the clause (56A), as the basic section 236E of the ordinance was omitted by last finance bill.

Clause 72A (Exemption to the Hajj Group Operators) - Amendment

Presently, provisions of Sections 21, 152 and 113 are not applicable to the Hajj Group Operators, subject to the condition that they have paid Income Tax at the rate of Rs. 5,000/- per Haji for Tax Year 2016. The new Bill proposed to extend the concession subject to the same condition.

Clause 72B (Exemption of Income Tax withholding under section 148 of Ordinance to Industrial Undertaking on Import of Raw Materiel) – Amendment
Previously, the quantity of raw material to be imported during the tax year shall not be exceed 110% of raw material imported and consumed during the previous tax year.

The current Bill proposed to facilitate the Industrial Undertaking and to hold the inventory level upto the level, increased the quantity of raw material to be imported during the tax year from 110% to 125%.

Clause 91(Exemption from collection of Income Tax under section 148 of the Ordinance, on specified equipment's) – Amendments
The new Bill proposes to make editorial changes to Harmonize the HS Code of the following equipment's due to the adoption of WCO HS Version 2017.:

Equipment	Old Code	New Code
Sub Soiler	8432.3090	8432.3900
Tractor mounted trencher	8701.9020	8701.9200
Seed-cum-Fertilizer drill	8432.3010	8432.3100
Cutton or maize planer with fertilizer attachment	8432.3090	8432.3900
Potato Planter	8432.3090	8432.3900
Fertilizer or manure spreader or broadcaster	8432.4000	8432.4100
Rice transplanter	8432.3090	8432.3900
Canola or sunflower drill	8432.3010	8432.3100
Sugarcane Planter	8432.3090	8432.3900

Clause 94 (Exemption from Section 153(3)(b) to Specified services)- Amendment
Presently, the persons providing freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, tracking services, advertising services (other than by print or electronic media), share registrar services, engineering services or car rental services were excluded from the applicability of minimum tax on services u/s 153(3)(b) for the tax year 2017. The same exemption has now been extended up to the tax year 2018 with the same conditions subject to the filing of irrevocable undertaking by November 2017.

Further the services rendered by the Pakistan Stock Exchange Limited, has also been proposed to be included in the list.

Furthermore, the taxpayer has to present its accounts to the Commissioner within thirty (30) days of filing of return for audit for its income tax affairs for tax year 2016 to 2018, as the case may be.

Clause 101 (Exemption from Withholding of Income Tax under section 231A of the Ordinance) — New insertion
The current Bill proposed to add a new clause that provisions of section 231A shall not apply on the "Branchless Banking (BB) Agent Account" with respect to cash withdrawal in a day exceeding fifty thousand rupees, to utilized or render Branchless Banking Services to the customers.

Clause 102 (Exemption from collection of Advance Tax on Vehicles leased under the Prime Minister's Youth Loan Scheme) – New insertion

Presently, advance tax @ 3% is collected at the time of leasing motor vehicle to a non-filer. The current bill proposed the exemption from collection of such advance tax on vehicles leased under Prime Minister's Youth Loan Scheme.

Seventh Schedule

Rule 1 – Amendment

The Bill seeks to further clarify about adjustment of Notional Gain/Loss, to be made in the annual accounts by adding the clarification that No Notional Loss or Notional Gain on any investment shall be allowed unless all the events to determine such gain or loss have occurred and the gain or loss can be determining with reasonable accuracy.

Eight Schedule

Sub Rule (6) – Amendment

Previously the National Clearing Company of Pakistan Limited was required to furnish the statement of Capital gains within Thirty (30) days at the end of each quarter, to the Board.

The new Bill seeks to furnish the same statement within forty-five (45) days of the end of each quarter.

Rule (4) – Amendment

Previously, NCCPL was required to deposit the amount of tax collected on behalf of the Board on yearly basis by July 31st next following the financial year in which the amount was collected.

The new Bill seeks to deposit the same amount of tax collected, by August 15th next following the financial year.

Sales Tax Act, 1990

Section 2, Clause (43A) – New insertion

This new clause is proposed to be inserted to introduce a new type of retailer i.e. Tier 1 retailer. It provides,

"Tier – 1 retailer means, -

- a retailer operating as a unit of a national or international chain of stores;
- a retailer operating in an air-conditioned shopping mall, plaza or centre, excluding kiosks;
- a retailer whose cumulative electricity bill during the immediately preceding twelve consecutive months exceeds rupees six hundred thousand; and
- a wholesaler-cum-retailer, engaged in bulk import and supply of consumer goods on wholesale basis to the retailers as well as on retail basis to the general body of the consumers;"

Section 3(1)(b) - Amendment

The Section 3(1)(b) provides for the levy, charge and collection of sales tax on goods imported into Pakistan, the proposed amendment seeks to add the following sentence to it's irrespective of their final destination in territories of Pakistan as specified in clause (2) of Article 1 of the Constitution of Islamic Republic of Pakistan'' This proposed amendment is of clarificatory nature that any goods imported into Pakistan will be subject to sales tax whether the final destination is within the territories defined by the constitution or outside those boundaries.

Section 3(1A) - Amendment

The proposed amendment seeks to apply further tax of 2% on the supply to unregistered person, which supply is otherwise subject to zero rating.

Section 3 (9A) – New INSERTION

The proposed new insertion explains the charge of sales tax on Tier 1 retailer:

''(9A) Notwithstanding anything contained in this Act, Tier-1 retailers shall pay sales tax at the rate specified in sub-section (1) and shall observe all the applicable provisions of the Act and rules made thereunder, including the requirement to file monthly sales tax returns in the manner prescribed in Chapter II of the Sales Tax Rules, 2006:

Provided that the retailers making supplies of finished goods of the five sectors specified in Notification No. S.R.O. 1125(I)/2011, dated the 31st December, 2011 shall pay sales tax in respect of such supplies at the rates prescribed in the said Notification:

Provided further that Tier-1 retailers, in lieu of net tax payable at the applicable rate shall, shall have an option to pay sales tax under the turnover regime at the rate of two percent of their total turnover, including turnover relating to exempt supplies, without adjustment of any input tax whatsoever:

Provided also that retailers opting to pay sales tax on the basis of total turnover shall file an option to the Chief Commissioner of Regional Tax Office or Large Taxpayers Unit having jurisdiction by fifteenth day of July opting to pay sales tax on the basis of turnover and such an option shall remain in force for the whole financial year.";

Section 30 (1) Clauses (ea) and (fa) – New insertion
The proposed amendment seeks to insert following two new designations in the list of tax authorities:

- District taxation officer
- Assistant Director Audit

Section 30 (2A) AND (2B) – New insertion
The following two new subsections are proposed to be added, defining the role of Chief Commissioner Inland Revenue and Commissioner Inland Revenue

> (2A) The Chief Commissioners Inland Revenue shall perform their functions in respect of such persons or classes of persons of such areas as the Board may direct.
> (2B) The Commissioners Inland Revenue shall perform their functions in respect of such persons or classes of persons of such areas as the Chief Commissioner to whom they are sub-ordinate may direct.";

Section 30 (3) AND (4) – Amendment
The proposed amendment seeks to provide that District taxation officer and Assistant Director Audit shall be sub ordinate to the Commissioner Inland Revenue and Additional Commissioner Inland Revenue.

Section 33 Serial No.23 in table– New insertion
A new entry is proposed to be inserted for offence of manufacture, possession, transport, distribution, storage and selling of cigarette packs with or without counterfeited tax stamps, labels or barcodes.
The proposed penalties for above mentioned offences include imposition of penalty of higher of Rs. 25,000 or 100% of the amount of tax involved or further penalty of amount of tax involved and upon conviction to imprisonment for upto five years, further the vehicle used for transport can be confiscated and building in which manufacturing is made can be sealed for upto 15 days.

Section 48 – New insertion
A new provision is proposed to be included in this section, which restrict the powers of Commissioner to issue notice for recovery of tax due from tax payer if following criterion is fulfilled:

- The taxpayer has filed appeal before Commissioner Inland Revenue (Appeals), and such appeal is still pending before the Commissioner,
- Twenty five percent of the amount of tax due has been deposited by the taxpayer.

Section 56 (1)(d) &– 56(2)(d) - New insertion
The two new clauses have been proposed to be inserted to include electronic transmission of notices, orders and requisition through e-mail or through e-folder maintained by the limited liability companies.

Section 3 Subsection 2, 3A and 5, Sections 4, 7, 7A, 8, 13, 60, 65 and 71 - Amendment
The proposed amendment in above sections, seeks to replace the words 'Federal Government' with 'FBR with the approval of Minister Incharge of the Federal Government' resulting in the fact that now the FBR has all the following powers which were previously vested in the Federal Government, however, the FBR can issue notification only after getting prior approval from the Minister Incharge of the Federal Government to exercise these powers:

Section	Power proposed to be delegated
Section 3(2)	Exclude or include taxable supply in third schedule, mode and manner of charge, levy and collection of tax
Section 3(3A)	Specify the goods for which collection of tax shall be made by recipient of supply
Section 3(5)	Levy of extra rate or amount of tax
Section 4 Clause (c)	Goods to be specified to tax at the rate of zero per cent
Section 7 , sub-section (3)	Allow a registered person to deduct input tax paid by him from output tax
Section 7 , sub-section (4)	Allow a registered person or class of registered person to deduct input tax paid by him from output tax
Section 7A sub – section (1)	Charging of Tax on value addition basis
Section 7A sub – section (2)	Charging of tax on minimum value addition basis
Section 13 sub – section (2)	Exempt any taxable supply, import and supply thereof.
Section 60	Authorization of import of goods without payment of whole or any part of the tax
Section 65	To allow exemption of tax not levied or short levied
Section 71	To allow special procedure for payment, registration , book keeping and invoicing requirements.

Section 74 A – New insertion

The following new section is proposed to be inserted to give effect to or validate all the previous notification issued by the Federal Government:

- 74A. Validation.– All notifications and orders issued and notified in exercise of the powers conferred upon the Federal Government, before the commencement of Finance Act, 2017, shall be deemed to have been validly issued and notified in exercise of those powers, notwithstanding anything contained in any judgment of the High Court or Supreme Court.";

The Third Schedule (Items of Retailer to be taxed under normal tax regime) – Amendments

The HS Code of the ice cream has been proposed to be corrected and the fertilizers appearing at serial number 32 has been proposed to be omitted from this schedule.

The Fifth Schedule (Zero rated items) – Amendments

The entry appearing at serial number 12 (xvii) as "preparations for infant use put up for retail sale", is proposed to be substituted with "Preparations suitable for infants or young children, put up for retail sale"

The Sixth Schedule (Exempt items) – Amendments

Amendments in Table -1

The HS Codes of various items appearing has been proposed to be updated in line with the updated HS Codes in Customs Tarrif List.

The entry appearing at serial number 84 as "preparations for infant use put up for retail sale", is proposed to be substituted with "Preparations suitable for infants or young children, put up for retail sale"

In addition following amendments have been proposed to be made:

Serial No. 97 in addition to pens and ball pens, markers and porous tipped pens have been included

Serial No. 100A the material and equipment has been explained to include plant, machinery, equipment, appliances and accessories for the purpose of exemption applicable under said entry.

Following items have been included in the list of items exempted from tax:

Serial No. 100C Vehicles being imported by a Chinese company and its subsidiaries for the construction, development and operations of Gawadar port and Free Zone area.

Serial No. 130 Instead of respective heading the following have been replaced in column 3 "Sodium Iron (Na Fe EDTA), and other premixes of Vitamins, Minerals and Micro-nutrients (food grade) and subject to conditions imposed for importation under the Customs Act, 1969"

Serial No. 133 Following ingredients of pesticide, which were previously exempt have now been omitted from exempt:

ingredients for pesticides, Cadusafos Technical Material, other Tiethanolamine and its salts and ingredients for pesticides.

Serial No. 134 Goods received by Federal or Provincial governments as gift or donation from foreign government or organization.

Serial No. 135 Sunflower and canola hybrid seeds meant for sowing

Serial No. 136 Combined harvesters

Serial No. 137 Agriculture diesel engines

Amendments in Table -3 and its Annexure

In the annexure to the said table the existing entries at Serial No. 14 and 15 have been replaced with the Serial No. 14, 14A, 15 and 15A. Resulting in following additional items becoming exempt

Following items for use with solar energy:-

1. **Solar Power Systems.**
   (1) Off-grid/On-grid solar power system (with or without provision for USB/charging port) comprising of :
   - PV Module.
   - Charge controller.
   - Batteries for specific utilization with the system (not exceeding 50 Ah in case of portable system).

- Essential connecting wires (with or without switches).
- Inverters (off-grid/ on-grid/hybrid with provision for direct connection/ input renewable energy source and with Maximum Power Point Tracking (MPPT).
- Bulb holder

(2) Water purification plants operating on solar energy.

2. **Following Parts for Solar Water Heaters**
    - Insulated tank
    - Mounting stand

3. **Previously all accessories of Solar Water Heaters were exempt whereas proposed amendment seeks to specify following accessories as exempt.**
    - Electronic controller
    - Assistant/ feeding tank
    - Circulation Pump
    - Electric heater/ immersion rod (one piece with one solar water heater)
    - Solenoid valve (one piece with one solar water heater)
    - Selective coating for absorber plates

4. **Previously all wind power turbines were exempt, whereas after proposed amendment the wind power turbines below 200Kw with certain conditions are exempt, whereas wind turbines above 200Kw are exempt.**
5. **Parts and components for manufacturing LED lights:**
    - Aluminum housing/ shell for LED (LED light fixture)
    - Metal clad printed circuit boards (MCPCB) for LED
    - Constant current power supply for of LED lights (1-300W)
    - Lenses for LED lights

6. **Following items for promotion of renewable energy technologies or for conservation of energy:-**
    - SMD/LED/LVD street lights, with or without ballast, PV module, fitting and fixtures
    - Tubular day lighting device.
    - LED bulb/tube lights.
    - Light emitting diodes (light emitting in different colors).
    - Water pumps operating on solar energy along with solar pump controllers
    - Energy saver lamps of varying voltages
    - Energy Saving Tube Lights.
    - Sun Tracking Control System
    - Invertors (off-grid/on grid/hybrid) with provision for direct connection/input from renewable energy source and with Maximum Power Point Tracking (MPPT).
    - Charge controller/ current controller.

Provided that exemption under this serial shall be available with effect from 01.07.2016.

The Eighth Schedule –items with reduced rate of tax

Following important additions have been made in this schedule:

Description	Rate of Sales tax	Condition
Dap	Rs. 100 per 50 Kg bag	Nil
NP(22-20)	Rs. 168 per 50 Kg bag	If manufactured from gas other than imported LNG
NPK-I	Rs. 251 per 50 Kg bag	If manufactured from gas other than imported LNG
SSP	Rs. 31 per 50 Kg bag	If manufactured from gas other than imported LNG
Natural Gas	10%	If manufactured from gas other than imported LNG
Phosphoric acid	5%	If imported by fertilizer company for manufacturing of DAP
Following Machinery fir poultry sector:		Import and supply
Machinery for preparing feeding stuff	7%	
Poultry incubator and brooders	7%	
(iii) Insulated sandwich panels	7%	
(iv) Poultry	7%	
(v) Evaporative air cooling system	7%	
(vi) Evaporative cooling pad	7%	
Multimedia projectors	10%	If imported by educational institution
Locally produced coal	Rs. 425 per metric tonne or 17 % Vlorem, whichever is higher	Nil

The Ninth Schedule – Amendment

The proposed amendment seeks to change the rate of sales tax on import of low priced cellular mobile phones or satellite phones from Rs. 300 to 650 at the time of import as well as IMEI registration, in addition the rate of sales tax on Medium priced cellular mobile phones and satellite phones has been proposed to be reduced from Rs. 1,000 to Rs. 650 for both on import and IMEI registration.

FEDERAL EXCISE ACT, 2005

PROPOSED AMENDMENTS– SECTION WISE

SECTION 2

CLAUSE (8a) – AMENDMENT

Presently the clause 8(a) of the section 2 empowers the Federal Government to specify any other date in lieu of due date of standard due date which is 15th day of the month following the end of the month.

The word 'Federal Government' is proposed to be substituted with the word 'Board'.
The definition of "due date" is proposed to be – Amendment as below:

" Due date in relation to furnishing a return under section 4, means the 15th day of the month following the end of the month, or such other date as the <u>Board</u> may by notification in the official Gazette, specify and different dates may be specified for furnishing of different parts or annexures of the return".

By virtue of this amendment, the government seeks to delegate the power of Federal Government to the Board for specification of due date in lieu of standard due date for furnishing of different parts or annexures of the return.

SECTION 3

CLAUSE (c) OF SUB-SECTION 1 – AMENDMENT

Presently the clause (c) of the sub-section 1 of section 3 empowers the Federal Government to specify the goods that are subject to federal excise duty which are being produced or manufactured in the non-tariff areas and are brought to the tariff areas for sale or consumption therein.

The word 'Federal Government' is proposed to be substituted with the word 'Board with the approval of Minister in-charge of the Federal Government'

Clause (c) of the sub-section 1 of section 3 is proposed to be – Amendment as below:
"Such goods as the **Board with the approval of Minister in-charge of the Federal Government** may by notification in the official Gazette, specify, as are produced or manufactured in the non-tariff areas and are brought to the tariff areas for sale or consumption therein; and"

SUB-SECTION 4 – AMENDMENT

Presently the sub-section 4 of section 3 empowers the Federal Government to levy and collect duty on any class or classes of goods or services by notification in the official Gazette at such higher or lower rate or rates as may be specified in such notification.

The word 'Federal Government' is proposed to be substituted with the word 'Board with the approval of Minister in-charge of the Federal Government'.

Sub-section 4 of section 3 is proposed to be – Amendment as below:

"Without prejudice to other provisions of this act, the <u>Board with the approval of Minister in-charge of the Federal Government</u> may levy and collect duty on any class or classes of goods or services by notification in the official Gazette at such higher or lower rate or rates as may be specified in such notification".

By virtue of above amendments under section 3, the government seeks to delegate the powers which were vested with the Federal Government to the Board with the approval of Minister in-charge of Federal Government.

SECTION 16

SUB-SECTION 2 – AMENDMENT

Presently the sub-section 2 of section 16 empowers the Federal Government to specify the goods or class of goods to be exempted from the whole or any part of the duty leviable under this Act.

The word 'Federal Government' is proposed to be substituted with the word 'Board with the approval of Minister in-charge of the Federal Government'.

Sub-section 2 of section 16 is proposed to be - Amendment as below:

"The <u>Board with the approval of Minister in-charge of the Federal Government</u> may , pursuant to the approval to the Economic Coordination Committee of Cabinet, whenever circumstances exist to take immediate action for the purposes of national security, natural disaster, national food security in emergency situations, protection of national economic interests in situations arising out of abnormal fluctuation in international commodity prices, removal of anomalies in duties, development of backward areas, implementation of bilateral and multilateral agreements and matters relating to international financial institutions or foreign government-owned financial institutions, by notification in the official Gazette, exempt subject to such conditions as may be specified therein, any goods or class of goods or any services or class of services from the whole or any part of the duty levy-able under this Act."

SUB-SECTION 5 – AMENDMENT

Presently the sub-section 5 of section 16 empowers the Federal Government to place before the National Assembly all notifications issued under this section in a financial year.

The word 'Federal Government' is proposed to be substituted with the word 'Board with the approval of Minister in-charge of the Federal Government'.

Sub-section 5 of section 16 is proposed to be - Amendment as below:

"The <u>Board with the approval of Minister in-charge of the Federal Government</u> shall place before the National Assembly all notifications issued under this section in a financial year".

SUB-SECTION 6 – NEW INSERTION

Presently the sub-section 6 of section 16 withdraws all notifications issued under sub-section 2 after 1st July 2015 for exemption of goods or class of goods from excise duty under this section. The finance bill seeks to add the further two provisions under this section as under:

“Provided that all such notifications, except those earlier rescinded, shall be deemed to have been in force with effect from 1st July, 2016 and shall continue to be in force till 30th June, 2018, if not earlier rescinded:

Provided further that all notifications issued on or after 1st July, 2016 shall continue to be in force till 30th June, 2018, if not earlier rescinded.”

Earlier the government had by virtue of sub-section 6 of section 16 limited the validity of the SROs issued after 1st July 2015 for one year. However, by virtue of adding these provisos the government now seeks to make these SROs effective from 1st of July 2016 to 30th June 2018. Similarly, SROs issued from 1st July 2016 to date will remain valid till 30th June 2018 if not specifically rescinded.

By virtue of above amendments under section 16, the government seeks to delegate the powers which were vested with the Federal Government to the Board with the approval of Minister in-charge of Federal Government.

SECTION 19

SUB-SECTION 10 – AMENDMENT

Presently the sub-section 10 of section 19 imposes penalties on persons engaged in manufacturing or production of cigarettes in the manner contrary to this Act or rules or evades excise duty thereon or engaged in manufacturing and production of counterfeited cigarettes by confiscating and destroying the equipment, machineries and devices.

The finance bill seeks to widen the scope of offences and penalties by adding the manufacturing or production of the following counterfeited items used in the production of counterfeited cigarettes:

- tax stamps;
- banderoles,
- stickers, labels or barcodes,
- or is engaged in the manufacturing or production of cigarettes packs without affixing, or affixing counterfeited, tax stamps, banderoles, stickers, labels or barcodes

The section along with the proposed changes should be read as under:

“Where any person is engaged in the manufacture or production of cigarettes in the manner contrary to this Act or the rules made thereunder or otherwise evades duty of excise on cigarettes or is engaged in the manufacture or production of counterfeited cigarettes or tax stamps, banderoles, stickers, labels or barcodes, or is engaged in the manufacturing or production of cigarettes packs without affixing, or affixing counterfeited, tax stamps, banderoles, stickers, labels or barcodes, the machinery, equipment, instruments or devices used in such manufacture or production shall, after outright confiscation, be destroyed in such manner as may be approved by the Commissioner and no person shall be entitled to any claim on any ground whatsoever, or be otherwise entitled to any compensation in respect of such machinery or equipment, instruments or devices and such confiscation or destruction shall be without prejudice to any other penal action which may be taken under the law against the person or in respect of the cigarettes, tax stamps, stickers, labels, barcodes or vehicles involved in or otherwise linked or connected with the case.”

SECTION 29

SUB-SECTION 1 – NEW INSERTION

Presently the sub-section 1 of section 29 is for the appointment of the Federal Excise Officer and delegates its powers to different authorities including; Chief Commissioner Inland Revenue, Commissioner Inland Revenue, Additional and Deputy Commissioner and so on.
The finance bill seeks to add further two authorities as follows:

''(ea) District Taxation Officer
(fa) Assistant Director Audit''

The sub-section 1 of section 29 along with the proposed changes should be read as under:
"29. Appointment of Federal excise officers and delegation of powers.— (1) For the purposes of this Act and rules made there under, the Board may, by notification in the official Gazette, appoint, in relation to any area or jurisdiction specified in the notification, any person to be –

a) Chief Commissioner Inland Revenue;
b) Commissioner Inland Revenue;
c) Commissioner Inland Revenue (Appeals);
d) Additional Commissioner Inland Revenue;
e) Deputy Commissioner Inland Revenue;
ea) District Taxation Officer
a) Assistant Commissioner Inland Revenue;
fa) Assistant Director Audit
b) Inland Revenue Officer;
c) Superintendent Inland Revenue;
d) Inspector Inland Revenue;
e) Inland revenue Audit Officer; and
f) Officer of Inland Revenue with any other designation."

SUB-SECTION 1AA AND 1AB NEWLY INSERTED

Presently the sub-section 1A of section 29 subordinates the Chief Commissioner and Commissioner (appeals) under the Board and also subordinates the Commissioner under Chief Commissioner.

The finance bill seeks to add further clarification regarding functions of the Chief Commissioner and Commissioners by inserting the following two new sub-sections (1AA) or 1(AB) after sub-section 1(A), by virtue of which Jurisdictions will now be assigned to the Commissioners by the Chief Commissioners working under their jurisdictions.

"(1AA) The Chief Commissioners Inland Revenue shall perform their functions in respect of such persons or classes of persons of such areas as the Board may direct.

(1AB) The Commissioners Inland Revenue shall perform their functions in respect of such persons or classes of persons of such areas as the Chief Commissioner to whom they are sub-ordinate may direct."

SUB-SECTION 1B - AMENDMENT

With the proposed changes in the sub-section 1 of the section 29, the sub-section 1B is also proposed to include two newly inserted authorities i.e. District Taxation Officer and Assistant Director Audit.

The sub-section 1B after proposed changes is read as follows:

"(1B) Additional Commissioner Inland Revenue, Deputy Commissioner Inland Revenue, District Taxation Officer, Assistant Commissioners Inland Revenue Officers, Assistant Director Audit, Inspector Inland Revenue and Officers of Inland Revenue with any other designation shall be subordinate to the Commissioner Inland Revenue and shall perform their functions in respect of such persons or classes of persons or such areas as the Commissioners, to whom they are subordinate, may direct."

SUB-SECTION 1C – AMENDMENT

With the proposed changes in the sub-section 1 of the section 29, the sub-section 1C is also proposed to include two newly inserted authorities i.e. District Taxation Officer and Assistant Director Audit.

The sub-section 1C after proposed changes is read as follows:

"(1C) Deputy Commissioners Inland Revenue, District Taxation Officer, Assistant Commissioners Inland Revenue, Assistant Director Audit, Inland Revenue Officers, Superintendents Inland Revenue, Inland Revenue Audit Officers, Inspectors Inland Revenue, and Officers of Inland Revenue with any other designation shall be subordinate top the Additional Commissioner Inland Revenue."

SECTION 37

SUB-SECTION 1 NEW INSERTION

Presently section 37 deals with the deposit of duty demanded or penalty imposed under any appeal or under any decision or order against appeal provided that the Commissioner (Appeals) or Appellate Tribunal dispense with such deposits subject to such conditions as deem fit so as to safeguard the interest of the revenue.

The finance bill seeks to add the further provision by restricting the Commissioner to issue notice for recovery if the following conditions are fulfilled:

- The taxpayer has filed an appeal under section 33 of this Act in respect of order under which the tax sought to be recovered has become payable and
- The appeal has not been decided by the Commissioner (Appeals) subject to the condition that the tax payer has paid twenty five percent of the said amount.

The proposed provision under section 37 should be read as follows:

"Provided that the Commissioner shall not issue notice under this section or recovery rules made under the Federal Excise Rules, 2005 for recovery of any tax due from a taxpayer if the said taxpayer has filed an appeal under section 33 in respect of the order under which the tax sought to be recovered has become payable and the appeal has not been decided by the Commissioner (Appeals), subject to the condition that twenty-five per cent of the said amount of tax due has been paid by the taxpayer."

By virtue of this proviso, the tax payer is entitled to automatic stay on demand till the appeal is decided by the Commissioner on payment of 25% of amount due.

SECTION 43A NEWLY INSERTED

The Finance bill seeks to insert a new section 43A. The number of the section seems to be a typo error as section 43A already exist in the Act.
This section seeks to validate all notifications and orders issued or notified by the Federal Government before the commencement of Finance Act 2017 to circumvent the decisions of High Court or the Supreme Court decision.

SECTION 47

SUB-SECTION 1

CLAUSE (d) NEWLY INSERTED

Presently the sub-section 1 of section 47 deals with the proper service of notice, order, or requisition to a resident individual person under the following cases:

- Personally served or served to a representative as defined in section 172 of the Income Tax Ordinance 2001;
- Sent by registered post or courier service; and
- Served in the manner prescribed for service of a summons under the Code of Civil Procedure, 1908 (Act V of 1908)

The finance bill seeks to officially add the electronic way of communication of notice, order or requisition by either email or to the e-folder so maintained for the purpose of e-filling under a new clause (d), which is read as under:

<u>“(d) Sent electronically through email or to the e-folder maintained for the purpose of e-filing of Sales Tax-cum-Federal Excise returns by the limited companies, both public and private”</u>

SUB-SECTION 2

CLAUSE (d) NEWLY INSERTED

Presently the sub-section 2 of section 47 deals with the proper service of notice, order, or requisition to other than resident individual person under the following cases:

- Personally served on the representative of a person;
- Sent by registered post or courier service; and
- Served in the manner prescribed for service of a summons under the Code of Civil Procedure, 1908 (Act V of 1908)

The finance bill seeks to officially add the electronic way of communication of notice, order or requisition by either email or to the e-folder so maintained for the purpose of e-filling under a new clause (d), which is read as under:

<u>“(d) Sent electronically through email or to the e-folder maintained for the purpose of e-filing of Sales Tax-cum-Federal Excise returns by the limited companies, both public and private”</u>

FEDERAL EXCISE ACT SCHEDULES- SUMMARIES

SUMMARY OF FIRST SCHEDULE

TABLE -1: EXCISEABLE GOODS

Excise duties on the following goods are proposed to be changed as under:

S. No.	Description of Goods	Tariff Heading	Existing FED Rate	Proposed Rate
Col.(1)	**Col.(2)**	**Col.(3)**		**Col.(4)**
9a and 9b are proposed to be substituted by 9.	Locally produced cigarettes if their on- pack printed retail price exceeds Rs. 4500/- per thousand cigarettes.	24.02	Rs. 3,460/- per thousand cigarettes & Rs. 3,750/- per thousand cigarettes for different periods.	Rs.3,740/-per thousand cigarettes irrespective of period.
10 Newly Inserted	Locally produced cigarettes if their on pack printed retail price exceeds Rs. 2,925/- per thousand cigarettes but does not exceed Rs. 4500/-per thousand cigarettes.	24.02	Newly Inserted	Rs. 1760/-per thousand cigarettes
10a. and 10 b are proposed to be substituted by 10a.	Locally produced cigarettes if their on pack printed retail price does not exceed Rs. 2,925/= rupees per thousand cigarettes.	24.02	Rs. 1534/- per thousand cigarettes & Rs. 1,649/- per thousand cigarettes for different periods.	Rs. 800/= per thousand cigarettes irrespective of period.
13 - Amendment	Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinkers.	25.23	One rupee per kilogram	One Rupee and twenty- five paisa per kilogram

For the existing Restrictions after Table-1, the following shall be substituted, namely:–

“Restriction-1 – Reduction.–For the purpose of levy, collection and payment of duty at the rates specified in column (4) against serial number 9, no cigarette manufacturer shall reduce retail price from the level adopted on the day of the announcement of the latest budget.

Restriction-3 – Minimum Price. – No brand shall be priced and sold at a retail price (excluding sales tax) lower than forty-five percent of the retail price under column (2) serial number 9 of Table-I of the First Schedule to this Act.”

By virtue of this substitution, the government seeks to restrict the cigarette manufacturer from reducing the retail price from the defined level on the day of announcement of budget. Further, the government also seeks to ascertain the minimum price for all brand of cigarette.

TABLE – II – EXCISABLE SERVICES

Excise duties on the following services are proposed to be changed as under:

Sr. #	Description of Goods	Tariff Holding	Existing FED Rates	Proposed Rates
Col.(1)	Col.(2)	Col.(3)		Col.(4)
6.	Telecommunication services, excluding such services in the area of a Province where such Province has imposed Provincial sales tax and has started collecting the same through its own Board or Authority, as the case may be.	98.12 (All sub headings)	Eighteen and a half per cent of charges	Seventeen per cent of charges

SUMMARY OF THIRD SCHEDULE

TABLE -1: CONDITIONAL EXEMPTIONS- GOODS

The following are the proposed changes in the finance bill:

- In Serial no. 19, the words "material and equipment" is substituted with the words "plant, machinery, equipment, appliances and accessories" to widen the class of assets falling under this category.
- A new serial no 20 A is proposed to be inserted as follows:

S. No.	Description of Goods	Heading/ Sub- heading number
Col.(1)	Col.(2)	Col.(3)
20A.	Vehicles imported by China Overseas Ports Holding Company Limited (COPHCL) and its operating companies, namely:— i. China Overseas Ports Holding Company Pakistan (Private) Limited; ii. Gwadar International Terminal Limited; iii. Gwadar Marine Services Limited; and iv. Gwadar Free Zone Company Limited; for a period of twenty-three years for construction, development and operations of Gwadar Port and Free Zone Area subject to limitations, conditions prescribed under PCT heading 9917 (3)	9917 (3)

CUSTOM ACT, 1969

Proposed Amendments – Section Wise

Section 2(z) – New insertion

The bill seeks to add new sub-clause (z) after the clause (y) to include the definition of Bill of Coastal Goods in reference to the term Goods Declaration and to create provision for regulating controlled delivery operations. The said new sub-clause (z) is given as under:

Clause (z):- "controlled delivery" means supervised and coordinated operational activities that allow suspected consignments of prohibited and restricted goods, including items mentioned in clause (s), to pass out of, though or into the territory of Pakistan, with a view to identifying persons involved in the commission of an offence cognizable under this Act."

Section 3A - Amendment

The bill seeks to amend section 3A to modify the statutory designation of the Directorate General Intelligence and Investigation, Customs. Previously, the statutory designation was "Directorate General Intelligence and Investigation, Federal Board of Revenue."

This Section relates to general power of the Federal Government to provide exemption from Custom Duty.
At present Federal Government is empowered subject to certain conditions to exempt from Custom Duty any goods imported into or exported from Pakistan for the emergency relief due to security or national disaster, development of backward areas and for implementations of bilateral and multilateral agreements.
The proposed change intends to restrict the powers of the Directorate General Intelligence and Investigation Customs upto his department of customs only.

Section 3AAA – New insertion

After the section 3AA, the bill proposed to insert new section 3AAA to create and provide legal provisions/cover for the establishment of a Directorate General China Economic Corridor (CPEC). Further, the said Directorate General of China Pakistan Corridor shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint. The proposed change also intends to extend the powers of the Directorate General China Economic Corridor (CPEC).

Section 7 - Amendment

The bill seeks to modify section 7 to include the words "Inland Revenue and National Highway & Motorway Police".

At present this section reads as "All the officers of [Federal] Excise, Police and Civil Armed Forces, and all officers engaged in the collection of land revenue are hereby empowered and required to assist the officers of customs in the discharge of their functions under this act."
The proposed change intends to substitute the word "Inland Revenue" in place of Federal Excise and the word "National Highway and Pakistan Motorway Police" in place of "Police". Accordingly, this modified section shall be read as under:

"All the officers of Inland Revenue, National Highway and Pakistan Motorway Police and Civil Armed Forces, and all officers engaged in the collection of land revenue are hereby empowered and required to assist the officers of customs in the discharge of their functions under this act."

Section 8A – New insertion

After the section 8, the bill proposed to insert a new section 8A to empower the Board to prescribe rules for wearing of uniform by officers and staff of the Customs Service of Pakistan. The proposed change intends to extend similarity to all staff to wear proper and identical uniform to become more disciplinary. Previously, there was no such prescribed rules to follow.

Section 19 - Amendment

The bill seeks to amend section 19 with a view to rationalize the existing provisions with the Rules of Business and to provide legal coverage to certain notifications.

Section 25A(2) - Amendment

This section relates to general power of the appropriate officer to finalize assessment on the basis of value, if the same is higher than value fixed through valuation ruling.
At present the officer concerned may determine the custom value of any good or category of goods imported into or exported out of Pakistan, after following the method given in section 25, whichever is applicable.
The proposed change restrict the power of the officer concerned to finalize the assessment on the basis of value, if the same is higher than value fixed through valuation ruling.

Section 26(1A) – New insertion

After the section 26(1), the bill proposed to insert a new sub-section (1A) to empower the Board or any officer authorized in this behalf to frame rules to conduct End Use Verification of dual use precursor chemicals

The proposed change intends to extend the powers of the Board to frame such rules whereas earlier the Board cannot exercise such powers.

Section 33(4) – New insertion

The bill seeks to insert new sub-section (4) in section 33 whereby the refund is proposed to disallow in case of provisional assessment or court matters, if the incidence of customs duty and other levies has been passed on to the buyer or consumer.

Section 98(1)(b) – New insertion

The bill proposed to insert new clause (b) in sub-section (1) of section 98 whereby to empower a Chief Collector under section 98 to allow second extension in warehousing period as well as to harmonize discrepancy between Act and rules relating to extended warehousing period provided under various export oriented regimes.

At present the Collector customs, being a competent authority, is empowered to grant one time only extension for a period not exceeding one month for notified perishable goods and for a period not exceeding three month in the case of non-perishable goods.

The proposed change intends to extend the powers of the Chief Collector to grant second time extension as discussed above.

Section 155F – Amendment

The section 155F is being modified by creating right of Appeal with the Chief Collector in cases of cancellation or suspension of User Id by Collector.
In this section another proviso is proposed to be inserted whereby a person aggrieved by an order of the Collector, cancelling or confirming the suspension of his unique use Id, may, within 30 days of service of such order, prefer an appeal to the Chief Collector who may pass an order annulling, modifying or confirming the order passed by the Collector.

Section 156 — Clause (7A)

This section relates to offences and penalties on a person who commits any offence as provided in section 156. The bill propose to amend Section 156 (1) to enable the Board to regulate the imposition of penalties and to create specific penalty for failure to entertain a delay and detention certificate issued by the officer of Customs. According to this newly inserted clause (7A), if any agency or a person is proposed to be liable penalty not exceeding Rs.500,000/- if the agency r person fails to entertain a delay and detention certificate issued by the Customs authority.

Further, the Board may, by notification in the official gazette, regulate the imposition, including the time and manner, of any penalty specified under this section.

Section 193(1) and 194A – Amendment

A change is proposed in sections 193 and 194A to allow filing of an appeal in respect of an order issued under section 195 by officer of Customs below the rank of an Additional Collector.

At present any person including an officer of Customs aggrieved by any decision or order passed under section 33, 79, 80, 179 may file appeal whereas right of appeal under these sections is also proposed to be given to a person aggrieved by any decision or order passed under section 195 by the Board or an officer of Customs not below the rank of an Additional Collector.

Section 195 – Amendment

The bill seeks to amend section 95 with a view to allow the Board, Collector or Collector (Adjudication) to dispose off a case on its own and further empowering them to assign the case to an officer of equal or higher rank, as may have passed the earlier order as he may think fit.

Section 219A — New insertion

A new section 219A is proposed to enable the Custom Department to enhance international cooperation and greater access to Technical Assistance and Capacity Building activities. Accordingly, this newly inserted section will be read as under:

The Board may, of its own motion or upon request from an international organization, a foreign customs administration, or any other foreign competent authority, enter into memorandum of understanding pertaining to mutual legal assistance in customs matters, or in pursuance of any bilateral or a multilateral agreement, undertake activities, which, inter alia, include:

(a) coordinated border management;
(b) information and data sharing;

(c) bilateral and multilateral international special operations, including, by the method of controlled delivery;
(d) capacity building and technical assistance initiatives; and
(e) any other matter to which both or all parties agree.

(2) Notwithstanding anything contained in any other law, for the time being in force, the Board may, on behalf of the Federal Government, request an international organization, a foreign customs administration, or any other foreign competent authority for legal assistance on any matter or offence under this Act, or upon request received therefrom; and

(3) The Board may, by notification in the official Gazette, prescribe the rules for any of the matters enumerated in this section.";

Section 221A – New insertion

The bill seeks to introduce a new section 221A to provide savings vis-à-vis earlier issued notifications. Accordingly, new section will be read as under:

"All notifications and orders issued and notified in exercise of the powers conferred upon the Federal Government, before the commencement of Finance Act, 2017, shall be deemed to have been validly issued and notified in exercise of those powers, notwithstanding anything contained in any judgment of the High Court or Supreme Court.";

Amendments In First and Fifth Schedule

The rate of custom duty on the following items have been reduced as provided in the First Schedule to the Customs Act, 1969;

Sr. Nos.	Description of Items	Existing C.D (%)	Proposed C.D (%)
1	Grandparent stock of chicken	11	3
2	Sheets for veneering rom	16	11
3	Pre-fabricated modular clean rooms panels	20	3
4	Fabric (non-woven) for pharmaceutical industry	16	5
5	Import of hatching eggs	11	3
6	Uncoated polyester film and aluminum wire	20	11
7	Bituminous coal and other coal for the Power Projects in IPPs Mode	5	3
8	Raw materials for manufacturers of Baby Diapers	16	11

Sr. Nos.	Description of Items	Existing C.D (PKR)	Proposed C.D (PKR)
	Latest Smart phones Mobile Phones	1000 250	650 0

Following entries in the First Schedule to the Customs Act, 1969 are proposed to be amended whereby the rates of the custom duty proposed to be rationalized on different items;

1.	Aluminium beverage Cans	10%	to	20%
2.	Compressors of Vehicles	0%	to	35%
3.	Electric Cigarettes	0%	to	20%

On the following items a Regulatory Duty is proposed to be rationalized.

1.	Parent stock of chicken	5%	to	0%
2.	Import of Synthetic filament yarn (polyesters)	0%	to	5%
3.	Animal protein meals	0%	to	10%
4.	Telecom equipments	0%	to	9%
5.	Betel nuts	10%	to	25%
6.	Betel leaves	0	to	Rs. 200/kg
7.	Mobile phones (per set)	0	to	Rs 250/- per set

Following items proposed to be exempt from the levy of custom duty;

i) Raw skins and hides. Previously duty was at 3%.
ii) Stamping foils. Previously duty was at 16%.
iii) Import of ostriches Previously duty was at 3%.
iv) Telecom equipments. Previously duty was at 16%.

v) Exemption from custom duty on import of combined harvesters-threshers up to 5 years old while 10% and 20% RD levied on five to ten years and more than ten years old respectively.

vi) Exemption from custom duty on import of solar panels and related components is proposed to be extended from June 30, 2017 till 30th June, 2018.

COMPANIES ACT 2017

There have been substantial developments between Companies Ordinance 1984 and the current time which needed a revamped set of guidelines, as a result Companies Act 2017 came into existence. This section provides a concise overview of the major changes made and the new concepts introduced through the new Act.

Major Changes

Serial No.	Companies Act 2017	Companies Ordinance 1984
1.	Concept of Principal Line of Business	
	Companies are now allowed to carry on all lawful business or activity, apart from the ones that are prohibited or restricted, by mentioning only the principal line of business in the object clause of their memorandum which shall commensurate with the name of the Company. In case of memorandum of association of existing companies, object stated at serial number 1 of the object clause is to be considered as the principal line of business of those companies. If the object stated at serial number 1 of the object clause is not the principal line of business of a company, intimation of the same to the registrar is required along with a revised set of memorandum indicating its principal line of business activity at serial number 1 of the object clause within a time period to be specified.	Under Companies Ordinance 1984, it was a requirement that the company had to mention in the object clause the main object of the company as well as all the other businesses in which the company may take part in. Company was not allowed to do anything as a business which was not written in its object clause of the memorandum hence the object clause had to be worded
2.	Issue of Shares at Discount	
	Approval of Commission for issue of shares at discount in case of listed companies where discount is up to 10% of face value and 90 days' closing volume weighted price remained below the proposed issue price has been done away with. The issue of shares at a discount must be authorized by special resolution passed in the general meeting of the company. The resolution must specify the number of shares to be issued, rate of discount, and price per share. In case of listed companies discount shall only be allowed if the market price is lower than the par value of the shares for a continuous period of past ninety trading days immediately preceding the date of announcement by the Board; and the issue of shares at discount must be sanctioned by the Commission. No approval of Commission is required for a discount up to 10%.	Issue of Share at discount for a listed company has not been tackled by the Companies Ordinance, 1984 separately. This matter was separately handled in Companies (Issue of Capital) Rules, 1996 in order to standardize the policy while considering the requests for the grant of sanction under section 84 of Companies Ordinance, 1984 to the issue of shares at a discount. The guidelines stated that resolution is needed to be passed in general meeting of the company for the issuance of shares at discount. Shares at discount should be issued within 60 days, once the resolution has been passed and sanctioned by the SECP.

3.	Dividend in Specie	
	A specific mention as to dividend in kind has been added as a mode of payment of dividend. The payment of dividend in kind shall only be in the shape of shares of listed company held by the distributing company.	There was no mention of dividend in kind in the Companies Ordinance, 1984. The ordinance only states that company will pay dividend from its profits only. Sale proceeds of immobile properties or capital assets could not be used to pay dividend unless and until company's main business is the same.
4.	Auditors' Right to Information	
	An entirely new section dedicated to the details of auditors' right to information has been made part of the new ordinance. Additional rights have been provided to the auditors to attain information from organization's employees. Auditors can now access to the accounts of subsidiary companies and its employees.	Under the previous version, auditors' right to information was covered under the head powers of auditors and was not explained in this detail.
5.	Signature of Auditor's Report	
	It is specifically stated that in case a firm is the auditor, the audit report must be signed by the partnership firm with the name of the engagement partner.	In case of a firm appointed as auditor of an organization, any partner of the firm can sign the audit report in the firm's name, regardless they were the engagement partner or not.

Newly Introduced Major Concepts

Serial No.	Concept Introduced
1.	Certificate of Shariah Compliance by the Commission
	No company shall be called a Shariah compliant company unless it is conducting its business according to the principles of Shariah and it has obtained a certificate of Shariah compliance from the Commission. No security shall be called a Shariah compliant security unless the proceeds from the security are utilized for Shariah permissible business and it has obtained a certificate of Shariah compliance from the Commission. Significant new disclosures have been introduced for the companies complying with the Shariah listed on Islamic index under the latest 4th schedule.
2.	Free Zone Company
	A company incorporated for the purpose of carrying on business in the export processing zone or other area notified as free zone shall be eligible to such exemptions from the requirements of this Ordinance as may be notified in terms of section 459. Information filed with the Registrar falls in the public domain; however, in order to provide protection to the foreign investors, this section provides that Commission will restrict the disclosure of information regarding promoters, shareholders and directors who are foreign nationals unless disclosure is authorized by the company. Such company will be dispensed with the words

Serial No.	Concept Introduced
	'Private Limited' or 'Limited' and called as 'Free Zone Company' having parenthesis as "FZC". Minister-in-Charge of the Federal Government has been empowered to exempt such Companies from any provisions which relate to the legislative competence of the Parliament.

3.	Acceptance of Advances by Real Estate Company
	A company shall not engage in the business of real estate project unless its principal line of business is development of real estate projects. It cannot undertake projects until it has obtained requisite no objection certificates from relevant authorities to the satisfaction of the Commission. The money received shall be kept in an escrow to be used for the specific project, not to be used by the general creditors of the company. Minister-in-Charge of the Federal Government has been empowered to exempt such Companies from any provisions which relate to the legislative competence of the Parliament.
4.	Security Clearance of Shareholders and Directors
	This has been a current practice where security clearance in respect of any shareholder, director and chief executive was being conducted by the Ministry of Interior and other agencies but law was silent. Now with the introduction of this provision, the Commission has been empowered to obtain security clearance of any shareholder or director or other office bearer of a company including foreign company from any local or foreign agency.
5.	Representation of Handicapped and Women in Companies
	The handicapped have two percent necessary quota in the private companies' jobs. The women will have significant representation in the board of directors of the companies.

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