Finance Bill 2016

Tax Hand Book

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This handbook elaborates the important changes brought down through Finance Bill, 2016 relating to Income Tax, Sales Tax, Federal Excise Duty and Custom Duty. For considering the precise effect of a particular change, reference should be made to the specific wordings in the relevant statute, therefore, not generally be acted upon without obtaining appropriate advice.

The handbook can also be accessed on our web site www.zahidjamilco.com

Dated: June 07, 2016

TAX HAND BOOK

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EXECUTIVE SUMMARY

INCOME TAX

1. A new section 7D and 7C regarding taxability of Income of Builders and Developers is introduced which shall be applicable on business or projects initiated or approved on or after July 1, 2016. It is proposed to be charged as final tax.
2. 100% Income of Insurance Business is proposed to be taxed at applicable corporate tax rate.
3. Separate rates of tax of property Income are proposed to be introduced.
4. It is proposed that only Companies shall be entitled for deductions from property Income.
5. Super tax is proposed to be remained applicable for the Tax Year 2016.
6. Inadmissibility of expenses on account of non-deduction of taxes, in case of purchases of raw materials and finish goods, is proposed to be limited to twenty percent.
7. A limit on expenditures incurred on sale promotion, advertisement and publicity at five percent of turnover is proposed to be imposed on pharmaceutical manufacturers.
8. Depreciation on building, furniture, plant or machinery shall be treated as admissible expenditure and after the expiration of the exemption period.
9. Gain on immovable property shall be charged to 10% as taxable if holding period is not more than 5 years.
10. Future commodity contracts by the member of "Pakistan Mercantile Exchange" have been brought under the ambit of 37A "Derivative Products.
11. Tax credit available to a company on its enlistment on a registered stock exchange is proposed to be enhanced from 15% to 20% of the tax payable.
12. Criteria for surrender of loss of subsidiary to the holding company in proportion to its shareholding.
13. Tax credit to resident other than company on health insurance premium or to any insurance company is proposed to be allowed at average tax rate upto Rs. 100,000 or 5% of income whichever is lower.
14. Tax credit for additional contribution allowed to individuals aged 41 years and above to an approved pension plan is proposed to be restricted upto 30 June 2019, subject to the condition of total admissible contribution not exceeding 30% of taxable income of the preceding year.
15. Allowance for Children education expenses incurred by an individual in a tax year if taxable income of the individual is less than Rs.1 Million.
16. Enhancement in time for establishment of manufacturing unit's upto June 30, 2019.
17. A tax credit is increased from 1% to 2% of tax payable, for every fifty employees registered with EOBI and Social Security.
18. Tax credits for investments u/s 65D and 65E is proposed to be available to entities with equity of 70% or above.
19. Enhancement in the rate of tax credit from 2.5% to 3% of tax payable for manufacturers registered under Sales Tax Act, 1990.
20. Tax Credit on investment for Balancing, Modernization and Replacement upto June30, 2019.
21. Tax Credit for enlistment to the taxpayer for the year in which the company is enlisted and for the following tax years.
22. Enhancement in time for establishment of new undertaking and those established before July 2011 from 2016 to 2019 to claim 100% tax credit with relaxation in the limit of investment from 100% to 70%.

23. Rate of tax on dividend increased from 10% to 12.5%.This is proposed to be increased to 20% for non-filers.
24. Remittance of education and related expenses abroad is proposed to be subject to collection of tax @ 5%.
25. Services rendered / contracts executed outside Pakistan are proposed to be taxed at higher rates.
26. Scope of apportionment u/s 67 is widen from expenditures to "deductions and allowances
27. Fair market value of property to be determined as per market value, irrespective of its DC value.
28. Foreign Trust" to be included under the definition of company u/s 80.
29. Federal Government to enter into any tax treaty or information exchange agreement for tax information exchange.
30. Checks on transaction of taxpayer with its associates.
31. Reduction in the limit of Turnover on individual and AOP from Rs.50 Million toRs.10 Million.
32. Condition for approval of commissioner for revision of return is deemed to have been relaxed.
33. Advance Tax u/s 147 to include minimum Tax and Alternative Corporate Tax.
34. Increase in withholding tax on dividend income @20% for non-filers.
35. Foreign produced commercials to be taxed @ 20% on payment to non-resident person.
36. Withholding Tax to be deducted @ 1.5% on payment to electronic and print media for advertising services.
37. Concession to cotton ginners to deposit the amount equal to Tax deductible in the Government Treasury is withdrawn.
38. Withholding tax @ 3% of the gross amount payable, if the suppliers is a company and @ 3.5% if the is other than a company on supplies FMCG.
39. Withholding tax @ 20% on prize, prize bonds or cross word puzzle for non-filers.
40. Enhancement in the filing of Refund application from two years to three years.
41. Restriction on cash withdrawal up to Rs.50,000/- in day from all Banks.
42. No advance tax collection after the expiry of 5 years from the date of first registration of motor vehicle.
43. Leasing institutions to collect advance tax @ 3% of the value of the motor vehicle non-filers.
44. Life Insurance Agents has been brought in the ambit of withholding.
45. Withholding tax on sale and purchase value of share @ 0.02% from 0.01%.
46. Withholding tax @12% on commercial electricity bill.
47. Rates of advance tax on Sale and purchase of immovable property have been increased.
48. Non- filers to pay advance tax on insurance premium @ 4% and life insurance premium @1% exceeding Rs.0.2 M.
49. Advance tax @ 5% of the value of minerals for non- filers and 0% for filers.
50. Advance tax from non- filers who are registered with provincial sales tax.

SALES TAX

1. Certain amendments made in the definitions of Active taxpayer, Cottage Industry, Retailer and Supply.
2. Definition of cottage industry is proposed to be changed by increasing the limit of Annual turnover to ten million from five million.
3. Change in due of filing of return and new mechanism for filing of sales tax and FED returns is proposed for efficiency of declaration.
4. No input tax adjustment where supplier has not declared the supply.
5. Default surcharge if sales tax not withheld.
6. In case of change of sale tax rate, separate filing of sale tax return is now withdrawn.
7. Directorate General of Input Output Coefficient Organization is proposed to be consisted of Director Generals and as many directors as Board may appoint.
8. Sales of taxable activity or Transfer of ownership that transferor will claim the input from zero rated invoice and sales tax accounted for and paid by transferee.
9. Mineral/bottled water is proposed to be included in 3rd schedule and sale tax charge at 17% on retail price.
10. Laptops / PCs are exempted from sales tax.
11. Crystalline White Sugar has been brought under reduced tax @ 8%.
12. Pesticides and Ingredients for agriculture have been exempted from tax.

FEDERAL EXCISE

1. FED on certain services which are now subject to provincial sales tax has been proposed to be withdrawn.
2. FED on aerated beverages and locally produced cigarettes have been enhanced. FED on certain types of cement is proposed to be modified .Exemption from duty is proposed to be witdrawn on White Cement.

CUSTOMS

1. Amendments are proposed to be made in the First and Fifth Schedule to the Customs Act, 1969.
2. The Bill proposes to include international financial institutions and foreign government-owned financial institutions for purposes of exemption by the Federal Government subject to the approval of the Economic Coordination Committee.
3. Power of economic coordination committee to grant exemption for implementation of bilateral and multilateral agreements.

INCOME TAX

AMENDMENTS IN INCOME TAX ORDINANCE, 2001

<table>
<tr><th>Sr. #</th><th>Section</th><th>Before Amendment</th><th>After Amendment</th></tr>
<tr><td>1.</td><td>Sec.4(B)

Super tax for rehabilitation of temporary displaced persons</td><td>Section 4(B) has been extended to the Tax year 2016.</td><td>The Finance Act 2015 imposed one time levy of super tax for rehabilitation for IDPS at the rate of 3% of income on higher income earners having income equal to or exceeding Rs. 500 million at the rate of 3% of income and at the rate of 4% on banking companies

The Finance Bill now proposes the following amendments:
The levy of super tax has been extended to tax year 2016, and
For the purpose of determination of “income” for this levy, the adjustment of depreciation and business losses shall no longer be available.</td></tr>
<tr><td>2.</td><td>Sec.7C & 7D

Tax on Builders & Developers</td><td>These sections were not previously existed.</td><td>In Finance Bill 2016 it is proposed that profit and gains of persons involved in the construction and sale of residential, commercial or other “Buildings” or “Plot” initiated and approved after 1st July 2016 shall be taxed at fixed rates. No Tax Credit shall be allowed against the liabilities arising under these sections.
Consequently, section 113A and 113B which previously dealt with taxation of Builders and Developers as Minimum Taxes are proposed to be omitted.

The Finance Bill now proposes to change the taxation regime for builders and developers from minimum taxes to final tax at following rates.
For Builders
<table>
<tr><th rowspan="3">Areas</th><th rowspan="3">Commercial</th><th colspan="3">Residential Sq. Ft</th></tr>
<tr><th>Upto 750</th><th>751 to 1500</th><th>1501 & more</th></tr>
<tr><th colspan="3">Rate Rs / Sq. Ft</th></tr>
<tr><td>A</td><td>210</td><td>20</td><td>40</td><td>70</td></tr>
<tr><td>B</td><td>210</td><td>15</td><td>35</td><td>55</td></tr>
<tr><td>C</td><td>210</td><td>10</td><td>25</td><td>35</td></tr>
</table>
For Developers
<table>
<tr><th rowspan="3">Areas</th><th rowspan="3">Commercial</th><th colspan="3">Residential Sq. Yds</th></tr>
<tr><th>Upto 120</th><th>121 to 200</th><th>201 & more</th></tr>
<tr><th colspan="3">Rate Rs / Sq. Yds</th></tr>
<tr><td>A</td><td>210</td><td>20</td><td>40</td><td>70</td></tr>
<tr><td>B</td><td>210</td><td>15</td><td>35</td><td>55</td></tr>
</table></td></tr>
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<table>
<tr><td></td><td></td><td></td><td>
<table><tr><td>C</td><td>210</td><td>10</td><td>25</td><td>35</td></tr></table>
Further, FBR has been empowered to prescribe:

The mode and manner for payment and collection of tax,
Authorities granting approval for the computation and payment of tax, and
Responsibilities of authorities approving, suspending and cancelling NOC to sell and the matters connected thereto.

</td></tr>
<tr><td>3.</td><td>Sec 15, Sub-Section 6 & 7 and 15(A)

Income from Property

Deductions in Computing Income Chargeable under the head Income from Property</td><td>In prior tax years, Income from property u/s 15 of the Income Tax Ordinance, 2001 was charged to tax at normal applicable rates for Individuals and AOPs.</td><td>
Now, by Finance Bill, 2016, Income from property has been kept as Separate Block of Income and Separate tax rates are proposed to be inserted by addition of sub-section 6 under section 15.
Tax Rates are proposed are as:
<table>
<tr><th>S.NO</th><th>Particulars</th><th>Rates</th></tr>
<tr><td>1</td><td>Upto Rs. 200,000</td><td>0%</td></tr>
<tr><td>2</td><td>Rs. 200,001 to Rs. 600,000</td><td>5% of the gross amount exceeding Rs. 200,000</td></tr>
<tr><td>3</td><td>Rs. 600,001 to Rs. 1,000,000</td><td>20,000 + 10% of the gross amount exceeding Rs. 600,000</td></tr>
<tr><td>4</td><td>Rs. 1,000,001 to Rs. 2,000,000</td><td>60,000 + 15% of the gross amount exceeding Rs. 1,000,000</td></tr>
<tr><td>5</td><td>. More than Rs. 2,000,000</td><td>210,000 + 20% of the gross amount exceeding Rs. 2,000,000</td></tr>
</table>
As, Individuals and AOPs shall be taxed as separate block of income under the head of income from Property, there shall be no deduction allowed against said income.
However, for companies, the rental income shall remain as normal income and deductions shall be allowed as such.
</td></tr>
<tr><td>4.</td><td>Sec. 21(C)

Deductions not Allowed</td><td>Expenditures incurred in respect of Salary, Rent, Brokerage, Commission, Profit on Debt, Payment to non-resident and payment for services or fee were allowed as Admissible expenditures for charging of tax under the head “Income from</td><td>
Now, as per Finance Bill, 2016, the proposed amendment under this section enhances the scope and includes all “expenditures” instead of specific expenditures as mentioned above.
Proviso is proposed by which the disallowance of expenditures under the said clause is proposed to be restricted to 20% of Raw material and Finished goods. Further, proviso is proposed where if the tax has duly been paid under withholding assessment u/s 161 and 162 then disallowance shall not be made under the said clause.
The Bill further proposes to restrict expenditure incurred on sales promotion, advertisement and publicity by Pharmaceutical manufacturers at maximum of 5% of turnover. Any expenditure under the said head(s) in excess of 5% shall
</td></tr>
</table>

<table>
<tr><td></td><td></td><td>Business" if the tax had duly been deducted and deposited at the time of making the payment of expenses.</td><td>be inadmissible expenditure.</td></tr>
<tr><td>5.</td><td>Sec. 22(5)

Depreciation</td><td>Explanation was missing.</td><td>The Bill has proposed explanation that where Income from business is exempt from tax during the year than any depreciation on building, furniture, plant or machinery used for the purposes of business during tax year shall be treated to have been allowed as admissible expenditure an after the expiration of the exemption period, the written down value of such assets shall be determined after reducing total depreciation deductions (including any initial allowance).
With this amendment, after exemption period, the plant, machinery and equipment shall be valued after depreciation and initial allowance and consequently the allowable depreciation in taxable period shall be reduced.</td></tr>
<tr><td>6.</td><td>Sec. 37

Capital Gain on Disposal of Immovable Property</td><td>Exempt holding period was two years.</td><td>The bill proposes to increase the exempt holding period for immoveable property from two years to five years. Any gain on disposal of immoveable property within five years shall be charged to capital gains tax @ 10%. Disposal after five years shall be taxed at 0%.</td></tr>
<tr><td>7.</td><td>Sec.37(A)

Capital Gain on Disposal of Securities</td><td></td><td>Finance Bill, 2016 proposed insertion of Future commodity contracts entered into by the member of "Pakistan Mercantile Exchange" whether settled by physical delivery or not under the ambit of "Derivative Products" that have been included in the definition of "Security "under sub-section (3) of section 37A.
Consequently, the legislature has proposed omission of section 236T relevant to "Collection of Advance Tax of Future Sale and purchase of Commodity Contract".
Income under Future commodity contracts entered into by the members of Pakistan Mercantile Exchange shall be taxed @ 5%.
The tax rates under this section have been increased as:

<table>
<tr><th>S.No</th><th>Holding Period</th><th>2015</th><th>2016</th><th>Tax Rate 2017 Filer</th><th>Tax Rate 2017 Nonfiler</th></tr>
<tr><td>1</td><td>When holding period is less than 12 months</td><td>12.5%</td><td>15%</td><td>15%</td><td>18%</td></tr>
<tr><td>2</td><td>When holding period of security is 12 months or more but not</td><td>10%</td><td>12.5%</td><td>12.5%</td><td>16%</td></tr>
</table>
</td></tr>
</table>

			more than 24 months
8.	**Sec. 53(2)** **Exemption and Tax Concession in Second Schedule**	The power of Economic Coordination Committee of Cabinet is proposed to be extended by Finance Bill, 2016.	It has been proposed that Economic Coordination Committee of Cabinet for the implementation of bilateral and multilateral agreements entered into with any international Financial Institution or Foreign Government owned financial institution operating under an agreement, memorandum of understanding or any other arrangement with the Government of Pakistan may grant exemption from any tax imposed. The Committee may also grant reduction in tax rates including reduction in tax liability and may also grant exemption from operation of any provision of Ordinance.
9.	**Sec. 59(B)** **Group Relief**	Finance Bill, 2016 has proposed criteria for surrender of loss of subsidiary to the holding Company in proportion to its share holding.	The new insertion proposed the following formula for the calculation of surrender losses. **(A / 100) x B** Where- **A** is the percentage share capital held by the holding company of its subsidiary company; and **B** is the assessed loss of the subsidiary company. Further, in Second Schedule, the exemption granted for inter corporate dividend has been omitted under this section.
10.	**Sect. 62(A)** **Tax Credit for Investment in Health Insurance**	Tax credit was allowed up to lower of the cost of acquiring the shares/ premium paid or 20% of the person's taxable income for the year or Rs.1 million.	The Finance Bill proposes to provide for tax credit to a resident person, other than a company, deriving income from salary or business in respect of health insurance premium paid or contribution made to an insurance company. The tax credit shall be computed by applying the average tax rate on lower of: • total contribution or premium paid, • 5% of taxable income and Rs. 100,000
11.	**Sec.64(b)** **Tax Credit for Employment Generation by Manufactures**	The Finance Bill proposes to extend the period to setup the manufacturing unit up to 30 June 2019 and also to enhance the rate of this tax credit from 1% to 2% of tax payable for every fifty employees.	This section allowed tax credit of 1% of tax payable of a manufacturing unit set up between 01 July 2015and 30 June 2018 on every 50 employees registered with EOBI and Employee Social Security Institution.
12.	**Sec.65A** **Tax Credit to a Registered Person Under Sales Tax**	Rate of Tax Credit was 2.5%	The Finance Bill proposes to increase the rate of tax credit from 2.5% to 3% of tax payable for a tax year in case of every manufacturer registered under Sales Tax Act, 1990 if 90% of its sales are to registered persons under the Sales Tax Act, 1990.

13.	**Sec. 65B** **Tax Credit for Investment**	The Finance Bill proposes to extend the date of purchase and installation till 30 June 2019.	A company investing in purchasing in plant and machinery for the purpose of extension, expansion and BMR is entitled to tax credit at the rate of 10% of the amount invested, provided the plant and machinery is purchased and installed till 30 June 2016.
14.	**Sec.65C** **Tax Credit on Enlistment**	Currently, a company opting for enlistment on a stock exchange is entitled to tax credit of 20% of tax payable for the year in which it is enlisted.	The Finance Bill seeks to extend the tax credit from one year to two years i.e. the year of enlistment and the following tax year.
15.	**Sec.65D** **Tax Credit on Newly Established Undertakings**	A company establishing and operating new industrial undertaking including corporate dairy farming is entitled to tax credit equal to 100% of tax payable for a period of five years provided the industrial undertaking is set up between 01 July 2011 and 30 June 2016 with 100% equity raised through issuance of new shares for cash consideration.	The Bill also proposes to relax the limit of investment from 100% to 70% of the equity to be raised through issuance of new shares. The rate of tax on dividends for all tax payers has been proposed to be increased from 10% to 12.5%, with no change in reduced rate applicable to dividends paid by certain specified companies. It is also proposed that in case of discontinuation of business before five years, the tax credit so allowed shall be retrieved by the Commissioner by recompiling the tax payable for the relevant tax year.
16.	**Sec. 65E** **Tax Credit for Industrial Undertaking Established Before July 2011**	A company set up before 30 June 2011 investing in the purchase and installation of plant and machinery for the purpose of existing expansion of existing undertaking or undertaking a new project including corporate dairy farming is entitled to tax credit equal to 100% of tax payable for a period of five years provided such investment is made with 100% equity raised through Issuance of new shares for cash	The Finance Bill seeks to relax the condition of 100%equity to 70% and also extend the period for such investment from 30 June 2016 to 30 June 2019. In view of the relaxation of the share of equity, it is also proposed that the tax credit will be allowed in proportion of the equity raised through issuance of shares against cash. It is also proposed that in case of discontinuation of business before five years, the tax credit so allowed shall be retrieved by the Commissioner by recompiling the tax payable for the relevant tax year.

		consideration.	
17.	**Sec. 67** **Apportionment of Deductions and Allowances**	Currently, expenditure is required to be apportioned between the different heads of income and income taxable under difference regimes i.e. normal and final tax regimes and expenditure incurred for the purpose of income chargeable to tax and for some other purpose. The Board is empowered to make rules for the purpose of apportioning the expenditure	Certain other deductions and allowances are also deducted to arrive at the taxable income. The Finance Bill seeks to provide that besides expenditure, the deductions and allowances will also be apportioned in the similar manner applicable for allocation of Expenditure. On Commissioners discretion, the above documents are required to be furnished within 30 days or such time as may be extended by the Commissioner up to 45 days or beyond in exceptional circumstances. It is expected that FBR will prescribe the extent of and manner in which the documents will be maintained and the information to be furnished. It appears that the proposed change is aimed to incorporate the action plans for documentation of Base Erosion of Profit Shifting approved by the OECD.
18.	**Sec. 68** **Fair Value**	This section defines the parameters for the purpose of determination of fair market value of any property or rent, assets, service, benefit or perquisite as value ordinarily fetched on sale or supply in the open market. It is further provided that value of property, or rent, assets, service, benefit or perquisite shall be determined without regard to any restriction on transfer etc.	The Finance Bill seeks to insert that value fixed or notified by any provincial authority for the purpose of stamp duty or for any other purpose shall also be disregarded for the purpose of determination of fair market value.
19.	**Sec. 80** **Person**	Foreign Trust was not included in Definition of Company	The Bill proposes to include every "Foreign Trust" under the definition of company in accordance with section 80(2)(b)(vb).
20.	**Sec.106** **Transaction Between Association**	The Commissioner is empowered to distribute, apportion or allocate income, deductions or tax credits between the persons who are associates to reflect the income that the persons would have realized in an arm's length	The Finance Bill seeks to provide that every taxpayer entering into a transaction with its associates shall: ➢ maintain a master file and local file containing documents and information as may be prescribed; ➢ keep and maintain prescribed country-by-country report, where applicable; ➢ keep and maintain any other information and document in respect of transaction with its associate as may be prescribed; and ➢ keep the files, documents, information and reports specified above for the period as may be prescribed.

		transaction.	
21.	**Sec.113** **Minimum Tax**	Currently, an individual and AOP having turnover of Rs. 50 million or above is liable to minimum tax at the Rate of 1% of turnover.	The Bill proposes to reduce the limit of Turnover on individual and AOP from Rs.50 Million to Rs.10 Million for applicability of Minimum tax from tax year 2017 and onward. Earlier, the limit of Rs.50 Million was imposed from tax year 2009 for individual and from tax year 2007 for AOP. Further, proviso to sub-section 113(1) is proposed to be omitted by which companies shall have no umbrella of gross tax loss available and they shall be required in any case to pay minimum tax even in the case of gross loss. The bill further proposes that tax payable or paid under Super Tax cannot be adjusted against the minimum tax liability.
22.	**Sec. 114(6)** **Revision of Return**	Currently, a taxpayer is required to obtain approval from the Commissioner before revision if return is revised after sixty days of filing of return.	The bill proposes that approval required from the commissioner is deemed to have been granted where the commissioner has not made the approval in writing within sixty days of revision of return sought or where the taxable income declared as per revise return is more than the income declared under deemed assessment u/s 120 or where the loss declared as per revise return is less than the loss declared under deemed assessment u/s 120.
23.	**Sec. 122C** **Provisional Assessment**	The Commissioner is empowered to make provisional Assessment based on his best judgment if the taxpayer does not file return of income despite calling of the same by the Commissioner. Such a provisional assessment is considered as final if the taxpayer does not file return and other required documents within Forty five days from the service of the provisional order.	The Finance Bill seeks to provide that provisional assessment shall not be treated as final assessment if: ➢ In case of individuals and AOPs, the return of income along with wealth statement and wealth reconciliation are filed within 45 days. Further, such individual and AOP shall present its accounts and documents for tax audit of that tax year. ➢ In case of companies, return of income tax alongwith audited accounts or final accounts, as the case may be, for the relevant tax year are filed by the company electronically during the said period of forty-five days. Further, such company shall present its accounts and documents for conducting audit of its income tax affairs for that tax year
24.	**Sec. 147(4)(4AA) and (6A)** **Advance Tax**		Finance Bill, 2016 has proposed insertion for Advance Tax Formula to include tax u/s113 (minimum Tax) as well as 113C (Alternative Corporate Tax).
25.	**Sec.150** **Advance Tax on Dividend** .		The Finance bill 2016 has proposed to increase withholding tax on dividend income for non filer @20%from tax year 2017 which was 17.5% for tax year 2016 Further the bill also proposes to include non filer rates for Money market fund, income fund or REIT scheme or any other fund which shall be 15% for individuals and AOPs than

			10% applicable to filers.
26.	**Sec. *152A, 153, 155, 231A, 231B, 233, 233A, 236, 236A, 236C, 236P, 236U, 236V, 236W*** **Withholding Tax Provisions**		The Finance Bill proposes following changes in various withholding tax provisions (i)Enhanced withholding tax rates have been prescribed for non-filers on dividends (section 150). (i) New withholding tax has been proposed at therate of 20% of gross amount of payment to nonresident person for foreign produced commercials for advertisement on television channels or any other media. Further, the tax so withheld shall be considered as final tax (section 152A). (iii) Withholding tax on payment to resident person engaged in electronic and print on account of advertising services has been proposed to be increased from 1% to 1.5% for filers and such withholding tax shall be final tax with effect from 01 July 2016 (section 153). (iv) Withholding tax on supply of fast moving consumer goods by a distributor is to be reduced from 4% to 3% in the case of company, and from 4.5% to 3.5% in other cases (section 153). (v) Withholding tax rates on payment of rent of immovable property to an individual or association of persons are aligned with proposed taxation of such rental income (section 155). (vi) It has been proposed to clarify that for the purpose of withholding tax on cash withdrawals from bank, the limit of Rs. 50,000 shall be aggregate withdrawals from all the bank accounts in a single day (section 231A). (vii) Every leasing company or a scheduled bank or an investment bank or a development finance institution or a modaraba have been proposed to collect advance tax at the time of leasing of a motor vehicle to a non-filer at the rate of three per cent of the value of the motor vehicle (section 231B). (viii) Withholding tax rate on brokerage and commission to life insurance agents where commission received is less than Rs. 500,000 per annum, to be changed from 12% to 8% in case of filer, and from 15% to 16% in case of non-filer. (section 233) (ix) Rate of collection of tax by stock exchange on purchase and sale of shares to be increased from 0.01% to 0.02% (section 233A). (x) Rate of collection of tax from telephone and internet users is to be increased from 10% to12% (section 236). (xi) Tax collected on the lease of the right to collect tolls at the rate of 10% of the gross sale price of such lease shall be final tax (section 236A). (xii) No advance tax shall be collected on sale or transfer or immovable property held for a period exceeding five years. Further, withholding tax rates are being enhanced (section

			236C). (xiii) Collection of tax on purchase or transfer of immovable property is to be made at enhanced rates for filer and non-filer (section 236K). (xiv) It has been proposed to clarify that for the purpose of withholding tax on specified banking transaction by non-filers, the limit of Rs. 50,000 shall be aggregate withdrawals from all the bank accounts in a single day (section 236P). (xv) Adjustable withholding tax has been proposed to be collected by insurance company or their agents from non-filers at the rate of 4% on general insurance premium and at the rate of 1% on life insurance premium, if exceeding Rs. 200,000 per annum (section 236U). (xvi) Adjustable withholding tax has been proposed to be collected by provincial authority collecting royalty per metric ton from the lease-holder of mines or any person extracting minerals from the leased holder of the mines or any person extracting minerals, at the rate of 5% of the value of minerals extracted, produced, dispatched and carried away from the licensed or leased areas of the mines. For the purpose of this section, value of minerals shall be prescribed by FBR (section 236V). (xvii) Provincial revenue authorities have been proposed to collect adjustable advance tax at the rate of 3% of the turnover from non-filer who is a registered with provincial sales tax authority Along with sales tax return filed with such authority. The provincial sales tax return shall not be accepted unless the aforesaid is deposited (section 236W).
27.	**Sections 165B** **Restriction on disclosure of information obtained from financial institutions and banks**	Section 165B obligates the financial institutions and banks to provide information to the Board in prescribed form and manner. Sub-section (2) provides the utilization of information obtained subject to the restrictions on disclosures by a public servant provided in section 216	. The Finance Bill seeks to relax the condition of restriction provided in section 216. However, it may be viewed that irrespective of change proposed, section 216 will remain operative for the purpose of section 165B.
27.	**Sec. 169(4)** **Tax Collected or deducted as a Final Tax**	Withholding tax rate for prize, prize bonds or cross word puzzle has	New insertion is proposed whereby if non filer tax is deducted on the income liable to be taxed as final tax, the excess amount over the filer rate shall be adjustable. The same shall be available for refund or carry forward for adjustment in subsequent period.

		been increased to 20% in case of non filer. For filer, rate remains as 15%.	
28.	**Sec.170(2)** **Refunds**	Previously compensation rate for delay was 15% of the amount of refund.	In prior tax years a taxpayer was only eligible to file tax refund application within two years from the date of assessment order or from the date when tax was paid. Now the bill proposed to increase the time limit to three years.
29.	**Sec.182** **Penalties**	Penalty for Non furnishing of information by the financial institutions and banks	The Finance bill 2016 has proposed to include financial institutions in the ambit of penalty if they fail to furnish information as sought under section 165B.

First Schedule

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

  The rates of tax chargeable for the tax year 2017 (corresponding to the income year ending at any time between 01 July 2016 to 30 June 2017) have been revised as under. The basic threshold has remained unchanged:

Salaried Taxpayers

S.No.	SALARIED TAXPAYER	RATE
1	Upto Rs.400,000	Nil
2	Rs.400,001 – 500,000	2% of excess over Rs.400,000
3	Rs.500,001 – 750,000	Rs.2,000 + 5% of excess over Rs.500,000
4	Rs.750,001 – 1,400,000	Rs.14,500 + 10% of excess over Rs.750,000
5	Rs.1,400,001 – 1,500,000	Rs.79,500 + 12.5% of excess over Rs.1,400,000
6	Rs.1,500,001 – 1,800,000	Rs.92,000 + 15% of excess over Rs.1,500,000
7	Rs.1,800,001 – 2,500,000	Rs.137,000 + 17.5% of excess over Rs.1,800,000
8	Rs.2,500,001 – 3,000,000	Rs.259,500 + 20% of excess over Rs.2,500,000
9	Rs.3,000,001 – 3,500,000	Rs.359,500 + 22.5% of excess over Rs.3,000,000
10	Rs.3,500,001 – 4,000,000	Rs.472,000 + 25% of excess over Rs.3,500,000
11	Rs.4,000,001 – 7,000,000	Rs.597,000 + 27.5% of excess over Rs.4,000,000
12	Over Rs.7,000,000	Rs.1,422,000 + 30% of excess over Rs.7,000,000

Non-salaried taxpayers

NO.	Non-Salaried taxpayers	RATE
1	Upto Rs.400,000	Nil
2	Rs.400,001 – 500,000	7% of excess over Rs.400,000
3	Rs.500,001– 750,000	Rs.7,000 + 10% of excess over Rs.500,000
4	Rs.750,001– 1,500,000	Rs.32,000 + 15% of excess over Rs.750,000
5	Rs.1,500,001 – 2,500,000	Rs.144,500 + 20% of excess over Rs.1,500,000
6	Rs.2,500,001 – 4,000,000	Rs.344,500 + 25% of excess over Rs.2,500,000
7	Rs.4,000,001 – 6,000,000	Rs.719,500 + 30% of excess over Rs.4,000,000
8	Over Rs.6,000,000	Rs.1,319,500 + 35% of excess over Rs.6,000,000

Second Schedule

Part I

Certain various amendments /omissions have been proposed in this part of Second Schedule

Exemption from Total Income

1. Exemption are proposed to be inserted under following Clauses , Board or Organization for Games
2. Business Set Up in Gwadar
3. China Overseas Ports Holding Company
4. Income from Exports of Computer Software and IT Services

Part II

Reduction in tax rates is proposed to be made in following clauses,

Income from construction contract and services outside Pakistan

Part IV

EXEMPTION FROM SPECIFIC PROVISIONS is proposed to be made

In following provisions

1. Minimum Tax not Applicable
2. Trading Houses
3. Hajj Operators
4. Import for self consumption
5. Unexplained investment in industrial undertaking
6. Minimum tax on Companies providing services

Forth Schedule

Insurance Business

Holding Period of Securities

Income of capital gains on disposal of shares and dividend of listed companies, vouchers of Pakistan Telecommunication Corporation, Modaraba certificate or instruments of redeemable capital and derivative products and shall be taxed at rates specified for all other taxpayers. The rate is proposed to be correlated with normal tax rates.

Sixth Schedule

Recognized Provident Fund

Contribution made by any employer is proposed to be enhanced to Rs.150,000/- fromRs.100.000/- or 1/10th of the salary, whichever is lower.

Seventh Schedule

Banking Companies

Super Tax on Banking Companies

Rule 7C, section 4B (super tax for rehabilitation of temporarily displaced persons) was inserted by Finance Act 2015, whereby Super Tax was applied to Banking Companies at 4%. It is proposed that the same shall be applicable for tax year 2017 as well.

SALES TAX

AMENDMENT IN SALES TAX ACT, 1990

Sr.	Sec.	Before Amendment	After Amendment
1.	**Sec. 2(5AB)** **Cottage Industry**	Cottage Industry is exempt from sales tax. In the definition of cottage industry, limit of annual turnover is proposed to be increased to Rs. 10m/- from Rs. 5m/-.	Now a 'Cottage Industry' means a manufacturer whose annual turnover from taxable supplies made in a any tax period during the last twelve months ending any tax period does not exceed ten million or whose utility bills does during the last twelve months ending any tax period do not exceed eight hundred thousand rupees.
	Sec. 2(9) **Due Date**	Previously, 15th of the next month was the due date to file the sales tax return.	The bill proposes to include different dates for furnishing of different parts or annexure of the returns on different dates. The dates shall be specified by the Board. With integration of IRIS system, the supplier and purchaser information shall be auto adjusted and up dated by entry from one end. Crest adjudication shall be reduced by this integration.
	Section 2(14) **Input Tax Disallowed under Provisional sales tax**	Previously, it was allowed as input tax to registered sales tax person	The Bill proposes to exclude input tax levied under Provincial Sales Tax on services rendered or provided to the person. By virtue of this, no input tax shall be claimed or allowed by Sales Tax registered person under Sales Tax Act.
	Section 6(2) **Time And Manner of Payment**	Previously, all sale tax payments were made on the same date.	The bill proposed to prescribe different dates for payment of sales tax". The dates shall be prescribed by the Board
2.	**Section 8(1)** **Tax Credit Not Allowed**	Previously, the input tax was allowed to supplier even if he had not the paid the amount of tax indicated in his return.	The bill proposed addition that registered person shall not be entitled to reclaim or deduct input tax paid if the same has not been paid by the buyer. (*l*) From the date to be notified by the Board, such goods and services which, at the time of filing of return by the buyer, have not been declared by the supplier in his return "or he has not paid amount of tax due as indicated in his return.".
3.	**Sec. 7(2i)** **Determination of Tax Liability**	Previously, this condition was not existed for admissibility of input tax claim	The Bill proposed to insert the proviso to clarify that tax shall be payable if supplies are not declared by the supplier in his return or tax has duly been paid.

4.	**Sec. 11(4)** **Assessment of Tax & Recovery of Tax not levied or short levied or erroneously Refunded**	Withholding sales tax regime is applicable under Sales Tax Special Procedure (Withholding) Rules, 2007, whereby the prescribed withholding agents are required to withhold and pay sales tax at varied rates on purchases of taxable goods. The field formations of FBR have been raising demands of sales tax in cases where compliance with withholding sales tax regime is not made by the withholding agents. These demands were largely challenged by the registered persons either on the premise that recovery of sales tax at standard rate of 17% should not be justified when the concerned supplier deposit the entire amount of sales tax through its monthly return or section 11 does not empower inland revenue officers to initiate any such proceedings against the withholding agents	To provide legal backing to the cases being made out, a new sub-section is proposed to be inserted to empower the Inland Revenue Officer to inter-alia issue a show cause notice to the withholding agent on his failure to withhold sales tax or to deposit the withheld amount of sales tax in prescribed manner.
5.	**Sec.13(2a)** **Exemption**	Finance Bill 2016 proposes to enhance the scope of exemptions	The bill proposes to enhance the scope of exemption in matters relating to international financial institutions or foreign government-owned financial institutions under the power of the Federal Government.
6.	**Sec. 26 (2)** **Return**	In past, the registered persons were required to file separate returns in consequence of change in sales tax rate till the time FBR did not launch its e filing portal for returns. Considering that e-filing of return is compulsory for every registered person, which caters to the issue of change in sales tax rate, as such Section 26(2) is being omitted due to its redundancy.	With automation of the system of filing of sales tax return, separate return due to change in tax rate is proposed to be dispensed with
7	**Sec. 30DDD** **Appointment of Authorities**	FBR plans to establish a new Directorate i.e.	The bill proposed make new authority in the name and style of “Directorate General of Input Output Co-efficient Organization” where appointments of officers shall be made by the Board.

8	**Sec.33** **Offences and Penalties**	. Section 33 contains a Table which provides general and specified penalties under specified circumstances. Entry No.19 of the table, provides a penalty in respect of any default in the provision of Sales Tax Act for which no specific penalty is prescribed.	The bill proposed to broaden the scope of offences & penalties by including noncompliance penalties of Rules there under. Any person who contravenes any of the provision of this Act or the rules made there under shall be liable for penalty. Earlier, no penalty was imposed for non compliance of Rules.
9	**Sec. 49(2)** **Sale of taxable activity or transfer of ownership**	The provisions of Section 49 deals with the sales and transfer of business in mergers and acquisitions. Such transfer of business may take place either between two registered persons or between a registered and an unregistered person. Sales tax is not applicable in case the transfer of assets / business takes place between two registered persons	Therefore, the Bill proposes to require the registered transferor of business to issue a zero-rated invoice to the transferee in the event of such acquisition. However, the transferee will be obligated to account for sales tax in his books, which shall be payable at the time of ultimate disposal of taxable goods. The proposed change is procedural in nature, but Seems a welcome change to cap the interpretational issues.
10	**Sec.56B** **Disclosure of Information by Public Servant**	This section was Not previously existed	The bill proposed to enhance the scope and applicability of information under the Act by not disclosing the information acquired under any provision of this Act. Under the Freedom of Information Ordinance, 2002 (XCVI of 2002), or in pursuance of bilateral or multilateral agreements with government of foreign countries for exchange of information under this Act shall be confidential.

Third Schedule

Taxable Supplies @17%

Now mineral/bottled water shall be chargeable to tax @ 17% of the retail price. Earlier it was charged as normal trading on trading price in value addition mode.

Fifth Schedule

Zero rating facility proposed to be withdrawn

S.No	Description of Goods	PTC Heading
12 (i)	Colours in sets	3213.1000
12 (ii)	Writing, drawing and marking inks	3215.9010 and 3215.9090
12 (iii)	Erasers	4016.9210 and 4016.9290
12 (iv)	Exercise Books	4820.2000
12 (v)	Pencil Sharpeners	8214.1000

12 (vi)	Geometry boxes	9017.2000
12 (vii)	Pens, Ball pens, markers and porous tipped pens	96.08
12 (viii)	Pencils including colours, Pencils	96.09
12 (ix)	Milk	04.01
12 (xviii)	Fat Filled Milk	1901.9090

Except milk and fat filled milk, the above stationery articles shall remain exempt under sixth schedule to Sales Tax Act

Sixth Schedule – Table-I

Sales tax exemptions proposed to be introduced

S. No	Description of Goods	PTC Heading
100A	Materials and equipment for construction and operation of Gwadar Port and development of Free Zone for Gwadar Port as imported by or supplied to China Overseas Ports Holding Company Limited (COPHCL) and its operating companies namely (i) China Overseas Ports Holding Company Pakistan (Private) Limited (ii) Gwadar International Terminal Limited, (iii) Gwadar Marin Services Limited and (iv) Gwadar Free Zone Company Limited, their contractors and sub-contractors; and Ship Bunker Oils bought and sold to the ships calling on/visiting Gwadar Port, having Concession Agreement with the Gwadar Port Authority, for a period of forty year, subject to various conditions	Respective Headings
100B	Supplies made by the businesses to be established in the Gwadar Free Zone for a period of twenty-three years within the Gwadar Free Zone, subject to the condition that the sales and supplies outside the Gwadar Free Zone and into the territory of Pakistan shall be subjected to sales tax	Respective Headings
130	Premixes for growth stunting	Headings, and subject to conditions imposed for importation under the Customs Act, 1969
131	Laptop computers, notebooks whether or not incorporating multimedia kit	8471.3010
132	Personal computers	8471.3020

133	Pesticides and their active ingredients registered by the Department of Plant Protection under the Agricultural Pesticides Ordinance, 1971 (For item wise details, please refer the bill)	Respective Headings

Sales tax exemption proposed to be withdrawn

S.No	Description of Goods	PTC Heading
111	White Crystalline Sugar	1701.9910 and 1701.9920

Sixth Schedule- Table-III

S.No	Description of Goods	PTC Heading
4	Dump Trucks for Thar Coal Field	Respective headings

Eight Schedule

Goods proposed to be subjected to reduce rate of sales tax – Eight Schedule

Eight Schedule- Table-I

S.No	Description of Goods	Rate of Sales Tax
15	Meat and Bone Meal (PCT Heading 2301.1000)	10%
15	Of Zinc (PCT Heading 2833.2940)	10%
15	Betaine (PCT Heading 2923.9010)	10%
32	White Crystalline Sugar (PCT Heading 1701.9910 and 1701.9920	8%
33	Urea, whether or not in aqueous solution (PCT Heading 3102.1000)	5%

Eight Schedule- Table-II

S.No	Description of Goods	Rate of Sales Tax
1	Silos	10%

Reduced rate of sales tax proposed to be withdrawn

Eight Schedule- Table-I

S.No	Description of Goods	PTC Heading
15	Fish Meal	2301.2010
15	Zinc Sulphate	2833.2600
15	Betafin	2923.9000
31	Pesticides and their active ingredients registered by the Department of Plant Protection under the Agricultural Pesticides Ordinance, 1971 (For item-wise details, please refer the Bill).	Respective Headings

Reduce rate proposed to be enhanced

Eight Schedule- Table-I

S.No	Description of Goods	Existing Rate	Proposed Rate
15	Ingredients of poultry feed, cattle feed except soya bean meal and oil-cake of cotton seed (Respective Headings).	5%	10%

Ninth Schedule

Rate proposed to be enhanced

S.No	Description of Goods	Existing Rate	Proposed Rate
2.B	Medium Priced Cellular Mobile Phones or Satllite Phones.	5%	10%
2.C	Smart Cellular Mobile Phones or Satellite Phones.		

FEDERAL EXISE DUTY

AMMENDMENTS IN FEDERAL EXISE ACT, 20005

S. No	Section	Before Amendments	After Amendments
1.	**Sec. 16(2)** **Exemptions**	The Federal Government pursuant to the approval of the Economic Coordination Committee of Cabinet, whenever circumstances exist to take immediate action for specified purposes or implementation of bilateral or multilateral agreements exempt any goods from duty leviable through notification	The Finance Bill 2016 is proposes to extend the scope of exemption regarding international fiscal institution or foreign government owned financial institution under the power of the Federal Government.
	Sec. 2 (8A) **Due Date**	Different dates are inserted for different parts or annexure of the return	The bill proposes to include different dates for furnishing of different parts or annexure of the returns on different dates. The dates shall be specified by the Board.
	Sec. 4 (2) **Filing of Return and Payment thereof.**	Previously, the registered persons were required to file separate returns on change in FED rate till the time FBR did not launch its e-filing portal for returns. As the e-filing of return is compulsory for every registered person, Section 4(3) is being omitted due to its redundancy	The Finance Bill proposes to omit sub-section (3) of Section 4, which provides that separate date-wise returns are required to be filed whenever any change in FED occurs during the tax period.
	Sec.6(2A) **Adjustment of Duties of Excise.**	Presently, input FED can be adjusted against output FED provided the taxpayer holds valid proof for payment of the price of goods purchased by him.	The Finance Bill 2016 proposed to insert the proviso to clarify that tax shall be payable if supplies are no declared by the supplier in his return or tax has duly been paid. Earlier to this, supplier has to produce only the proof of goods on which he is claiming sale tax.
	Sec. 19(13) **Penalties**	This sub-section was not previously existed	A person is proposed to be liable for penalty of Rs. 5,000 or 3% of the amount of duty involved, whichever is higher if he if a person is involved in contravening any rule or section of this Act.
	Sec. 47(B) **Disclosure of Information by a Public Servant**	Enhance the scope of this section	The bill proposed to enhance the scope and applicability of information under the Act by not disclosing the information acquired under any provision of this Act. Under the Freedom of Information Ordinance, 2002 (XCVI of 2002), or in pursuance of bilateral or multilateral agreements with government of

			foreign countries for exchange of information under this Act shall be confidential.

First Schedule

Rates of FED enhanced

Table-I of the First Schedule

EntryNo	Description of Goods	Existing Rate	Proposed Rate
4,5 and 6	Aerated waters	10.5% of retail price	11.5% of retail price
9a	For the period from 01-07-2016 to 30-11- 2016, locally produced cigarettes if their own pack printed retail price exceeds Rs.4,000 (existing Rs.3,600) per 1,000 cigarettes	Rs. 3,155 per 1,000 cigarettes (as notified vide SRO 1181(1)/2015 dated 30 November 2015	Rs. 3,436 * per 1,000 cigarettes
9b	For the period from 01-12-2016 onwards, locally produced cigarettes if their own pack printed retail price exceeds Rs.4,000 per 1,000 cigarettes		Rs. 3,705 per 1,000 cigarettes
10a	For the period from 01-07-2016 to 30-11- 2016, locally Produced cigarettes if their on-pack printed retail price does not exceed Rs.4,000 (existing Rs.3,600) per 1,000 cigarettes	Rs. 1,420 per 1,000 cigarettes (as notified vide SRO 1181(1)/2015 dated 30 November 2015	Rs. 1,534 * per 1,000 cigarettes
10b	For the period from 01-12-2016 onwards, locally produced cigarettes if their own pack printed retail price does not exceeds Rs.4,000 per 1,000 cigarettes		Rs. 1,649 per 1,000 cigarettes
13	Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinkers	5% of the retail price	1 Rs per Kg

*Note: The proposed rates on locally produced cigarettes as per entries 9a and 10a have been notified to become applicable w.e.f. 4 June 2016 vide SRO 473(1)/2016 dated 3 June 2016.

Introduction of FED Exemption

Table-I of the Third Schedule

Entry.No	Description of Goods
19	Materials and equipment for construction and operation of Gwadar Port and development of Free Zone for Gwadar Port as imported by or supplied to China Overseas Ports Holding Company Limited (COPHCL) and its operating companies namely (i) China Overseas Ports Holding Company Pakistan (Private) Limited, (ii) Gwadar International Terminals Limited, (iii) Gwadar Marine Services Limited and (iv) Gwadar Free Zone Company Limited, their contractors and sub-contractors; and Ship Bunker Oils bought and sold to the ships calling on/visiting Gwadar Port, having Concession Agreement with the Gwadar Port Authority, for a period of forty years, subject to the conditions and procedure as specified under S. No. 100A of Table- 1 of Sixth Schedule to the Sales Tax Act, 1990.
20	Supplies made by the businesses to be established in the Gwadar Free Zone for a period of twenty three years within the Gwadar Free Zone, subject to the condition that the sales and supplies outside the Gwadar Free Zone and into the territory of Pakistan shall be subjected to Federal Excise Duty

FED replaced by Sales Tax

Entry No. 53 of Table-I of the First Schedule and Entry No. 3 of the Second Schedule

The Bill seeks to omit entries relating to White Crystalline Sugar from First and Second Schedules. Through proposed amendments in Sales Tax Act, sales tax @ 8% will be attracted on White Crystalline Sugar.

Withdrawal of FED Exemption

Table-I of the Third Schedule

Entry.No	Description of Goods
18	White Cement

CUSTOM DUTY
AMMENDMENTS IN CUSTOMS ACT, 1969

Sr.	Section	Before Amendment	After Amendment
1	**Sec. 19** **General Powers to Exempt Customs Duties**	Under section 19 the Federal Government may, by notification in the official Gazette, exempt any goods or class of goods from the whole or any part of customs duty leviable under the Act and may remit any fine, penalty, charge or any other amount recoverable under the Act. Further under section 20 Board may in exceptional circumstances may by special order, exempt any goods from the payment of the whole or any part of the duty leviable under the Act.	The Federal Government pursuant to the approval of the Economic Coordination Committee of Cabinet, whenever circumstances exist to take immediate action for specified purposes or implementation of bilateral or multilateral agreements exempt any goods from customs duty imported into or exported from Pakistan through notification.
	Sec.155H **Confidentiality of information**	Under this section, all trade information gathered by Customs during clearance of goods shall be confidential and shall not be used except for specified purposes.	The Bill proposes to include confidential information in relation to sharing of data contents under a memorandum of understanding, bilateral, regional, multilateral agreements or conventions as well as public disclosure of valuation data without disclosing name and address of the importer or exporter or their suppliers.

First Schedule

Significant changes in rates of custom duty

- A new customs duty slab of 3% is proposed to be introduced by merging two slabs of customs duty having rates of 2% and 5%.

- Generally, 10% and 15% slabs rate of customs duty are proposed to be substituted with 11% and16% slabs rate respectively.

Exemption of customs duty on disposal of old and used ambulances by Edhi Foundation

It is proposed that the ambulances already imported or to be imported by Edhi Foundation may be disposed of after expiry of seven years from the date of importation without payment duty and taxes leviable at the time of import with the prior approval of FBR.

Fifth Schedule

Introduction of Zero Rating Customs Duty

This was not previously existed. It is proposed that the ambulances already imported or to be imported by Edhi Foundation may be disposed of after expiry of seven years from the date of importation without payment duty and taxes leviable at the time of import with the prior approval of FBR.

Duty Concession under Automotive Development Policy 2016-21

- Fish and shrimp feed
- Fish for breeding in commercial fish farms
- Import of machinery and equipment for textile sector, not locally manufactured.
- Water quality testing kits.

Reduction in Customs Duty

Fifth Schedule

Description of Goods	Existing Rate	Proposed Rate
Agricultural Machinery		
(F) Dairy, Livestock and Poultry, machinery	5%	2%
Active Pharmaceutical Ingredients		
Moxifloxacin	5%	3%
Alfacalcidole	5%	3%
Acid Hypophosphorous		
Dextro-Methorph Hbr	5%	3%
Sodium Benzoate	5%	3%
Sodium Valproate	5%	3%
Diphenhydramine	5%	3%
Alprazolam	5%	3%
Fluconazole	5%	3%
Famotidine	5%	3%
Lactulose	5%	3%
Hydrcortisone Acetate Micronised	5%	3%
Clotrimazole	5%	3%
Ferrous Sulphate	5%	3%
Artemether	5%	3%
Lumefantrine	5%	3%

Duty concessions under Automotive Development Policy 2016-21

S.No	Description of Goods	PTC Code	Customs Duty
1	Agricultural Tractors, having an engine capacity exceeding 35 HP but not exceeding 100 HP	8701.9020	15%
2	Agricultural Tractors (other than mentioned at S. No. 1 above)	8701.9090	10%
3	Fully dedicated LNG buses (CBU)	8702.9030	1%
4	Fully dedicated LPG buses (CBU)	8702.9040	1%
5	Fully dedicated CNG buses (CBU)	8702.9050	1%
6	Hybrid Electric Vehicle (HEV) (CBU)	8702.9060	1%
7	Hybrid Electric Vehicle (HEV) (CBU)	8704.2214 8704.2294 8704.2340 8704.3240	1%
8	Trailers	87.16	15%

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