

PREFACE

The comments are provided on important provisions of Income tax Finance Bill, 2018 however readers are requested to rely upon law and take appropriate professional advise instead of these comments.

The comments relate to following Laws.

1. Income Tax Ordinance, 2001
2. Sales Tax Act 1990
3. Federal Excise Act 2005
4. Custom Duty Act 1969
5. Sales Tax on Services (ICT) 2001

It a contains executive summary of Budget as well.

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EXECUTIVE SUMMARY OF THE BUDGET 2018-19

The budget is presented by Finance Minister Dr Miftah Ismail on 27th of April, 2018. The sixth budget presented by PML (N) which will complete its tenure in May, 2018. The budget is growth oriented and people friendly as the government wants to keep the growth rate intact for the upcoming regime.

The current Government wants to provide maximum relief to the common man in the new fiscal plan. No drastic changes have been made but the salient features of the budget are as follows;

1- OUTLAY OF THE BUDGET:

The total outlay of budget 2018-19 is Rs 5,932.5 billion. This size is 16.2% higher than the size of budget estimates 2017-18.

2- AVAILABILITY OF RESOURCES:

The resource availability during 2018-19 has been estimated at Rs 4,917.2 billion against Rs 4,713.7 billion in the budget estimates of 2017-18.

3- REVENUE RECEIPTS:

The net revenue receipts for 2018-19 have been estimated at Rs 3,070.4 billion indicating an increase of 4.9% over the budget estimates of 2017-18.

4- PROVINCIAL SHARE:

The provincial share in federal taxes is estimated at Rs 2,590.1 billion during 2018-19, which is 8.6% higher than the budget estimates for 2017-18.

5- NET CAPITAL RECEIPTS:

The net capital receipts for 2018-19 have been estimated at Rs 443.1 billion against the budget estimates of Rs 552.5 billion in 2017-18 i.e. a decrease of 19.8%.

6- EXTERNAL RECEIPTS:

The external receipts in 2018-19 are estimated at Rs 1,118 billion. This shows an increase of 33.4% over the budget estimates for 2017-18

7- TOTAL EXPENDITURE:

The overall expenditure during 2018-19 has been estimated at Rs 5,932.5 billion, out of which the current expenditure is Rs 4,780.4 billion and development expenditure is Rs 1,152.1 billion.

8- CURRENT VS DEVELOPMENT EXPENDITURE:

The share of current and development expenditure respectively in total budgetary outlay for 2018-19 is 80.6% and 19.4%.

9- PUBLIC EXPENDITURE:

The expenditure on General Public Services is estimated at Rs 3,340.4 billion, which is 69.9% of the current expenditure

10- PUBLIC SECTOR DEVELOPMENT PROGRAMME (PSDP)

The development expenditure outside PSDP has been estimated at Rs 180.2 billion in the budget 2018-19, which is higher by 18.4% than budget estimates 2017-18.

The size of Public Sector Development Programme (PSDP) for 2018-19 is Rs 1,650 billion. Out of this, Rs 850 billion has been allocated to provinces. Federal PSDP has been estimated at Rs 800 billion, out of which Rs 420.4 billion for Federal Ministries/Divisions, Rs 246.1 billion for Corporations, Rs 5 billion for Pakistan Sustainable Development Goals (SDGs) and Community Development Programme, Rs 8.5 billion for Earthquake Reconstruction and Rehabilitation Authority (ERRA), Rs 5 billion for Special Provision for Competition of CEPEC Projects, Rs 10 billion for FATA 10 year Plan, Rs 45 billion for Relief and Rehabilitation of IDPs, Rs 45 billion for Security Enhancement, Rs 10 billion for Prime Minister's Youth Programme and Rs 5 billion for Gas Infrastructure Development Cess.

11- BANK BORROWING:

To meet expenditure, bank borrowing has been estimated for 2018-19 at Rs 1,015.3 billion, which is significantly higher than revised estimates 2017-18.

In short it is election oriented budget by a government whose term is about to expire. The government wants to give a maximum relief to corporate and non-corporate sector, business, trade, commerce and industry.

INDIRECT TAXES

1. SALES TAX

During the first 8 months of the current financial year net revenue collection from Sales Tax remained Rs. 914.2 billion as against Rs. 765.5 billion in the corresponding period of the last financial year showing an increase of 19.4%. The target for FY 2018-19 is estimated at Rs. 1,700 billion.

2. FEDERAL EXCISE DUTY

During first 8 months of the current financial year net revenue collection from Federal Excise Duty remained at Rs. 121.2 billion as against Rs. 108.3 billion in the corresponding period of the last financial year showing a growth of 11.9%. Budget estimates for fiscal year 2018-19 is projected at Rs. 265 billion. The required growth would be 17.8%.

3. CUSTOMS DUTY

During the first 8 months of FY 2017-18, net Customs Duty collections is Rs.373.4 billion which is 26.8% higher than the duty collected during the corresponding period of FY 2016-17. Budget estimates for fiscal year 2018-19 is projected at Rs. 735 billion. The required growth would be 22.5%.

INCOME TAX PROPOSALS

1. THRESHOLD OF TAXABLE INCOME

For every individual either salaried or non salaried persons rates of taxes are changed in following way.

upto Rs. 400,000	0%.
From Rs. 400,000 to Rs. 800,000	1,000
From Rs. 800,000 to Rs. 1,200,000	2,000
From Rs. 1,200,000 to Rs. 2,400,000	5% of amount exceeding Rs. 1,200,000
From Rs. 2,400,000 to Rs. 4,800,000	Rs. 60,000 + 10% of amount exceeding Rs. 2,400,000
From Rs. 4,800,000 to onward	Rs. 300,000 + 15% of amount exceeding Rs. 4,800,000

2. TAX RATES FOR AN AOP

Upto Rs. 400,000	0%
From Rs. 400,000 to 1,200,000	5% of amount exceeding Rs. 400,000
From Rs. 1,200,000 to 2,400,000	Rs. 40,000+10% of amount exceeding Rs. 1,200,000
From Rs. 2,400,000 to 3,600,000	Rs. 160,000+15% of amount exceeding Rs. 2,400,000

Similarly rates go to maximum slab of 30% instead of 35% previously.

3. TAXATION RATES OF COMPANIES TAX RATES ARE REDUCED IN FOLLOWING WAY.

TAX YEAR	RATE OF TAX %
2019	29
2020	28
2021	27
2022	26
2023 and onward	25

4. PROPOSED CHANGES FOR REAL ESTATE SECTORS

4.1 Property rates abolished

Property rates notified by FBR are proposed to be abolished. All transactions are to be recorded at actual transactions.

4.2 Advance Tax On Purchase Or Transfer Of Properties

Under section 236K, tax now can be collected in installments if payment of properties are being made in installments and property could to be transferred after payment of all installments.

4.3 Directorate General Of Immovable Property

A new directorate is established to ensure disposal of properties on fair market value and to tax difference amount If any. Appellate tribunal of immovable property is introduced in Finance Bill 2018 where appeals are allowed against order to acquire immovable property issued by Directorate General of Immovable Properties in case of low value declarations.

4.4 Builders And Developers are Made Withholding Agents

Builders and developers are made withholding agents under section 153 of the Income Tax Ordinance 2001.

4.5 Non-filer unable to purchase property exceeding Rs. 4 million

A new section 227 c is proposed to be inserted whereby a non-filer will not be able to purchase property exceeding Rs. 4 million and Vehicles as well.

4.6 1% adjustable advance tax from buyer

From buyer 1% advance tax is proposed to be collected instead of existing tax collection from seller and buyer.

5. SCOPE OF SUPER TAX IS EXTENDED UPTO 2020

Applicability of super tax for rehabilitation of temporarily displaced persons is extended to 2020 but its rate is reduced by 1% per annum unless eliminated.

6. TAX ON UNDISTRIBUTED PROFITS

Its rate is reduced to 5% from 7.5% further condition of distribution is of profits is also reduced to 20% from 40% if distributed in cash.

7. CONTROLLED FOREIGN COMPANY

A new section is introduced to tax on income attributable to controlled foreign company of a resident person.

8. UNEXPLAINED INCOME OR ASSETS

Foreign remittance upto Rs. 10 million if brought through banking channel is exempt from tax and no question will be asked about that. Previously there was no limit.

9. FOREIGN INCOME AND ASSETS STATEMENT

A new section is introduced requiring resident tax payers to file statement of foreign income and assets.

10. AUTOMATIC SELECTION OF AUDIT ON LATE FILING OF RETURN.

Automatic selection of audit under section 214D on late filing of returns is proposed to be abolished.

11. DEDUCTION OF TAX ON BANKING TRANSACTIONS

Under section 236P, advance tax on non filer was being charged @ 0.6%. Now it is proposed to reduce it to 0.4%.

12. ADVANCE INCREASE IN MINIMUM THRESHOLD OF TAX DEDUCTION ON PAYMENT FOR GOODS AND SERVICES:

At present tax is deducted by withholding agents under section 153 of the Income Tax Ordinance, 2001 if payments for services exceeds Rs.10,000 and if payments for supply of goods exceeds Rs.25,000/-. In order to provide relief to withholding agents the minimum threshold of tax deduction on goods and services has been enhanced three-fold from Rs.10,000/- to Rs.30,000/- in the case of payments for provision of services and from Rs.25,000/- to Rs.75,000/- in the case of payments for supply of goods.

13. EXTENSION OF TAX CREDITS UPTO 30TH JUNE, 2021.

Tax credit under section 65B is available to companies for the purpose of extension, expansion, balancing, modernization and replacement of plant & machinery at the rate of 10% of the amount invested. Further, tax credit under section 65D is available to companies setting up a new industrial undertaking for a period of five years. Tax credit under section 65E is available to companies for the purchase and installation of plant & machinery through at least 70% new equity. The above tax credits can be availed by companies making investments upto 30.6.2019. Such tax credits are being extended for two more years upto 30th June, 2021.

14. RECOVERY OF TAX ON PAYMENT OF 10% INSTEAD OF 25% IF APPEAL IS PENDING BEFORE COMMISSIONER APPEALS.

Presently under section 140 of the Income Tax Ordinance, 2001 taxpayers have the option of preventing recovery of tax through attachment of bank accounts etc, if 25% of the tax due is paid by the taxpayer during the pendency of appeal before the Commissioner (Appeals). It has been reduced from 25% to 10% of the tax payable.

15. PENALTY ON LATE FILING OF WITHHOLDING STATEMENTS

The existing penalty, under section 182 of the Ordinance for failure to file withholding tax statements within the due date is Rs. 2,500 per day subject to a minimum penalty of Rs.10,000. The minimum penalty for failure to file such withholding tax statements has been reduced from Rs.10,000/- to Rs.5,000/- and only the proposed minimum penalty of Rs.5,000/- may be imposed if withholding tax statement is filed within three months of the due date. However existing

penalty of Rs. 2,500/- per day (from the due date of filing of withholding tax statement) would apply if the statement is filed after a period of three months from the due date.

16. TAX ON SALE OF CERTAIN PETROLEUM PRODUCTS

Advance tax shall be collected from operator or distributor @ 0.5% for filer and @ 1% for non-filer, which are not given commission or discount under section 236HA.

17. TAX ON AMOUNT REMITTING ABROAD

Every banking company shall collect tax 1% for filer and 3% for non-filer on amount remitting abroad, on behalf of other person who will complete transaction by credit or debit card under section 236Y.

18. WITHHOLDING TAX ON BONUS SHARES WITHDRAWN

Withholding tax under section 236M and 236N on issuance of bonus shares by companies quoted on stock exchange and companies not quoted on stock exchange is proposed to be withdrawn.

19. WITHHOLDING TAX REDUCTION ON DIVIDEND BY REIT

The rate of withholding tax on payment of dividend by rental REIT scheme to a filer has been reduced from 12.5% to 7.5%.

20. ADJUSTABLE TAX U/S 233A FOR MEMBERS STOCK EXCHANGE

The tax collected by the Stock Exchange from its members @ 0.02% on the purchase and sale of shares under section 233A of the Ordinance is currently treated as final tax now made adjustable.

21. CHANGE IN RATE OF WITHHOLDING TAX U/S 153 FOR NON-FILER

Rate of deduction of tax U/S 153 are increased for non-filer in following ways

Particulars	New Rate (%)	Old Rate (%)
<i>Sale/Supplies</i>		
Company cases	8	7
Non corporate cases	9	7.75
<i>Contracts</i>		
Company cases	14	12
Non corporate cases	15	12.5

22. MINIMUM TAX COLLECTION FOR MARRIAGE HALLS

Marriage halls, banquet halls, commercial lawns etc are mandated to collect 5% of the bill in respect of functions under section 236D of the Ordinance. Marriage halls are now required to collect either 5% of the bill or Rs.20,000/- per function in major cities and Rs.10,000/- per function in the remaining cities , whichever is higher.

23. CHANGE ON WITHHOLDING TAX ON COAL

Tax collected @ 5.5% from companies and 6% from persons other than companies on coal imported by commercial importers/large trading houses constitutes final tax. It now has been reduced to 4% for filers and 6% for non-filers.

24. NO AUDIT WITHIN THREE YEARS

A new clause in Part IV of the second schedule is proposed whereby no audit u/s 177 or 214C be carried out if tax affairs were audited in any of the preceding three years.

25. TAX CREDIT FOR INVESTMENT IN SHARES

A resident person, other than a company, is allowed a tax credit for acquiring new shares offered by a public company listed on the stock exchange, sukuks offered by a listed company or upon payment of life insurance premium to a life insurance company. Such tax credit is limited to the extent of 20% of taxable income for the year, total cost of acquiring shares/sukuks or 1.5 Million Rupees whichever is less. The limit of 1.5 Million Rupees has been increased to 2 Million Rupees.

26. PROFIT ON DEBT BY NPO's FROM MICRO FINANCE BANKS

Non-profit organizations, trusts and welfare institutions are entitled to 100% tax credit on their income from certain specified heads under section 100C of the Income Tax Ordinance, 2001. One of the incomes that qualifies for credit under section 100C is profit on debt from scheduled banks. Profit on debt derived by non-profit organizations from micro-finance banks shall also qualify as income eligible for 100% credit under section 100C of the Income Tax Ordinance, 2001.

27. REBATE FROM FILM MAKING

50% tax rebate shall be allowed to foreign film makers making films in Pakistan and a 50% tax reduction in income tax liability shall be allowed to companies deriving income from film making for a period of five years.

28. CARRY FORWARD OF DEPRECIATION LOSSES

Presently unabsorbed depreciation losses can be carried forward indefinitely until they are completely absorbed /adjusted against business income. The set off of brought forward depreciation losses have now been limited to the extent of fifty per cent of the business income for a Tax Year except in instances where the taxable income is upto Rs. 10 million. Hence taxpayers will still be entitled to carry forward unabsorbed depreciation losses indefinitely, however, such carry forward will be staggered over a greater number of years.

29. TAX AT IMPORT STAGE ON COMMERCIAL IMPORTERS

At present the tax collected under section 148 of the Income Tax Ordinance, 2001 from commercial importers at the import stage is final tax. Tax collected from commercial importers at the import stage shall now constitute minimum tax

instead of final tax, therefore, commercial importers shall be required to file their returns of income depicting their taxable income(s). This measure is also a step towards gradual phasing out of the final tax regime.

30. EXEMPTION FOR ALLOWANCES OF ARMED FORCES PERSONNEL

Various allowances being given to Armed Forces Personnel i.e Kit allowance, Ration Allowance, Special Messing Allowance, SSG Allowance, Northern Areas Compensatory Allowance, Special pay for Northern Areas and Height Allowance are being exempted from tax.

31. ALTERNATE DISTRIBUTE RESOLUTION PROCEDURES

Decision of ADRC has been proposed to be binding on both FBR and taxpayers.

32. ACTIVE TAXPAYERS OF AJK AND GILGIT- BALTISTAN

Persons appearing on the Active Taxpayers List maintained by the AJK and Gilgit-Baltistan are to be treated as filers under the Income Tax Ordinance, 2001 for Pakistan tax purposes.

33. CAPITAL GAIN ON GIFT FROM RELATIVES ONLY

Non recognition of gain or loss is being restricted to gifts from a relative only.

34. SERVICE OF NOTICE

Amendment is proposed to provide legal cover for service of notice through electronic mode.

35. OFFSHORE DIGITAL SERVICES

Offshore digital services are proposed to be tax at 5% under final tax regime.

36. LARGE TRADING HOUSES MINIMUM TAX

Reduced minimum tax rate applicable to large trading houses is proposed to be extended to 2021.

37. LARGE TRADING HOUSES MINIMUM TAX

Reduced minimum tax rate applicable to large trading houses is proposed to be extended to 2021.

38. NON-PROFIT/CHARITABLE INSTITUTION

In order to encourage nonprofit/charitable institutions, the bill proposes to include the following organizations within the scope of exemptions:

- a. SAARC Energy Centre.
- b. Pakistan Bar Council.
- c. Pakistan Centre for Philanthropy.
- d. Pakistan Mortgage Refinance Company Limited.

- e. Aziz Tabba Foundation.
- f. Al-Shifa Trust Eye Hospital.
- g. Saylani Welfare International Trust.
- h. Shaukat Khanum Memorial Trust.
- i. Layton Rahmatullah Benevolent Trust (LRBT).
- j. The Kidney Centre Post Graduate Training Institute.
- k. Pakistan Disabled Foundation.
- l. Forman Christian College.

39. DONATION TO NON-PROFIT/CHARITABLE INSTITUTIONS

Donation to following nonprofit/charitable institutions is an admissible deduction in the hands of donor:

- a. Pakistan Sweet Home, Angels and Fairies Place.
- b. Al-Shifa Trust Eye Hospital.
- c. Aziz Tabba Foundation.
- d. Sindh Institute of Urology and Transplantation.
- e. SIUT Trust and Society for the Welfare of SIUT.
- f. Sharif Trust.
- g. The Kidney Centre Post Graduate Institute.
- h. Pakistan Disabled Foundation.”

40. PROFIT AND GAINS DERIVED BY A REFINERY

Profits and gains derived by a refinery set up between the 1st day of July, 2018 and the 30th day of June, 2023 having minimum production capacity of 100,000 barrels per day for a period of twenty years beginning in the month in which the refinery is set up or commercial production is commenced, whichever is later.

Exemptions shall also be available to existing refineries, subject to following conditions:

- (i) existing production capacity is enhanced by at least 100,000 barrels per day;
- (ii) separate accounts are maintained for income arising from aforesaid additional production capacity; and
- (iii) the refinery is a deep conversion refinery.

SALES TAX PROPOSALS

1. NO AUDIT WITHIN THREE YEARS SECTION 46

A new clause is proposed whereby no audit be carried out if tax affairs were audited in any of the preceeding three years.

2. ALTERNATE DISTRIBUTE RESOLUTION PROCEDURES SECTION 47A

Decision of ADRC has been proposed to be binding on both FBR and taxpayers

3. RECOVERY OF TAX ON PAYMENT OF 10% INSTEAD OF 25% IF APPEAL IS PENDING BEFORE COMMISSIONER APPEALS SECTION 48

Presently taxpayers have the option of preventing recovery of tax through attachment of bank accounts etc, if 25% of the tax due is paid by the taxpayer during the pendency of appeal before the Commissioner (Appeals). It has been reduced from 25% to 10% of the tax payable.

4. FURTHER TAX SEC 3(1A)

Rate of further tax is proposed to be increased from 2% to 3%.

5. POWER TO ISSUE NOTIFICATION

Powers of Federal Government, which was earlier transferred to FBR and Federal Finance Minister, have been re-established.

6. TIME FRAME FOR APPEAL EFFECT

Introduction of an appeal effect order within one year for giving effect to the finding or direction of the Commissioner (Appeals), Appellate Tribunal, High Court, or Supreme Court.

7. POWERS CURTAILED

Chief Commissioner no longer empowered to post Tax Officers at taxpayers' business premises. This power now only vests with FBR.

Commissioner no longer empowered to post Tax Officers at taxpayers' premises to monitor production.

8. TAX CREDIT ON SCRAP –SEC 8

On imports of scrap of compressor an adjustment of input tax has been debarred.

9. ZERO RATING-SEC 4

Zero rating adjustment granted to stationery items.

10. DEFAULT SURCHARGE- SEC 34

Rate of default surcharge fixed @ 12% per annum. Previously it was KIBOR plus 3%.

11. STEEL SECTOR

For steel sector rate of sales tax increased to Rs. 13 per unit of electricity consumed.

Rate of sales tax for other allied steel industries i.e. ship breakers and re-rollers rationalized.

12. IMPORTS

Sales tax levied on import and supplies of furnace oil. Sales tax increased to 9% on import and supply of finished articles of leather and textile sector. All branded outlets which will become integrated with FBR online system through electronic fiscal devices shall pay sales tax @ 6%.

13. ADJUSTMENT OF INPUT TAX

Input tax adjustment allowed on packing materials to five export oriented sectors.

14. EXEMPTIONS FROM SALES TAX

On one time Import of plant and machinery for setting up of Special Economic Zone.

Extra tax and further tax @ 2% exempted for Pakistani foam manufacturers.

Imported hearing aids of all types and kinds.

Value Addition Tax on import of second hand worn clothing and footwear exempted.

Import or supplies of Paper, Fish Feed, Fans for dairy farms, Bovine semen, preparations for making animal feed and certain equipment etc.

Value addition tax @ 3% on import of LNG.

LNG imported by fertilizer manufacturers for use as feed stock.

21 types of computer parts imported by manufacturers registered with and certified by EDB.

15. REDUCTION IN SALES TAX

Reduced rate of sales tax @ 6% on import of ready to use articles of artificial leather.

Local supply of finished fabric to unregistered persons to attract further tax @ 1%.

Reduced rate of sales tax @ 3% on all types of fertilizers.

Reduced rate of sales tax from 10% to 5% on supply of natural gas to fertilizer plants for use as feed stock.

FEDERAL EXCISE DUTY PROPOSALS

1. NO AUDIT WITHIN THREE YEARS

A new clause is proposed whereby no audit be carried out if tax affairs were audited in any of the preceeding three years.

2. ALTERNATE DISTRIBUTE RESOLUTION PROCEDURES

Decision of ADRC has been proposed to be binding on both FBR and taxpayers

3. RECOVERY OF TAX ON PAYMENT OF 10% INSTEAD OF 25% IF APPEAL IS PENDING BEFORE COMMISSIONER APPEALS

Presently taxpayers have the option of preventing recovery of tax through attachment of bank accounts etc, if 25% of the tax due is paid by the taxpayer during the pendency of appeal before the Commissioner (Appeals). It has been reduced from 25% to 10% of the tax payable.

4. DEFAULT SURCHARGE

Rate of default surcharge fixed @ 12% per annum. Previously it was KIBOR plus 3%.

5. POWER TO ISSUE NOTIFICATION

Powers of Federal Government, which was earlier transferred to FBR and Federal Finance Minister, have been re-established.

6. TIME FRAME FOR APPEAL EFFECT

Introduction of an appeal effect order within one year for giving effect to the finding or direction of the Commissioner (Appeals), Appellate Tribunal, High Court, or Supreme Court.

7. POWERS CURTAILED

Chief Commissioner no longer empowered to post Tax Officers at taxpayers' business premises. This power now only vests with FBR.

Commissioner no longer empowered to post Tax Officers at taxpayers' premises to monitor production.

8. ENHANCEMENT OF RATE

FED on cigarettes and cement products enhanced. It is proposed to introduce health levy on tobacco at the rate of ten rupee per kg on every purchaser of tobacco including manufacturers of cigarettes.

9. EXEMPTION TO STATE BANK OF PAKISTAN

Commission paid by State Bank of Pakistan and its subsidiaries to National Bank of Pakistan or any other banking company for handling banking services of Federal or Provincial Governments as agent of State Bank of Pakistan.

10. OTHER EXEMPTIONS

Equipment imported by China Railway Corporation for Lahore Orange Line Metro Train Project.

Imported construction materials and goods imported by China State Construction Engineering Corporation Limited for construction of Karachi-Peshawar Motorway (Sukkur-Multan Section).

CUSTOM DUTY PROPOSALS

1. PROPOSED CHANGES IN THE RATE OF CUSTOMS DUTY

Additional customs duty is increased from 1% to 2%.

Customs duty on more than 100 Pakistan Customs Tariff (PCT) headings relating to import of raw materials/inputs is withdrawn and on more than 25 PCT headings is reduced with the avowed objective to encourage and incentivize exports.

Reduction in customs duty has been proposed on aluminum foil for liquid food packaging industry, pre-fabricated structures for hotels, input material for dairy sector, poultry sector, manufacturing of optical fiber cables, equipment for cinema industry, manufacturing of LED lights, import of coal, electric vehicles etc.

Fixed duty of US\$ 5,000 on import of vintage or classic cars and jeeps is envisaged.

Increase in duty on import of rickshaw tyres, soya bean oil, aluminum auto parts scrap is proposed.

New PCT codes introduced for radial tyres, CKD/SKD kits for home appliances, mobile phones etc.

Review of regulatory duty on non-essential and luxury items.

2. JURISDICTION OF CUSTOMS ENFORCEMENT ACTIVITIES IS EXTENDED

Scope of Customs enforcement activities in the sea is proposed to be extended to 24 nautical miles from existing 12 nautical miles.

3. AMENDMENTS IN CERTAIN POWERS

The Bill seeks to restore powers of the Federal Government to issue notifications under the customs law and regulations.

The Chief Collector is now empowered to take over imported goods.

Any data obtained through mutual assistance agreements can now be officially used for the purpose of assessment and valuation.

The Collector (Appeals) is now empowered to grant stay against recovery of duty/taxes for a maximum period of 30 days where an appeal has been filed.

4. RELIEF MEASURES

It is proposed that no proceedings be initiated, if voluntarily payment of short paid duties, taxes or other charges is made before the audit inquiry is initiated.

It is proposed to dispose off refund claim within 180 days subject to extension of further 90 days.

Confiscated imported goods will be provisionally released on payment of related duties and taxes and furnishing of bank guarantee or pay order against monetary penalties involved thereof.

Draft rules are proposed to be provided to public for offering their comments before notifying.

5. PENALTIES

Penalties in case of non-compliance of electronic notices issued for requisition of documents have been introduced.

Penalties for pilferage, replacement en-route or in case transshipped goods failed to reach the port of destination have been enhanced.

It is proposed to provide legal cover to regulatory duty introduced in fiscal year 2018 which has been held ultra vires to Constitution by Superior Courts.

SALES TAX ON SERVICES (ICT) PROPOSALS**ISLAMABAD CAPITAL TERRITORY (TAX ON SERVICES) ORDINANCE, 2001****Sales tax on services - Section 3**

It is intended to enhance the scope of services taxable under the Islamabad Capital Territory (Tax on Services) Ordinance, 2001.

Bismillahir-Rehmanir-Rahim

PART-I

Mr. Speaker,

1. It is my honour to present today the sixth budget of the PML(N) government to this Parliament. It is, indeed, a historic moment for the nation and the Parliament to celebrate. Despite challenges, we have achieved a highest growth in thirteen years, low inflationary environment, and overall macro-economic stability. I congratulate the nation and the Parliament.

Mr. Speaker,

2. Presentation of the budget 2018-19 is a solemn obligation of the present government. It is incumbent on this Parliament, before its term expires, to debate and pass Annual Budget for next year. Presentation of Federal budget is essential for provinces to estimate Federal fiscal transfers without which provincial government can neither formulate their budgets, nor carry out their business. Passage of the budget is necessary for financial stability and continuity of government machinery. The next elected Government will be free to make changes in the budget priorities.

Mr. Speaker,

3. The budget, being presented today, reflects the vision of Mian Nawaz Sharif and aspirations and hopes of the people of Pakistan who voted for him as their Prime Minister in 2013. His absence today in the House is dearly missed.

Mr. Speaker,

4. I would like to take you back to May 2013 when we inherited a collapsed economy, low growth, high inflation and high fiscal deficit. Foreign Exchange reserves were at a historic low. International default seemed imminent and was widely predicted.

5. Let me remind this House that during the five years preceding 2013, average inflation was 12% and average GDP growth was 2.8%. Even worse, the country was in grip of a protracted energy crisis. There was 12-18 hours of electricity load-shedding in urban and rural areas. Our country was facing large scale industrial shutdowns and labour layoffs. My farmer brothers did not have electricity to run tube-wells. My sisters in urban areas did not have gas to heat hearths and cook food for their children.

Mr. Speaker,

6. Domestically, terrorism was widespread, and people were not feeling safe in their houses. Corruption and bad governance was common. Doom and gloom was pervasive, and nation's morale was at the lowest.

Mr. Speaker,

7. The PML(N) came into power in 2013 and immediately embarked upon a home-grown agenda. Economy, energy and good governance were the core elements of that agenda. Under the leadership of Mian Nawaz Sharif we took on

the challenges head on. For five years, we worked long and hard, took painful decisions and never allowed our personal interests to be our preference. There has been only one motivation and that is serving the people who are the real masters in a democratic dispensation.

بس اتنا کہنا ہے جمہوریت کے بارے میں
قبول کیجئے جو فیصلہ عوام کریں

Mr. Speaker,

8. I will now present before this House the main achievements of our government in the area of economy;

- a. **Real GDP Growth.** Last year, our Government achieved GDP growth of 5.4% which was the highest growth rate in last 10 years. In contrast, the average GDP growth during the period 2008-12 was a paltry 2.8% per annum. For this year, our growth is projected 5.8% which is the highest in the last 13 years. This places Pakistan among the fastest growing economies.

The high growth rates over the last 5 years have produced unprecedented economic expansion. Size of the economy expanded from Rs.22,385 billion in FY2013 to Rs.34,396 billion in FY2018, while per capita income increased from Rs.129,005 in 2013 to Rs.180,204. Alhamdulillah, today Pakistan's economy is 24th largest economy in the World.

- b. **Agriculture:** Agriculture is the mainstay of our economy. Agriculture sector has shown the highest growth in the past 18 years of 3.8%. All major cash crops including cotton, rice, and sugarcane have contributed to this growth. This is the result of prudent policies pursued by our government during the last five years. In addition a special Kisaan package was announced by Mian Nawaz Sharif in 2015-16. Under this package, cost of fertilizers and pesticides were reduced, and cheaper credit was made available, and cash support was given to rice and cotton growers.
- c. **Industry:** Industrial production grew by 5.8% this year. This growth is the highest in a decade. It is driven by historically low interest rates and uninterrupted supply of electricity and gas after many long years of load shedding and darkness. A robust industrial sector is today generating several thousand additional jobs for our youth.
- d. **Services.** Services sector, which includes banking, retail, transportation etc. witnessed a remarkable growth of 6.4%. You will not be surprised now if I tell you that this too is one of the highest in a decade.
- e. **Inflation:** Inflation is the biggest tax on the poor people of Pakistan. Alhamdulillah, we have been able to curtail average inflation to less than

5 percent in the past five years, compared to 12 percent between 2008-13. In the first nine months of this year, inflation was only 3.8 percent while food inflation was only 2 percent. Over our last 5 years, people have enjoyed an unprecedented period of price stability.

- f. **Fiscal Deficit:** In FY2013, fiscal deficit was 8.2% of GDP. Our government pursued a policy of financial prudence and fiscal consolidation. During the current year, fiscal deficit will be contained below 5.5% of GDP. Public money is a trust and we will continue to spend it prudently.
- g. **FBR Revenues:** In FY2013, FBR tax collection was Rs.1,946 billion. For the current fiscal year, FBR revenue is projected to increase to Rs.3,935 billion which is two times increase in 5 years. Tax-to-GDP ratio which was 10.1% in 2013 will increase to 13.2% this year. Such phenomenal increase in tax collection in 5 years is not a small achievement. I want to thank taxpayers of Pakistan for this achievement.
- h. **Policy Rate of State Bank of Pakistan:** Policy rate came down from 9.5% in June 2013 to 5.75% in 2017, which was lowest in many decades. Similarly, mark-up rates of Export Refinance Facility was reduced from 9.5% in 2013 to 3% in June 2016. Mark up rate on Long Term Finance Facility was also brought down from 11.4 % to 5-6%. Unprecedented low interest rates have allowed businesses and industry to grow and create jobs.
- i. **Agriculture Credit:** Five years ago, credit given to agriculturists was Rs.336 billion. At the end of February 2018, it stood at Rs.570 billion and it is expected to increase to Rs.800 billion by June 2018. In addition, interest rate of agriculture credit was also reduced significantly.
- j. **Credit to Private Sector:** Credit to private sector has grown by 383 percent, from Rs.93 billion in 2013 to Rs.441 billion by April 2018.
- k. **Exports.** Exports have been a challenging area of the economy due to both internal and external factors. As a result of concerted efforts, export package of Rs.180 billion as well as exchange rate adjustments exports have increased by 13% increase in the first nine months of this year and 24% in March on shipment basis. We expect this momentum to continue.
- l. **Imports:** Imports during the first nine months increased by 17% when compared with the same period last year. Higher imports are mainly driven by an increase in import of POL products, machinery and raw materials. These imports are augmenting productive capacity of the economy for higher export volumes in the future. With the completion of the CPEC related projects this year and the recent exchange rate adjustment, imports are likely to moderate.
- m. **Current Account:** Increase in productive imports has led to a widening of current account deficit to \$12 billion in the first nine months of the

current fiscal year. Government has made adequate efforts to finance this deficit. I am certain that the foreign exchange reserves will be higher than their current level. Foreign Direct Investment: Foreign Direct Investment increased to \$2.7 billion in FY2017 from \$1.3 billion in 2013. During the first nine months of the current fiscal year, it has increased to \$2.1 billion as against \$1.9 billion during the same period last year. Increased FDI reflects confidence of international investors in policies of the present government.

- o. **Workers' Remittances:** Remittances by Pakistani's abroad jumped from only \$13.9 billion in 2013 to \$19.3 billion last year. This year InSha-Allah, we expect to end the year at more than US\$20 billion which will be a record for Pakistan.
- p. **Foreign Exchange Reserves:** When the government took office, the foreign exchange reserves had depleted to only US\$6.3 billion. Reserves increased to US\$19.4 billion by October 2016. However, the increased trade deficit has impacted the build-up of reserves. Presently reserves held with SBP stand at \$11 billion. The Government is taking necessary measures to ensure reserve adequacy.
- q. **Pakistan Stock Exchange:** Pakistan Stock Exchange performed exceptionally well to reach an all-time high of 53,124 points in May 2017 from 19,000 in May 2013. The market capitalisation reached almost US\$100 billion. As a result of political events, the stock exchange plunged to 37,919 in December 2017. However, the index has recovered to almost 46,000 points.
- r. **Registration of new Companies:** This year 8,349 companies were registered till March 2018 compared to 5,883 companies in the same period last year. During the last 5 years 33,285 new companies were registered as compared to 17,079 registrations between 2008-13. Registration of such large numbers of new companies reflects buoyancy of businesses.
- s. **Increase in Investment:** Better governance, business friendly policies and improved security conditions have brought investors back to Pakistan. China-Pakistan Economic Corridor is attracting large scale investments to key sectors of the economy including; energy, communication infrastructure, transportation, telecommunication, textile and construction. These investments addressed perpetual bottlenecks of energy and infrastructure and unleashed the growth momentum. A total of US\$223 billion were invested in the economy from both domestic and foreign sources over the five years as compared to US\$140 billion during 2008-13.
- t. **Energy Sector Development.** Five years back, electricity was not available for 16-18 hours to our people and businesses. The biggest

promise we made during the last election to the nation, was to eliminate electricity load shedding which stands fulfilled today. During the last sixty-six years of Pakistan's history, a total of 20,000 megawatts of generation capacity was added. In a short-term of five years, we have added 12,230 megawatts of new generation capacity. Mian Nawaz Sharif, my elder brother Khawaja Muhammad Asif and Chief Minister Punjab Mian Shebaz Sharif worked day and night for this success.

Mr. Speaker,

Structural Reforms during the last Five Years

9. To accelerate economic growth, Prime Minister Shahid Khakaan Abbasi has lately announced 5-point economic reform package through which taxes have been lowered. These are the biggest tax-cuts in the history of Pakistan. Some of the key features of this package are;

- a. Tax rates on individuals have been lowered. Complete tax exemption has been given to people who earn upto Rs.12 lakh per year or Rs.1 lakh per month. This exemption limit, which was previously Rs.4 lakh per year has been increased three times to Rs.12 lakh per year. Tax will be levied at the rate of 5 percent for income between two and four lakhs monthly. People earning above four lakh monthly will be taxed at the rate of 15 percent. In Pakistan highest tax burden was on the salaried middle-class which include teachers, doctors, lawyers, nurses, accountants. Reduced tax rates will significantly lower tax burden on this class.
- b. New initiatives in data-mining are being initiated to identify individuals who, despite earning taxable income, are not paying their due share in taxes. Government will now monitor potential taxpayers' financial records and issue notices on evidence of tax evasion.
- c. Now that tax rates have been reduced and data-mining methods have been introduced to identify assets, we are providing last chance to declare undeclared assets held inside the country. Undeclared incomes earned before 30th June 2017 and held as local assets (gold, bonds, property etc.) can be regularized on payment of 5% of the value of the asset. Dollar account holders in Pakistan who have purchased dollars through undeclared money can regularize them on a payment of 2%.
- d. Protection of Economic Reforms Act in 1992 was intended for liberalisation of economy and facilitation of foreign investment. This facility allowed free movement of foreign exchange in and out of the country without questions being asked. However, this law was misused by some elements for whitening of black money. We have plugged this loophole in the law. The law has been amended and now only the filers can make cash deposit in their foreign currency accounts. However, all inflows up to US\$100,000/year/person will continue without any questions from any agency about the source and enjoy tax exemptions.

The FBR will have the right to ask for source of income from people bringing in more than US\$100,000/year/person.

- e. We are also allowing people to declare their foreign undeclared assets at 3 percent and undeclared liquid assets at 5 percent.
- f. To check under-declaration of land and property, the state is being given the power to purchase land and property at 100% of the declared value within six-months of its registration. Non-filers will be barred from procuring property above Rs.4 million. FBR rate on property is being abolished from 1st July 2018 and provinces have been advised to abolish DC rates. There will be a reduced tax incidence on property registration, with a maximum of 1% tax for filers. This reform measure is unprecedented and will help in documentation of the economy.

Mr. Speaker,

Budget Strategy

10. Following are the key targets of our budget strategy:

- a. Real GDP growth rate of 6.2%
- b. Inflation to remain below 6%
- c. Tax to GDP ratio of 13.8%
- d. Budget deficit of 4.9% of GDP
- e. Net Public Debt at 63.2% of GDP
- f. Foreign exchange reserves at \$15 billion, and
- g. Continuation of social protection programmes.

Mr. Speaker,

11. Our macroeconomic policy aims to address the imbalances of external account, while protecting economic growth. Over the medium-term we propose to continue reduction of fiscal deficit, maintain a cautious monetary stance, and embark upon next generation of reforms for strengthening investment climate, export promotion, and energy sector. Priority should be accorded to reducing losses in the public-sector enterprises and expanding tax base.

12. To achieve these goals, the following budget strategy is being proposed:

- a. FBR tax revenue target is proposed to be fixed at Rs.4,435 billion which is to be achieved through tax administration and compliance and not through any new tax measures. Tax base will be enhanced while tax rates are being lowered.
- b. The Government will continue investments in social protection – particularly Benazir Income Support Programme and continue initiatives for marginalised segments of the society through a targeted subsidy regime. For Benazir Income Support Programme, an amount of Rs.125 billion is being proposed in the budget, while Rs.179 billion has been earmarked as subsidies.

- c. The Prime Minister's Youth Scheme will continue. For this purpose, Rs.10 billion have been allocated.
- d. Total size of the PSDP is proposed as Rs.800 billion however, additional resources of Rs.230 billion will be financed through autonomous organisation, Public Private Partnership, and other means. Investments in the water, road infrastructure, electricity sector and China Pakistan Economic Corridor (CPEC) will be protected.

13. After the 7th National Finance Commission (NFC) Award, fiscal space of the Federal Government shrunk by 10 – 11% while its expenditure could not be reduced. The provinces received an additional transfer of Rs.2.5 trillion in 8 years which otherwise could have been spent by the Federal government. The Federal government also had to allocate substantial resources for special security and rehabilitation of TDPs.

Special Initiatives 2018-19:

Mr. Speaker,

14. Now I will present before the House special measures that we propose for the next year.

Agriculture Sector

15. Actualising agriculture sector potential is imperative for sustainable higher GDP growth. Pakistan needs a second green revolution to achieve yield growth potential, investment in agriculture technology, research and development, cropping patterns more adaptable to climate change and in changing management and labour tenure practices.

16. A radical transition of agriculture sector can only be achieved moving away from subsidy driven approach to a market driven dynamic policy regime. Going forward Federal Government will leave the business of subsidies to provincial governments and will focus on building a conducive policy environment for research and development, productivity enhancement, market access, improvements in management, labour practices and technology. We are making a beginning by announcing the following measures:

- a. **Continuation of Incentives of FY 2017-18:** A number of incentives were announced in Budget 2017-18 including in agriculture credits, exemption of customs duty on harvesters, removal of GST on imported sunflower and canola seeds etc. All these incentives shall continue to be available during 2018-19.
- b. **Uniform Rate of GST on all Fertilizers:** Considering fertilizer as the critical farm input our government reduced the sales tax on fertilizer from a high of 17% to 4% on DAP, 5% on Urea and 9-11% on others. I am happy to announce that from 1st July there will be a reduced uniform GST rate of 2% on all fertilizers. This will eliminate distortions in tax regime, further reduce fertilizer prices and promote use of balanced nutrients.

- c. It is also proposed to reduce GST on agriculture machinery from the current 7 percent to 5 percent.
- d. Further concessions in taxes and duties are being proposed for the dairy and livestock sector. Details will be announced in Part II of this speech.
- e. **Enhancing Cotton Production and Quality:** Producing high quality and large quantities of cotton is central to economic growth and exports. In terms of climatic conditions, water and soil availability Pakistan enjoys a natural advantage we are 5th largest cotton producing country in the World, but in terms of exports textile products we are ranked amongst the lowest. We need to dramatically improve both quality and productivity to achieve higher export values. The subject of cotton has been transferred to Ministry of National Food Security and Research from the Ministry of Textile Industry.
We are working with provincial governments to formulate and enforce a policy to halt conversion of cotton growing area into sugarcane growing area. Plant Breeders Rights Act, which had been facing prolonged delays over the last 15 years, has been recently enacted by our government. The Plant Breeders Rights Registry established under this law will help in producing higher yield varieties of cotton and other crops locally through availability of better quality seed.
- f. **Tariff subsidy on Agriculture tube wells:** Availability of water is necessary for crops. Government is presently providing electricity for agriculture tube well at reduced rates. During 2018-19, this scheme will continue in these areas where the Provincial Governments agree to share cost of subsidy on 50:50 basis.
- g. **Agriculture Research Support Fund:** The Government is proposing setting up an Agriculture Research Support Fund with an initial allocation of Rs.5 billion. The Fund will provide financial grants for research and development of modern plant and seed varieties for achieving higher crop yields. The Fund will be jointly managed by Finance Division and Ministry of National Food Security and Research.
- h. **Agriculture Technology Fund:** The Government of Pakistan is also proposing to establish a separate Fund for indigenisation of agriculture technology with an initial allocation of Rs.5 billion. The Fund will be jointly managed by Finance Division and Ministry of National Food Security and Research. It will work with partner organizations and promote indigenization of agriculture technology.
- i. **Revamping of Agriculture Research Organizations:** Ministry of National Food Security and Research is working on a plan for restructuring and revamping of research organizations and institutes to convert them into world class state of the art platforms for research and development. Necessary financial support will be made available.

Export Promotion

17. During the last five years we took several measures for promotion of textile and exports. These included reductions in markup rates of LTFF and ERF to historic lows of 5 percent and 3 percent respectively, duty free import of textile machinery, uninterrupted supply of gas and electricity for industries, zero-rating of five key export sectors, and introduction of export package of Rs.180 billion.

18. These were immediate measures to arrest decline in exports. We need to reset policy framework and move away from quick fixes approach to more robust, sustainable and market driven policy instruments. Going forward, we plan to rationalise subsidies and concurrently reduce cost of production. We are making a beginning through this Budget;

- a. **Zero-Rating Regime:** Five export sectors namely textiles, leather, sports goods, surgical goods and carpets shall continue to remain in zero-rated sales tax regime.
- b. The government has decided to provide freight support on export of potatoes. Details will be announced subsequently.
- c. **LTFF and ERF Rates:** Reduced mark-up rates shall continue to be available as per SBP policy under Long Term Finance Facility and Export Refinance Facility respectively.
- d. **Export Promotion Schemes under Textile Policy and Strategic Trade Policy Framework:** Incentives under various schemes of Textile Policy 2014-19 shall remain available during FY 2018-19. Ministry of Commerce is also working on Strategic Trade Policy Framework 2018-23. An amount of Rs.10 billion is being allocated for various schemes under these policies.
- e. **Tariff Restructuring:** Tariffs on various lines, which are mainly industrial raw materials, are proposed to be reduced. Details shall be presented in Part-II of Finance Bill. Tariff Restructuring shall increase competitiveness of exports and help in reducing the current account deficit.
- f. **Export Sector Refunds:** The following measures are proposed to overcome the issue of refunds of exporters:
 - i. We are moving towards zero rating of import materials for export sector which will significantly reduce creation of new refund claims.
 - ii. Refund claims currently pending will be cleared in a phased manner over the next 12 months starting 1st July 2018.
 - iii. After 1st July 2018 all new refund claims will be paid as per the time stipulated in law and regulations on monthly basis and there will be no delay.
- g. In order to facilitate exports, the government is working on a new package. Keeping in view the prevailing circumstances, this package will focus on increase non-traditional and value-added exports.

Financial Sector:

19. **Remittances.** Remittances from overseas Pakistanis are a major source of foreign exchange earnings. To further encourage remittances through formal channels, the Government has decided to introduce following incentive in FY2018-19:

- a. **Prize Scheme for overseas Pakistanis:** All home remittance transactions sent through commercial banks, exchange companies and other financial institutions will be included in monthly lucky draws. Details of the scheme are being finalized and shall be announced shortly by State Bank of Pakistan.

20. **Enhancement in the target of agriculture credit:** Access and availability of credit is very important for small farmers. Our government increased target of agriculture credit from Rs.315billion in 2013 to Rs.1,001 billion in 2018. For the next year, this target is being increased to Rs.1,100 billion.

21. **Production Index Units:** Similarly, keeping in view increase in cost of agriculture inputs and corresponding demand for credit, value of PIU will be increased to Rs.6,000. Value of PIU in 2013 was Rs.2,000 which we increased to Rs.5,000 during the outgoing year.

Film and Drama Industry**Mr. Speaker,**

22. In order to revive Pakistan's film industry, which used to be the third largest in world in the 1960s, the Government is announcing a fiscal package. The package will provide an enabling environment for film industry to flourish, and to project Pakistani culture. The main features of this fiscal incentive packages are:

- a. Reduction in custom duty to 3 percent on the import of film & drama production equipment and sales tax to 5 percent.
- b. Establishment of a revolving Fund for promotion of film and drama industry and to provide financial support to deserving artists.
- c. Rebate of 50% in Income tax to companies investing in film projects will be given for 5years.
- d. 50% tax rebate to income derived by foreign film makers from films made in Pakistan.

23. Further details of film-policy will be presented by my sister Marriyum Aurangzeb in the next few days.

Development of Karachi

24. Karachi is the commercial and trading hub of Pakistan and has a major contribution in the country's revenue base. PML(N) Government after coming to office in 2013 successfully restored law and order in Karachi giving confidence to the business community and rejuvenating economic activity there. The Lahore, Multan metros were built by provincial funds, however the Green Line Rapid Transit System in Karachi is being funded by the Federal Government. In the

current financial year, Rs.16 billion have been spent on this project. The road and bridges are ready, but the provincial government has not yet been able to issue contract for procurement of buses. On behalf of the Federal government, I am today offering that if Sindh government is unable to get busses for Karachi, the Federal Government will do so.

25. It was agreed during the time of the previous government that Federal government will pay 1/3rd of the cost of K4 water project in Karachi. However, no money was ever paid, and the project never took off the ground. It was the PML(N) government that started giving funds for the K4 and Mian Nawaz Sharif also agreed to pick 45% of the total cost. However, it is taking the provincial government a long time to complete the project due to which cost over-run have crossed 400%.

Mr Speaker,

26. Karachi is suffering from a severe water crisis. To solve this long-standing problem, the Federal government is today announcing a new scheme of sea water desalination plant. This plant will be built by the private sector and will produce 50 million gallons of water a day. In-Sha-Allah it will be my honour to play a role in solving the water problem for my city. For this purpose, the Federal government will bridge the viability gap in partnership with private sector.

27. Apart from the above, the Prime Minister has announced a Package of Rs.25 billion for Karachi. This Package includes providing infrastructural and other social sectors facilities. So far, three projects covering roads and flyovers and up-gradation of firefighting system has been approved and Rs.3.0 billion has been earmarked during current financial year. An allocation of Rs.5 billion has been proposed in the PSDP-2018-19. In addition, on my personal request the Minister for Planning Mr. Ahsan Iqbal has provided funds for expansion of Karachi Expo Centre.

Childhood Development

Mr. Speaker,

28. **Education:** We are introducing a new programme to be called 100 100 100. This is a federal government's commitment to ensure that 100% Pakistani children will be enrolled in schools, 100% children will be retained in schools and finally, InshaAllah 100% will graduate from schools. This is a solemn commitment of not just of Prime Minister Shahid Khaqan Abbasi but the entire parliament to the children of Pakistan. Even after 70 years, we the leaders of Pakistan have failed the children of Pakistan. We have denied them the light of education. No more. Even though education is a devolved subject, but federal government will help, both financially and administratively, each and every province to achieve this goal. This is not about politics and parties. This is a national commitment that I make today to the children of Pakistan. We will educate you. And we will insist on 100 100 100.

29. **Nutrition:** Mr. Speaker, as a father of three children I am ashamed to tell you that 30% of my Pakistani children are stunted due to malnutrition and inadequate food. This Mr Speaker is a moment of reflection for all of us. No sir, this is a matter of shame for us. This is no more tolerable.

30. I am today allocating on the instructions of the Prime Minister at least Rs.10 billion for a programme that will end child stunting. But if this programme gets off the ground quickly and needs more money, I again promise on behalf of the entire parliament that we will provide through supplementary grants any amount that is needed to end child stunting. Standing today in front of this picture of babe-e-quam in this centre of Pakistani democracy I commit, on behalf my Prime Minister and this Parliament to end child stunting in Pakistan by 2020.

Mr. Speaker,

Development Plan – PSDP

31. During the past five years, our government emphasised on increase in development spending several times. The PML(N) government spent over Rs.3,000 billion, as compared to around Rs.1,300 billion spent during 2008-13. This is about 230 percent more. I am proud to say that, under the leadership of my brother Ahsan Iqbal, public money was spent with full fiduciary responsibility, transparency and financial integrity for the benefit of our people.

32. While PSDP investments were made in different sectors of the economy, I would like to highlight the China-Pakistan Economic Corridor (CPEC) upfront. Vision of Mian Nawaz Sharif, CPEC initiative has become a global brand of Pakistan. CPEC investments are mainly in energy, road and transport infrastructure and Gwadar. As part of CPEC, our Government initiated road projects that would link north of Pakistan with Gwadar. Trans-Pakistan corridor of motorways and special economic zones are designed to provide jobs, enhance manufacturing base, and increase prosperity and growth. Karachi Lahore Motorway, Thakot Havelian Motorway, Eastbay Expressway Gwadar, and many other link roads in Gilgit Baltistan, KPK, Punjab, Balochistan and Sindh are interlinking Pakistan like never before.

33. As part of CPEC, the Government has also finalized the plan to increase the speed of trains on Main Line-I from Peshawar to Karachi by 3 times. Current average speed of trains on ML-I is 55 Km per hour which will be increased to 160 Km per hour by 2021. The project envisages doubling of track from Karachi to Peshawar and from Taxila to Havelian. This requires an investment of more than \$8 billion. This will enable people to travel from North to South in 12 hours or even less.

Mr Speaker

Energy

34. Our government has invested heavily in Energy sector. The PML(N) government fulfilled its promise of availability of electricity and added generation capacity of 12,230 megawatts to the national grid. Let me highlight the key

completed projects based on a diverse mix of low cost power generation sources, including coal, RLNG, wind, solar and hydel:

- a. 969 MW Neelum Jehlum Hydropower Project, a run-of-river hydropower project, which is an engineering marvel with 90% of the plant being underground in the high mountainous area
- b. Enhancement of Tarbela power station with addition of fourth unit contributing an additional 1,410 MW of power
- c. 3,600 MW of RLNG based power plants in Haveli Bahadur Shah, Bhikki and Balloki
- d. Pakistan's first super-critical coal fired power plants located in Sahiwal and Port Qasim Coal (north and south) have started operations
- e. 680 MW Chashma Nuclear Power Plants C-3 and C-4 have come online; and f. Over 1,000 MWs renewable energy projects with zero fuel costs.

Mr. Speaker,

35. However, these projects are not the end of our investments in the electricity sector. For the budget year 2018-19 the proposal is to invest Rs.138 billion in power sector. Key investments in the sector are proposed as follows:

- a. Rs.27.5 billion have been allocated for installation of two 600 MW coal fired power projects in Jamshoro, Sindh,
- b. Rs.76 billion have been allocated for Dasu Hydro Power Project for Stage-one in District Kohistan, Khyber Pakhtunkhwa,
- c. Rs.32.5 billion have been allocated for Neelum Jhelum Hydro Power Project, and
- d. Rs.13.9 billion have been allocated for Tarbela Fourth Extension Hydro Power Project.

Water

Mr. Speaker,

36. I would like to congratulate people of Pakistan on the recent approval of the construction of Diamer-Bhasha Dam at an estimated cost of Rs.474 billion. The dam will have 6.4 million acres feet live storage capacity and an installed power capacity of 4,500 MWs. The project will increase national water storage capacity from 38 days to 45. In the budget 2018-19, the proposal is to allocate Rs.23.7 billion for the dam. Overall, investment in the water sector is being increased from Rs.36.7 billion in 2017-18 to Rs.79 billion in 2018-19.

National Highways

37. Efficient road network is the key to economic prosperity. While recognizing this fact the PML (N) government has increased investments for highways from around Rs. 50 billion in 2012-13 to Rs. 320 billion in FY 2017-18. An amount of Rs.842 billion were allocated through the PSDP during last 5 years while off-budget financing of Rs. 500 billion was also arranged by employing innovative

PPP modes. Through this investment 3,655 Km new roads have been added while 1,000 Km new roads were added by our predecessor in five years at the cost of Rs.123 billion.

38. Travelling experience between Peshawar and Lahore had been revolutionized by Mian Nawaz Sharif during the 1990s. During the current tenure he has ensured that the same experience is available throughout Pakistan. His dream of a Trans Pakistan Motorway is near its fulfilment and by the close of this fiscal year, the length of the motorways will be around 2,500 kilometres. Some of the key projects that have been completed include:

- a. 58 KMs of Faisalabad-Gojra motorway
- b. 136 KMs of Hyderabad-Karachi motorway
- c. 56 KMs of Khanewal-Multan motorway.

39. This year, we plan to complete the following key projects;

- a. Khuzdar Shahdaskot motorway
- b. 230KMs of Lahore-Multan motorway
- c. 62 KMs of Gojra-Shorkot motorway
- d. 64 KMs of Shorkot-Khanewal motorway
- e. 91 KMs of Sialkot-Lahore motorway
- f. 57 KMs of Hazara Motorway.

40. The North South connection on the western side is being improved by constructing high class motorways and highways from Burhan in Islamabad, Peshawar Motorway to DG Khan and thereon to Quetta via Zhob. This link will be completed by 2020. Mian Nawaz Sharif has already inaugurated the Gwadar-Quetta Link that has reduced the travel time between Gwadar and Quetta from more than 24 hours to 8 hours and, for the first time, made the Gwadar Port viable for Afghanistan and the Central Asian States.

41. In budget 2018-19, an allocation of Rs.310 billion is proposed.

Railways

42. Over the past five years, revenue generation capability of Pakistan Railways has increased considerably. For budget year 2018-19, in addition to recurrent budget grant of Rs.35 billion, development budget investment is proposed at Rs.39 billion.

Development of Gwadar

43. The dream to make Gwadar port fully operational for international trade is now gradually turning into a reality. For the budget year 2018-19 our main aim is to allocate required resources for the completion of on-going projects such as; Gwadar airport and its access road network, improving port facilities, development of a desalination plant for provision of clean-drinking water, upgrade of existing 50-bed hospital to 300 beds, development of infrastructure for Gwadar export processing zone, construction of a China-Pakistan Economic

Corridor Institute, and construction of dams. Thirty-one projects for development of Gwadar are part of the proposed PSDP 2018-19 with an estimated cost of Rs.137 billion.

Human Development

44. While the social sector functions have been devolved to the provinces, the Federal Government continues to provide funding for higher education, primary health services, and programmes for youth. For this purpose, we are enhancing PSDP allocations for Higher Education Commission to Rs.57 billion, for primary health programmes to Rs.37 billion and for programmes for youth by Rs.10 billion. The Federal Government is also providing income support to more than 5 million families, and has also allocated funds for Pakistan Bait Al Maal, and Poverty Alleviation Fund. In addition, the Federal Government is proposing to build 100 sport stadiums all over the country on cost-sharing basis with the provincial governments.

Health

45. Our government introduced large-scale reforms in the health sector. It is government's top priority to provide quality health services to the people.

46. Even after devolution of health function to provinces, the Federal Government cannot abdicate itself from responsibilities in this sector. For the first time, poor people are being provided with quality health services through the Prime Minister's Health Programme. Under this programme 30 lakh families in 41 districts have been provided free of cost services in public and private hospitals.

47. The scope of this programme is being expanded to all districts in the country. This programme would help in achieving targets of Sustainable Development Goals and Universal Health Coverage.

48. In view of increasing cases of Hepatitis, a National Hepatitis Strategic Framework has been developed together with the provinces. Prices of Hepatitis drugs have been brought to the lowest level and its production in the country is encouraged.

49. Uninterrupted supply of vaccines has been ensured through the vaccination programme for mothers and children, and its storage and distribution systems are ISO certified.

50. Production of vaccines in National Institute of Health is made as per international standards. The production which was earlier un-operational, has been made operational.

51. Keeping in view the necessity of authentic data in policymaking, an international standard dashboard has been established at the federal level.

52. For the collection of correct statistics, the government has decided to undertake international standard survey after every 2 – 3 years.

Childhood disease detection and prevention

Mr Speaker,

53. technology today provides simple and cheap solutions to many important problems. If trained and provided with the appropriate mobile phone app, teachers can look into students' eyes and detect many diseases. This will help detect diseases at the very inception and allow easy and cheap prevention and cure. This programme will be started with the poorer districts of Pakistan and will be spread to all public schools in a few years. At an appropriate time we will also require the private schools to provide such service. For now I just request the more expensive schools to provide such service. The federal ministry of National Health Services will soon start providing guidelines on this subject.

Special Areas

54. For the AJK and Gilgit Baltistan, an amount of Rs.44.7 billion is proposed to be allocated. For the people of AJK, we announce today a special project of Lipa Tunnel construction which will facilitate the local population. For FATA, Rs.24.5 billion have been proposed. To bring FATA in the mainstream, a ten-year FATA development plan with total outlay of Rs.100 billion has been approved. During 2018-19 Rs.10 billion are proposed to be provided.

Peace and Security

55. Alhamdolillah, today Pakistan is more peaceful than it was five years ago. Our military and para-military apparatus has fought hard and laid their precious lives for our country. Last hideouts in North Waziristan have been eliminated through operation Zarb-e-Azb. I would like to salute the Jawans, officers, civilians who have laid their lives for our today and future of our children.

56. Millions of people had to leave their homes in the areas of military operations. We will remember their sacrifices. The government wants to assure them that in this hour of need we will do our best to provide necessary rehabilitation and reconstruction facilities. Rs.90 billion have been allocated for this purpose in the budget 2018-19.

Mr. Speaker,

Budget Estimates 2018-19

57. I would now like to present key numbers for the budget year 2018-19:

- a. The Federal gross revenue is estimated at Rs.5,661 billion. As compared to revised estimates of Rs.4,992 billion in 2017-18, this is higher by 13.4 percent.
- b. This includes FBR tax estimate of Rs.4,435 billion as compared to revised estimate of Rs.3,935 billion.
- c. Out of the total revenues, the provincial governments share is estimated to be Rs.2,590 billion as compared to Rs.2,316 billion revised estimates for 2017-18, showing an increase of 11.8 percent. These resources will

- be utilized by the provincial governments in enhancing human development and security of the people.
- d. After transfer to provincial governments, the net revenue of the Federal Government is estimated at Rs.3,070 billion in 2018-19 as compared to revised estimates of Rs.2,676 billion in the current financial year.
 - e. Total Federal expenditure for 2018-19 is budgeted at Rs.5,246 billion compared to the revised estimates of Rs.4,857 billion for 2017-18, showing an increase of 8 percent.
 - f. Interest payments for 2018-19 have been budgeted at Rs.1,620 billion against the revised budget of Rs.1,526 billion for 2017-18.
 - g. The defence budget is proposed at Rs.1,100 billion against the revised budget of Rs.999 billion in the 2017-18.
 - h. Total size of Federal PSDP 2018-19 would be Rs.1,030 billion against revised estimates of Rs.750 billion.
 - i. Provincial surplus is estimated at Rs.286 billion in 2018-19 against revised estimate of Rs.274 billion for 2017-18.
 - j. Based on the above estimates budget deficit will be 4.9% of GDP as opposed to 5.5% of GDP of revised budget estimate in the financial year in 2017-18.

PART II

FBR Tax

Mr. Speaker,

58. Now I present part II of the speech which consists of tax proposals.

Mr. Speaker,

59. Before announcing relief measures specific to individual taxes I want to mention a few steps that will provide ease of doing business for the taxpayers and curtail the discretionary powers of the tax collectors.

60. Tax audit of a business involves considerable hassle and cost for the taxpayers. There are instances of taxpayers being subjected to multiple audits in successive years. In order to encourage compliant tax payers, selection for audit in respect of all three taxes; Income Tax, Sales Tax and Federal Excise Duty, has been made risk based and a case shall not be audited more than once in three years for each tax. This limitation will apply to selection of audit by the commissioner as well as FBR. The concept of composite audit will also be introduced to ensure that audit of tax affairs under all tax laws is undertaken simultaneously to avoid inconvenience to the tax payers. This approach shall serve as an encouragement for compliant taxpayers, and decrease the cost of compliance with tax laws.

61. Previously grant of stay by the Commissioner (Appeals) was subject to payment of 25% of tax liability. The condition has now been relaxed, and the

payment is proposed to be reduced to 10%. It is expected that this will provide substantial relief to taxpayers who are sometimes burdened with unrealistic tax demands.

62. Under the current law the decision of the ADRC is neither binding upon the FBR nor upon the taxpayer. It is proposed that composition of the members of ADRC may be changed so that retired judge of a High Court and tax professionals may be included in the Committee in addition to representatives from FBR.

63. As per the Sales Tax Act, any commissioner or chief commissioner has authority to appoint staff at the premises of taxpayer, and monitor sales and production. Complaints have been received on the misuse of this authority. Therefore, this authority is being withdrawn from commissioners and chief commissioners. Now only FBR will use this authority based on evidence of variations in sectoral averages.

64. Now I shall place before the House further relief and tax measures that are proposed to be introduced in the current Budget starting with income tax measures

INCOME TAX

RELIEF MEASURES

65. It is widely recognized that a substantial portion of untaxed money is parked in the real estate sector. Furthermore, the practice of under declaring the value of properties viz-a-viz their actual market value is rampant. In a bid to address these challenges to ensure declaration of property transactions at actual market rate and discourage whitening of black money through investment in the real estate sector the Prime Minister had announced certain measures in his press conference on April 05, 2018. Accordingly the following measures are proposed to be adopted:

- a. The property transactions are proposed to be recorded on the value declared by the buyer and the seller
- b. The FBR notified rates are proposed to be abolished
- c. At the Federal level, a one percent adjustable advance tax from the purchaser on the declared value is proposed to replace the existing withholding tax on sellers and purchasers. It is proposed that the non-filers may not be permitted to purchase property having declared value exceeding four million rupees.
- d. The provinces have been requested to abolish the provincial rates for the collection of stamp duty and to collect a total of one percent tax under stamp duty and capital value tax on the value declared by the buyer and the seller
- e. In order to deter under-declaration and consequent loss of revenue, it is proposed that FBR may hold a right to purchase any property within six months of registration by paying a certain amount over and above the declared value which may be 100 percent in the fiscal year 2018- 2019,

75 percent in the fiscal year 2019-2020 and 50 percent in the fiscal year 2020-2021 and thereafter.

- f. In order to implement the above measures enabling provisions are proposed to be incorporated in the Income Tax Ordinance, 2001. Detailed procedure and the date of coming into force of the above measures are proposed to be notified later.

GRADUAL REDUCTION IN THE RATES OF SUPER TAX

66. Super tax was imposed in 2015 for rehabilitation of internally displaced persons. It was continued in 2016 & 2017. Various organizations have demanded its abolition to reduce the effective tax rate. It is currently being charged @ 4% on banking companies & 3% on non-banking companies having income greater than 500 M. It is proposed that Super tax may be continued for the financial year 2017-18 but the rate may be reduced by 1% per year from financial year 2018-19 for both banking and non-banking companies.

RATIONALIZATION OF CORPORATE TAX RATE

67. In consonance with the policy to reduce tax rates for individuals and AOPs, the Government has decided to likewise reduce corporate tax rates from 30% in tax year 2018 to 25% in tax year 2023. The corporate tax rate will be 29% in tax year 2019 and will be reduced by 1% each year up to tax year 2023.

REDUCTION IN TAX RATE ON UNDISTRIBUTED PROFITS

68. Tax on undistributed profits is charged @ 7.5% on accounting profit if at least 40% of after-tax profits are not distributed within 6 months of the end of the year. Various professional bodies have insisted on relaxing the requirements to facilitate businesses in retaining earnings for investments. Therefore it is proposed that tax may be reduced from 7.5% to 5% and the condition of distributing 40% after-tax profits may be reduced to 20%.

REDUCED RATE OF TAX ON REIT DIVIDENDS

69. In order to promote Real Estate Investment Trust, the rate of tax on dividends issued to the unit holders by REIT is proposed to be reduced from 12.5% to 7.5%.

REDUCED RATE OF WITHHOLDING TAX ON BANK TRANSACTIONS ON NONFILERS

70. Tax @ 0.6% is charged on non-cash banking transactions from non-filers. The rate is proposed to be reduced from 0.6% to 0.4% on a permanent basis.

INCREASE IN MINIMUM THRESHOLD OF TAX DEDUCTION ON PAYMENT FOR GOODS AND SERVICES.

71. Under the existing law, tax is required to be deducted on payment for services exceeding Rs.10,000 and on goods exceeding Rs.25,000. Considering inflation over the years it is proposed that the threshold for tax deduction be enhanced to Rs.30,000 on payment for services and to Rs.75,000 on payment for goods.

EXTENSION OF TAX CREDITS UP TO TAX YEAR 2021

72. Currently tax credits are allowed under sections 65B, 65C, 65D and 65E for establishing a new industrial undertaking, purchase of machinery through equity and extension, expansion and BMR of machinery. However, in order to give an impetus to investments the cut-off date for being eligible for these tax credits is proposed to be extended up to 30.06.2021.

EXEMPTION TO DEEP CONVERSION REFINERIES

73. In order to promote setting up of deep conversion refineries it is proposed that such refineries with a capacity of minimum 100,000 barrels per day to be installed anywhere in Pakistan may be exempted from income tax for a period of 10 years. Further, such exemption may also be extended to existing refineries in cases where capacity is expanded by installing deep conversion units with capacity of at least 100,000 barrels per day.

RATIONALIZATION OF TAX RATE ON IMPORT OF COAL

74. Currently tax on import of coal is payable at the rate of, 5.5% for companies and 6% for persons other than companies. In order to decrease cost of production it is proposed that the rate of tax maybe reduced to 4%.

EXEMPTION TO WELFARE INSTITUTIONS

75. In recognition of the meritorious services being performed by welfare institutions exemption is proposed to be granted to society for the welfare of suit, Aziz Tabba Foundation, Saylani welfare international trust and Al-Shifa eye hospital.

REVENUE MESASURES**HIGHER TAX RATES FOR NON-FILERS**

76. In order to increase the cost of doing business higher for non-filers higher rates of tax withholding for non compliant taxpayers are being proposed. The withholding tax rates on sale of goods for non filers are proposed to be increased from existing 7% to 8% in the case of a company, and from existing 7.75% to 9% in non-corporate cases.

RETAINING THE NUMBER OF TAX FILERS

77. Due to enhancement of the taxable limit of income to Rs.1.2 million, the number of filers will be substantially reduced. This will also result in loss of revenue. A nominal income tax may be imposed @ of Rs.1000 for income between Rs.400,000 to Rs.800,000 and @ of Rs.2000 for income between Rs.800,000 to Rs.1,200,000.

SALES TAX**RELIEF MEASURES**

Mr. Speaker,

78. Now I shall present relief measures that are proposed to be introduced in the Sales Tax and Federal Excise law during the current Budget

EXEMPTION FROM SALES TAX AND CUSTOMS DUTY ON PAPER FOR PRINTING OF HOLY QURAN

79. In order to provide concession to printers/publishers of Holy Quran, it is proposed that exemption from sales tax and Customs duty. This exemption will be available to federal and provincial governments as well as registered publishers of Holy Quran.

EXEMPTION FROM VALUE ADDITION TAX ON IMPORT OF LNG

80. Value addition tax @ 3% is chargeable under Sales Tax Special Procedure Rules, 2007 to provide relief to this sector it is proposed that value addition tax @ 3% on import of RLNG may be removed. To address cash flow issues of Gas Distribution Companies, it is proposed that rate of sales tax may be reduced from 17% to 12% on import of LNG and supply of RLNG.

EXEMPTION FROM SALES TAX FOR DAIRY, LIVESTOCK AND AGRICULTURE

81. Urea is chargeable to sales tax @ 5%, DAP @ Rs.100 per 50 kg bag and other fertilizers like NP, NPK, SSP, CAN are also charged reduced fixed rates of sales tax. To promote agricultural growth reduction in rate of sales tax to 3% across the board on all fertilizers is proposed. It is further proposed that the rate of sales tax on supply of natural gas to fertilizers plant for use as feed stock, presently chargeable @ 10%, may be reduced to 5% to cater for cash flow issues of fertilizers manufacturers in view of reduction in rate of sales tax on fertilizers. Likewise, rate of sales tax on LNG imported by fertilizer manufacturers for use as feed stock is also proposed to be reduced from 5% to 0%.

82. To promote fish farming, 10% duty on sales tax on fish feed is being removed. Similarly, sales tax is being exempted for preparation of fans and animal feed of dairy farms. In addition, sales tax on agriculture machinery is proposed to be reduced from 7% to 5%. These proposed measures are expected go a long way in promoting our agriculture, dairy, and livestock sectors.

SALES TAX ON COMPUTER PARTS

83. Currently, Personal Computers and laptops are exempt from sales tax. However, exemption is not available in respect of computer parts. In order to promote local assembling and manufacturing of laptops and computers, it is proposed that exemption on 21 types of computer parts imported by manufacturers may be granted.

ZERO-RATING ON STATIONERY ITEMS

84. Stationery items were zero-rated under Fifth Schedule to the Sales Tax Act, 1990 which was subsequently withdrawn through Finance Act, 2016. It is proposed that zero-rating for stationery may be restored, to promote local stationery sector and reduce the prices of local stationery items.

SALES TAX MONITORING THROUGH ELECTRONIC FISCAL DEVICES

85. Supply of finished fabric to and by retailers, to end consumers, and other supplies of finished fabric including carpets, leather etc. are subject to sales tax @ 6%. Similar rate of 6% is applicable on import of ready to use articles of textile and leather. In order to facilitate and promote automation in addition to revenue generation, it is proposed that the rate of sales tax @ 6% maybe retained on the sales for those persons who are integrated with FBR online systems. For others, rate of sales tax is proposed to be applied @ 9% for both supply of above referred goods and import of finished goods of textile and leather.

EXCLUSION FROM VALUE ADDITION TAX ON SECOND HAND CLOTHING AND FOOTWEAR

86. Presently value addition tax @ 3% under the Sales Tax Special Procedure Rules, 2007 is applicable on the import of second hand worn clothing and footwear .It is proposed to provide exclusion from value addition tax to the subject items. This would support lower income groups.

REVENUE MEASURES INCREASE IN RATE OF FURTHER TAX

87. To enhance documentation and base of sales tax, further tax is proposed to be increased from existing 2% to 3%. This will not only discourage undocumented economy, but it will also result in revenue increase.

FEDERAL EXCISE DUTY ON CIGARETTES

88. Federal excise duty on locally produced cigarettes is proposed to be enhanced in respect of Tier-1, TIER-2 and TIER-3 to Rs 3964, Rs 1770 and Rs 848 per thousand cigarettes respectively.

CUSTOMS RELIEF MEASURES

89. Now the proposals related with Customs are being presented before the house:

RELIEF FOR AGRICULTURE, DAIRY AND POULTRY SECTOR

90. The livestock sector continues to be the largest sub-sector of Agriculture in Pakistan. It provides livelihood and employment to millions in the rural areas of the country and the commitment of our government to sustain it remains a key aspect element to alleviate poverty. To sustain the growth in this vital sector of the economy and provide further relief, it is proposed that:-

- a. Customs Duty of 3% on import of bulls meant for breeding purposes be withdrawn.
- b. Presently available concessionary rate of Customs Duty on the import of Feeds meant for livestock sector may be further reduced from 10% to 5% and fans meant for use in dairy farms be allowed at concessionary rate of 3% to members of the Corporate Dairy Association. This will substantially reduce their cost of inputs and boost further expansion. In respect of the poultry sector, the concessionary rate of customs duty on import of growth promoters premix, vitamin premix, Vitamin B12 (Feed

grade) and Vitamin H2 (Feed grade) is proposed to be further reduced from 10% to 5% for registered manufacturers of poultry feed.

RELIEF FOR HEALTH SECTOR

91. Health Sector has always been a priority area for the Government. Significant incentives are already in place to encourage the provision of quality and cost effective treatment to the patients. Like previous years, this year as well following measures are being proposed for this Sector;-

- a. To tackle the problem of physical and mental stunting in children a food fortification program in collaboration with international partners is underway. Under this program, flour mills will mix critical micronutrients e.g. folic acid, vitamin B12, Zinc etc in the flour being produced for sale to general public. However to ensure that the appropriate quantities of such micronutrients are being added to the flour, it is being proposed that 3% Customs Duty on import of the microfeeder equipment be withdrawn.
- b. To provide relief for cancer treatment in Pakistan, the Government has exempted drugs from customs duties at import stage. However the sole exception was Tassigna on which customs duty @ 5% is proposed to be withdrawn.
- c. It is also proposed that the rate of customs duty @11%, on corrective eyesight glasses be reduced to 3%.
- d. Import of machinery & equipment, is allowed duty free to charitable institutions and hospitals, under the provision of Pakistan Customs Tariff code 9917. However there is no mechanism for their disposal. To redress this issue, it is being proposed that if such goods are disposed of within a period of 7 years of their import, the payment of duty and taxes leviable thereon shall be on payment of duty and taxes assessed at time of disposal whereas if disposal is after seven years no taxes would be payable.

ENCOURAGING VALUE-ADDED EXPORTS

92.

- a. To provide incentives to exports an inter-ministerial review has identified certain raw materials, used in export related sectors. It is therefore proposed that the existing rate of Customs duty on raw materials falling under 104 PCT codes are being exempted whereas in respect of 28 PCT code the Customs Duty rates are being reduced.
- b. 11% Customs Duty on Synthetic filament tow of acrylic or modacrylic (PCT 5501.3000) is being withdrawn by inclusion in the Prime Minister Export Package.
- c. Leather products are one of the leading export oriented sector of the country and have significant export potential in the international market.

93. Recognizing this, it is being proposed to withdraw customs duty on import of tanned hides (including wet blue) by registered leather tanning sector.

IMPORT SUBSTITUTION AND EMPLOYMENT GENERATION

94. Currently finished products and most of the raw materials are importable at 20% duty. It is proposed that for liquid Packaging Industry, the customs duty on inputs be reduced.

95. Regulatory duty on import of optical fiber cable is to be reduced from 20% to 10%. In addition, duty on fibre optic cable and other raw material be reduced to 5%.

RELIEF TO MANUFACTURING SECTOR

96. To sustain domestic manufacturing sector it is essential that inputs not available locally are provided and made available at the optimal rates keeping in view the availability of domestically compatible substitutes. In this regard, the following proposal are being made:

- a. Acetic Acid is not locally manufactured and is a widely used raw material in various industries including food sector. It is proposed that CD on Acetic Acid (PCT 2915.2100) may be reduced from 20% to 16%.
- b. For promotion of local industry, it is proposed that customs duty on import of plasters (PCT 2520.2000) may be reduced from 16% to 11% as it is used for producing Plaster of Paris Bandage.
- c. Carbon Black rubber grade is importable at 20% customs duty which is a raw material for manufacturing of tyres. It is proposed that customs duty may be reduced from 20% to 16% on import of Carbon Black rubber grade.
- d. Presently, silicon electrical steel sheets are importable for manufacture of transformers at concessionary rate of 10% customs duty. Transformers are a critical component of the power transmission and distribution infrastructure. To assist in up-gradation of the power infrastructure by reducing domestic manufacturing costs, it is proposed that concessionary rate of 10% customs duty on silicon electrical steel sheets for transformers may further be reduced to 5%.

PROMOTION OF TOURISM

97. During the last few years, the quantum of domestic tourism has significantly increased in areas, which previously were not frequented owing to the security environment, especially in Northern Areas. While the country is blessed with excellent tourist spots, the hotel facilities at such locations are dismal or practically non-existent. While construction of hotels is time-consuming with greater capital cost, a quick and cost effective solution is available in the form of prefabricated hotel rooms. It is, therefore, proposed that customs duty on import of such Pre-fabricated structures complete rooms, not locally manufactured, be reduced from 20% to 11% for setting up of new hotels / motels in hill stations (including AJK and Gilgit Baltistan), coastal areas of Baluchistan.

RENEWABLE ENERGY INITIATIVES

98. The government remains committed to introducing alternative energy in all walks of life with a view to reduced dependence on consumption of fossil fuel. In this regard, the government intends to continue its drive and the following proposals are being made;-

- a. To promote usage of electric vehicles, which are environment friendly, an enabling fiscal environment for its related infrastructure is necessitated. It is, therefore, proposed that 16% customs duty on charging stations for electric vehicles may be withdrawn.
- b. Custom duty on import of electric cars is proposed to be reduced from 50% to 25% in addition to exemption from regulatory duty of 15%. Import of CKD kits for assembly of domestically produced electric cars is proposed at 10%.
- c. LED is an efficient alternative to save energy. However to further incentivize domestic manufacturing in Pakistan 5% customs duty on specified LED parts and components, is proposed to be withdrawn.

Revenue Measures

Mr. Speaker,

99. In order to meet the revenue targets for FY 2018-19, revenue measures will be required to be taken so as to maintain the overall fiscal deficit within the predicted limit. Rather than effecting any large scale changes in the existing tariff slabs to meet this objective, a more restrictive and narrower revenue intervention is predicated. Accordingly, it is proposed that the rate of existing Additional Customs duty may be increased from 1% to 2%. Exception is being provided for Plant and machinery, Imports by Privileged Personnel /Organizations, Relief goods, Export Promotion regimes etc

PART III:

Relief Measures

Mr. Speaker,

100. **Benazir Income Support Programme (BISP)** is the largest safety net programme in Pakistan. When the present government took over the charge in June 2013, the allocation for BISP was Rs.40 billion to provide cash support to 3.7 million families. The stipend under the program in 2013 was a mere Rs.3,000 per quarter. During its tenure, our government not only increased the allocation of funds to Rs.121 billion during FY 2017-18 but also increased the amount of stipend per family from Rs.3,000 to Rs.4,834 per quarter. Numbers of beneficiaries have also been increased to 5.6 million as of December, 2017. The allocation of BISP is being further increased to Rs.124.7 billion in FY 2018-19.

101. **National Poverty Graduation Programme:** To assist the ultra-poor and very poor in graduating out of poverty on a sustainable basis by enabling especially women and youth to realize their development potential and attain a higher level of social and economic well-being, the government has launched a

National Poverty Graduation Programme for BISP beneficiaries with an amount of more than Rs 9.5 billion (US\$ 82.6 million). Under this programme, BISP beneficiaries who are willing to start their own businesses will be provided with a one-time cash grant of Rs.50,000 to start their own business and become productive members of society.

102. Pakistan Poverty Alleviation Fund: During the last five years, the present government arranged more than Rs.20 billion for PPAF. An amount of Rs 688 million is being allocated for PPAF for FY 2018-19. Besides, PPAF is implementing the Prime Minister's Interest Free Loan scheme successfully in 45 districts of Pakistan, for which the Government has already provided Rs 3.965 billion and further Rs 3.5 billion are being provided for Prime Minister's Interest Free Loan, PPAF during the next financial year.

103. Relief to Widow Borrowers: The scheme was launched in 1991 by PML(N) government whereby the Government committed to pay the loans of widow borrowers from House Building Finance Corporation (HBFC) up to the value of Rs.3.5 lakh. This scheme will continue in FY 2018-19 with increased limit of Rs.6 lakh. Appropriate budgetary provision is being made for this purpose.

Mr. Speaker,

104. Our government has consistently provided increase in pay and pensions of government employees over the last five years. Despite fiscal constraints a further relief is being provided to government servants and pensioners although the inflation this year currently stands at 3.8 percent:

- a. A 10 percent ad-hoc relief allowance to civil and armed forces employees with effect from 1 July 2018.
- b. A 10 percent increase is also being proposed for pensioners across the board.
- c. Housing is a serious problem for government employees in major cities. House rent ceiling is being increased by 50 percent.
- d. Similarly, house rent allowance is also being increased by 50 percent.
- e. Considering the difficulties of low-paid pensioners, minimum pension is being increased to Rs.10,000 from the present Rs.6,000. Similarly, family pension would also get increased from Rs.4,500 to Rs.7,500.
- f. Minimum pension of pensioners above the age of 75 will be Rs.15,000.
- g. Overtime allowance of staff car drivers and dispatch riders is being increased from Rs.40 per hour to Rs.80 per hour.
- h. The government has also proposed an allocation of Rs.12 billion for provision of advances to government servants for house-building and purchase of transport facility.
- i. The government is also setting aside an allocation of Rs.5 billion for Senior Officers Performance Allowance. Details of this will be announced separately.

105. The total financial impact of the above proposals will be Rs.69 billion.

Mr. Speaker,

106. Over the past five years we have only served the people. We have rendered our responsibilities with sincerity. If we have been successful, it was due to our efforts, benevolence of Allah, and support of the people. To a large extent we have fulfilled promises that we made with the nation in 2013. Today Pakistan is at a new stage of growth and prosperity. Probably we have been punished for it as well. But no one can sever our relationship with the people.

لکھتے رہے جنوں کی حکایات خونچکاں
حالانکہ اس میں ہاتھ ہمارے قلم ہوئے

Mr. Speaker,

107. Pakistan is the sixth large country in the world and a strong rising economy. The nature has bestowed this country with abundant resources. We have now laid the foundation of growth. Based on this, our talented daughters and sons can make this country as one of the greatest.

تو اے اسیرِ مکاں لا مکاں سے دور نہیں
وہ جلوہ گاہ ترے خاکداں سے دور نہیں
فضا تری مہ و پرویں سے ہے ذرا آگے
قدم اٹھا یہ مقام آسماں سے دور نہیں

Pakistan Paindabad

FINANCE BILL, 2018

A BILL

to give effect to the financial proposals of the Federal Government for the year beginning on the first day of July, 2018, and to amend certain laws

WHEREAS it is expedient to make provisions to give effect to the financial proposals of the Federal Government for the year beginning on the first day of July, 2018, and to amend certain laws for the purposes hereinafter appearing; It is hereby enacted as follows:-

1. Short title, extent and commencement. — (1) This Act may be called the Finance Act, 2018.

(2) It extends to the whole of Pakistan.

(3) It shall come into force on the first day of July, 2018 except clauses 3(2), 3(3), 3(19), 3(20), 3(22) 6(11)(a) & 6(11)(b) which shall have effect on the next day of assent given to this Act by the President of Islamic Republic of Pakistan.

2. Amendment of Petroleum Products (Petroleum Levy) Ordinance, 1961 (XXV of 1961).— In the Petroleum Products (Petroleum Levy) Ordinance, 1961 (XXV of 1961), for the Fifth Schedule, the following shall be substituted, namely:-

“The Fifth Schedule

[See sections 3(1) and 7]

S.No.	Petroleum Products	Unit	Maximum Petroleum Levy Rate (Rupees per Unit)
(1)	(2)	(3)	(4)
1.	High Speed Diesel Oil (HSDO)	Litre	30
2.	Motor Gasoline	Litre	30
3.	Superior Kerosene Oil (SKO)	Litre	30
4.	Light Diesel Oil (LDO)	Litre	30
5.	High Octane Blending Component (HOBC)	Litre	30
6.	E-10 Gasoline	Litre	30
7.	Liquefied Petroleum Gas (produced/extracted in Pakistan)	Metric Ton	20,000”.

3. Amendments of Customs Act, 1969 (IV of 1969). — In the Customs Act, 1969 (IV of 1969), the following further amendments shall be made, namely:-

- (1) in section 2,-
 - (a) in clause (p), for the word “twelve”, the words “twenty-four” shall be substituted; and
 - (b) in clause (pa), after the word “includes”, the words and comma “a local manufacturer,” shall be inserted;
- (2) in section 18,-
 - (a) in sub-section (3), for the expression and comma “Board, with approval of the Federal Minister-in-charge”, the words “Federal Government” shall be substituted; and
 - (b) in sub-section (5), in the proviso, the expression “, (3)” shall be omitted;
- (3) in section 19,-
 - (a) in sub-section (1), for the expression “Board, with approval of the Federal Minister-in-charge pursuant to the approval of the Economic Coordination Committee of Cabinet”, the words “Federal Government” shall be substituted; and
 - (b) in sub-section (5), in the second proviso, for the figure “2018”, the figure “2019” shall be substituted;
- (4) after section 25A, the following new section shall be inserted, namely:-

“25AA. Power to use data exchange information for determination of customs value.- Any information or data, obtained under clause (b) of sub-section (1) of section 219A, may be utilized for the purpose of assessment including valuation.”;
- (5) in section 25C, in sub-section (1), for the word “Board”, the words “Chief Collector” shall be substituted;
- (6) in section 32, in sub-section (3), in the proviso, for full stop at the end a colon shall be substituted and thereafter the following second proviso shall be added, namely:-

“Provided further that the aforesaid action shall also not be initiated in case full amount of short paid duty, taxes or other charges are paid voluntarily prior to initiation of audit inquiry or investigation.”;
- (7) in section 33, after sub-section (3), the following new sub-section shall be inserted, namely:-

“(3A) The claim filed under this section shall be disposed of within a period not exceeding one hundred and eighty days from the date of filing of such claim:

Provided that the said period may, for reasons to be recorded in writing, be extended by the Collector of Customs for a period not exceeding ninety days.”;

- (8) in section 42, in sub-section (2), in the second proviso, in clause (a),-
 - (a) for the word “give”, the word “deliver” and for the word “notice”, the word “information” shall be substituted;
 - (b) in sub-clause (iii), for the word “crew”, the words “passengers and crew manifest” shall be substituted; and
 - (c) in sub-clause (iv), after the word “passengers”, the words “and crew name record information” shall be inserted;
- (9) in section 55, in sub-section (1), in clause (e), after the words “delivery”, the words “or other dues in connection with discharge and delivery of goods” shall be inserted”;
- (10) after section 83, the following new section shall be inserted, namely:-

“83B. Provisional release of imported goods.- Where any offence is detected in respect of imported goods which are not liable to confiscation or needed for evidence at a later stage, the Collector of Customs may, on written request of owner of the goods, allow release of the same on payment of duty, taxes or other charges and furnishing bank guarantee or pay order against the amount of any penalty or fine which may be imposed on such goods.”;
- (11) in section 138, in sub-section (1), after the word and comma “consignee,”, the words “or where consignee has dishonored his commitments” shall be inserted;
- (12) in section 156, in the TABLE,-
 - (a) in clause 12A, in column (3), after the figure and letter “26A”, the expression “and 155M” shall be inserted; and
 - (b) for clause 63 and entries relating thereto in columns (1), (2) and (3), the following new clause and entries related thereto shall be substituted, namely:-

“63 (i)	If any goods which are loaded for transshipment, are pilfered, replaced en-route or failed to reach the port of destination, or any person transships goods not allowed to be transshipped:	such goods and the conveyance illegally carrying these goods shall be liable to confiscation and any person including the custodian and the bonded carrier shall be liable to a penalty not exceeding ten times the value of the goods and he shall further be liable, upon	121
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		conviction by a Special Judge, to imprisonment for a term not exceeding seven years;	
(ii)	If any person contravenes any rule relating to transshipment other than mentioned in clause (i),	such person including the custodian and the inland carrier shall be liable to penalty not exceeding five hundred thousand rupees or three times the amount of duties and taxes involved.	121”;

(13) in section 182, for the words “officer who orders confiscation”, the words “officer or person authorized by the Collector or Director” shall be substituted;

(14) in section 193A, after sub-section (2), the following new sub-section shall be inserted, namely:-

“(2A) The Collector (Appeals) may, for a period not exceeding thirty days, stay recovery of duty and taxes on filing of appeal and after affording opportunity of being heard to the officer of the concerned Collectorate or Directorate.”;

(15) in section 194B, in sub-section (3), for the word and comma “Controller,”, the word “Director” shall be substituted;

(16) in section 207, after the word “agent”, the words “or a shipping agent”, shall be inserted;

(17) after section 212, the following new section shall be inserted; namely:-

“212A.- Authorized economic operator programme.- The Federal Government may, by notification in the official Gazette, devise authorized economic operator programme to provide facilitations relating to secure supply chains of imported and exported goods through simplified procedures with regard to regulatory controls applicable thereon.

(2) The Board may, with approval of the Federal Government, prescribe rules on matters pertaining to authorized economic operator programme.”;

(18) in section 219, after sub-section (3), the following new sub-section shall be inserted, namely:-

“(3A). Rules made under this section shall be subject to the condition of previous publication.”;

- (19) in section 221A, the provision thereof shall be numbered as sub-section (1) thereof and after sub-section (1), as aforesaid, the following new sub-section shall be added, namely:-
- “(2) Notwithstanding any order or judgment of any court, a High Court and the Supreme Court, the regulatory duty already levied, collected and realized in exercise of any powers under this Act, before the commencement of the Finance Act, 2018 and after the commencement of the Finance Act, 2017, shall be deemed to have been validly levied, collected and realized under this Act, in exercise of the powers conferred on the commencement of the Finance Act, 2018, and where any such regulatory duty has not been levied, collected or realized, the same shall be recoverable in accordance with the provisions of this Act.”;
- (20) the amendments set out in the First Schedule to this Act shall be made in the First Schedule to the Customs Act, 1969 (IV of 1969);
- (21) in the Third Schedule, after item 22B, the following new item shall be inserted, namely:-
- “22C. Matters pertaining to Authorized Economic Operator (AEO) programme, including criteria for granting status of AEO to an applicant, suspension and revocation of the AEO status; and the extent of benefits under AEO programme.”; and
- (22) the Fifth Schedule to the Customs Act, 1969 (IV of 1969), shall be substituted in the manner provided for in the Second Schedule to this Act.

4. Amendments of the Sales Tax Act, 1990. — In the Sales Tax Act, 1990, the following further amendments shall be made, namely:-

- (1) in section 3,—
- (a) in sub-section (1A), for the word “two”, the word “three” shall be substituted;
- (b) in sub-section (2), in clause (b), for the words “Board with the approval of the Federal Minister-in-charge”, the words “Federal Government” shall be substituted;
- (c) in sub-section (3A), for the words “Board with the approval of the Federal Minister-in-charge”, the words “Federal Government” shall be substituted; and
- (d) in sub-section (5), for the words “Board with the approval of the Federal Minister-in-charge”, the words “Federal Government” shall be substituted;
- (2) in section 4, in clause (c), for the words “Board with the approval of the Federal Minister-in-charge”, the words “Federal Government” shall be substituted;

- (3) in section 7,—
- (a) in sub-section (3), for the words “Board with the approval of the Federal Minister-in-charge”, the words “Federal Government” shall be substituted; and
 - (b) in sub-section (4), for the words “Board with the approval of the Federal Minister-in-charge”, the words “Federal Government” shall be substituted;
- (4) in section 7A,—
- (a) in sub-section (1), for the words “Board with the approval of the Federal Minister-in-charge”, the words “Federal Government” shall be substituted; and
 - (b) in sub-section (2), for the words “Board with the approval of the Federal Minister-in-charge”, the words “Federal Government” shall be substituted;
- (5) in section 8, in sub-section (1),—
- (a) in clause (b), for the words “Board with the approval of the Federal Minister-in-charge”, the words “Federal Government” shall be substituted;
 - (b) after clause (l), the following new clause (m) shall be added, namely:—

“(m) import of scrap of compressors falling under PCT heading 7204.4940”;
- (6) after section 11A, the following new section 11B shall be inserted, namely:—
- “11B. Assessment giving effect to an order.**— (1) Except where sub-section (2) applies, where, in consequence of, or to give effect to, any finding or direction in any order made under Chapter-VIII by the Commissioner (Appeals), Appellate Tribunal, High Court or Supreme Court an order of assessment of tax is to be issued to any registered person, the Commissioner or an officer of Inland Revenue empowered in this behalf shall issue the order within one year from the end of the financial year in which the order of the Commissioner (Appeals), Appellate Tribunal, High Court or Supreme Court, as the case may be, was served on the Commissioner or officer of Inland Revenue.
- (2) Where, by an order made under Chapter-VIII by the Appellate Tribunal, High Court or Supreme Court, an order of assessment is set aside wholly or partly and the Commissioner or Commissioner (Appeals) or officer of Inland Revenue, as the case may be, is directed to pass a new order of assessment, the Commissioner or Commissioner (Appeals) or officer of Inland Revenue, as the case

may be, shall pass the new order within one year from the end of the financial year in which the Commissioner or Commissioner (Appeals) or officer of Inland Revenue, as the case may be, is served with the order:

Provided that limitation under this sub-section shall not apply, if an appeal or reference has been preferred against the order passed by Appellate Tribunal or a High Court.

(7) in section 13, in sub-section (2), in clause (a), the expression “with the approval of the Federal Minister-in-charge” shall be omitted;

(8) in section 25, in sub-section (2), in the second proviso, for the full stop at the end, a colon shall be substituted and thereafter the following new proviso shall be added, namely:—

“Provided also that audit under this section shall be conducted only once in every three years.”;

(9) for section 30A, the following shall be substituted, namely:—

“30A. Directorate General (Intelligence and Investigation), Inland Revenue.— (1) The Directorate General (Intelligence and Investigation) Inland Revenue shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors and Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.

(2) The Board may, by notification in the official Gazette,—

(a) specify the functions and jurisdiction of the Directorate General and its officers; and

(b) confer the powers of authorities specified in section 30 upon the Directorate General and its officers.”;

(10) in section 34, in sub-section (1), in clause (a), for the expression “KIBOR plus three”, the word “twelve” shall be substituted;

(11) in section 40B,—

(a) the words “or Chief Commissioner” shall be omitted; and

(b) for the colon at the end, a full stop shall be substituted and thereafter the proviso and the explanation shall be omitted;

(12) for section 47A, the following shall be substituted, namely:—

“47A. Alternative dispute resolution.— (1) Notwithstanding any other provision of this Act or the rules made thereunder, an aggrieved person, who has filed an appeal which is pending before an Appellate Authority, may apply to the Board for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application, except where prosecution proceedings have been initiated or where interpretation of question of law having effect on identical other cases is involved.

- (2) The Board after examination of the application of an aggrieved person shall, within sixty days of receipt of such application in the Board, appoint a committee consisting of an officer of Inland Revenue not below the rank of Commissioner and two persons from a panel comprising of retired High Court judges, retired District and Session Judges, Chartered or Cost Accountants, Advocates, Income Tax Practitioners or reputable taxpayers for the resolution of the hardship or dispute.
- (3) The aggrieved person and the Board, as the case may be, shall withdraw the appeal pending before the appellate authority.
- (4) The committee shall not commence the proceeding under sub-section (2) unless the order of withdrawal from the appellate authority is communicated to the Board:
- Provided that if the order of withdrawal is not communicated within seventy-five days of the appointment of the committee, the said committee shall be dissolved and this section shall not apply.
- (5) The committee appointed under sub-section (2) shall examine the issue and may, if it deems necessary, conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and shall decide the dispute by majority, within one hundred and twenty days of its appointment:
- Provided that in computing the aforesaid period of one hundred and twenty days, the period, if any, for communicating the order of withdrawal under sub-section (3) shall be excluded.
- (6) The decision of the committee made under sub-section (5) shall be binding on the Board and the aggrieved person.
- (7) If the committee fails to decide the dispute within the period of one hundred and twenty days under sub-section (5), the Board shall dissolve the committee by an order in writing and the matter shall be decided by the appellate authority, which issued the order of withdrawal under sub-section (3) and the appeal shall be treated to be pending before such appellate authority as if the appeal had never been withdrawn.
- (8) The Board shall communicate the order of dissolution to the appellate authority mentioned in sub-section (1) and the Commissioner.
- (9) The aggrieved person may make the payment of sales tax and other taxes as decided by the committee under sub-section (5) and all decisions, orders and judgments made or passed shall stand modified to that extent and all proceedings under this Act or the rules made thereunder by any authority shall abate.

- (10) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section.”;
- (13) in section 48, in sub-section (1), in the proviso, for the words “twenty-five”, the word “ten” shall be substituted;
- (14) in section 58, for the expression “Companies Ordinance, 1984 (XLVII of 1984”, the expression “Companies Act, 2017 (XIX of 2017)” shall be substituted;
- (15) in section 60, for the words “Board with the approval of the Federal Minister-in-charge”, the words “Federal Government” shall be substituted;
- (16) in section 65, for the words “Board with the approval of the Federal Minister-in-charge”, the words “Federal Government” shall be substituted;
- (17) in section 71, in sub-section (1), for the words “Board with the approval of the Federal Minister-in-charge”, the words “Federal Government” shall be substituted;
- (18) in section 74A,—
- (a) the existing provision thereof shall be numbered as sub-section (1) of that section;
 - (b) in sub-section (1), numbered as aforesaid, for the figure “2017”, the figure “2018” shall be substituted; and
 - (c) after sub-section (1), numbered and amended as aforesaid, the following new sub-section (2) shall be added, namely:—

“(2) Notwithstanding any omission, irregularity or deficiency in the establishment of or conferment of powers and functions on the Directorate General (Intelligence and Investigation), Inland Revenue and authorities specified in section 30A, all orders passed, notices issued and actions taken, before commencement of the Finance Act, 2018, in exercise or purported exercise of the powers and functions of the officers of Inland Revenue under this Act by the Director General (Intelligence and Investigation), Inland Revenue or the authorities specified in section 30A shall be deemed to have been validly passed, issued and taken under this Act.”;
- (19) in the Fifth Schedule, in column (1), against serial number 12, in column (2), after clause (xix), the following new clauses shall be added, namely:—

“(xx)	Colors in sets (PCT heading 3213.1000).
(xxi)	Writing, drawing and marking inks (PCT heading. 3215.9010 and 3215.9090)

(xxii)	Erasers (PCT heading 4016.9210 and 4016.9290)
(xxiii)	Exercise books (PCT heading 4820.2000)
(xxiv)	Pencil sharpeners (PCT heading 8214.1000)
(xxv)	Geometry boxes (PCT heading 9017.2000)
(xxvi)	Pens, ball pens, markers and porous tipped pens (PCT heading 96.08)
(xxvii)	Pencils including color pencils (PCT heading 96.09)”;;

(20) in the Sixth Schedule,—

(A) in Table-1, in column (1), after serial number 136 and the entries relating thereto in columns (2) and (3), the following new serial numbers and the entries relating thereto shall be added, namely:—

“137.	Paper weighing 60 g/m ² for printing of Holy Quran imported by Federal or Provincial Governments and Nashiran-e- Quran as per quota determined by IOCO	4802.5510
138.	Fish Feed	Respective heading
139.	Fans for dairy farms	8414.5990
140.	Bovine semen	0511.1000
141.	Preparations for making animal feed	2309.9000
142.	Promotional and advertising material including technical literature, pamphlets, brochures and other give-aways of no commercial value, distributed free of cost by the exhibitors	9920(3)
143.	(i) Hearing aids (all types and kinds) (ii) Hearing assessment equipment; (a) Audiometers (b) Tympanometer (c) ABR (d) Oto Acoustic Omission	9937
144.	Liquefied Natural Gas imported by fertilizer manufacturers for use as feed stock	2711.1100.;
145.	Plant, machinery, equipment including dumpers and special purpose motor vehicles, if not manufactured locally, imported by M/s China State Construction Engineering Corporation Limited (M/s CSCECL) for the construction of Karachi – Peshawar Motorway (Sukkur – Multan Section) and M/s China Communication Construction Company (M/s	Respective heading

	<p>CCCC) for the construction of Karakorum Highway (KKH) Phase-II (Thakot - Havellian Section) subject to the following conditions:</p> <p>(i) that the exemption under this Notification shall only be available to contractors named above;</p> <p>(ii) that the equipment and construction machinery imported under this Notification shall only be used for the construction of the respective allocated projects;</p> <p>(iii) that the importer shall furnish an indemnity bond, in the prescribed manner and format as set out in Annex-A, at the time of import to the extent of customs-duties exempted under this Notification on consignment to consignment basis;</p> <p>(iv) that the Ministry of Communications shall certify in the prescribed manner and format as set out in Annex-B that the imported equipment and construction machinery are bonafide requirement for construction of Sukkur – Multan Section (392.0 km) of Karachi – Peshawar Motorway or for the construction of Karakorum Highway(KKH) Phase-II - Thakot to Havellian Section (118.057 km) as the case may be;</p> <p>(v) for the clearance of imported goods through Pakistan Customs Computerized System the authorized officer of the Ministry shall furnish all relevant information, as set out in Annex- B, online against a specific user ID and password obtained under section 155D of the Customs Act, 1969 (IV of 1969). In Collectorates or Customs stations where the Pakistan Customs Computerized System is not operational, the Director Reforms and Automation or any other person authorized by the Collector in this behalf shall enter the requisite information in the Pakistan Customs Computerized System on daily basis, whereas entry of the data obtained from the customs stations which have not yet been computerized shall be made on weekly basis;</p> <p>(vi) that the equipment and construction machinery, imported under this Notification, shall not be re-exported, sold or otherwise disposed of without prior approval of the FBR. In case goods are sold or otherwise disposed of with prior approval of</p>	
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	<p>FBR the same shall be subject to payment of duties as may be prescribed by the FBR;</p> <p>(vii) in case the equipment and construction machinery, imported under this Notification, is sold or otherwise disposed of without prior approval of the FBR in terms of para (vi) above, the same shall be subject to payment of statutory rates of customs duties as were applicable at the time of import;</p> <p>(viii) notwithstanding the condition at para (vi) and (vii) above, equipment and construction machinery, imported under this Notification, may be surrendered at any time to the Collector of Customs having jurisdiction, without payment of any customs- duties, for further disposal as may be prescribed by the FBR;</p> <p>(ix) the indemnity bond submitted in terms of para (iii) above by the importer shall be discharged on the fulfillment of conditions stipulated at para (vi) or (vii) or (viii) above, as the case may be; and</p> <p>(x) that violation of any of the above mentioned conditions shall render the goods liable to payable of statutory rate of customs duties leviable on the date of clearance of goods in addition to any other penal action under relevant provisions of the law.</p>	
146.	<p>Equipment, whether or not locally manufactured, imported by M/s China Railway Corporation to be furnished and installed in Lahore Orange Line Metro Train Project subject to the following conditions:</p> <p>(a) that the equipment imported under this Notification shall only be used in the aforesaid Project;</p> <p>(b) that the importer shall furnish an indemnity bond, in the prescribed manner and format as set out in Annex-C to this Notification, at the time of import to the extent of sales tax exempted under this Notification on consignment to consignment basis;</p> <p>(c) that the Punjab Mass Transit Authority, established under the Punjab Mass Transit Authority Act, 2015 (ACT XXXIII of 2015), hereinafter referred as the Regulatory</p>	Respective heading

	<p>Authority, shall certify in the prescribed manner and format as set out in Annex-D to this Notification that the imported equipment is bona fide requirement of the Project under the Contract No. PMA-CR- NORINCO-OL, dated 20.04.2015, hereafter referred as the contract, signed between the Regulatory Authority and CR-NORINCO;</p> <p>(d) in the event a dispute arises whether any item is entitled to exemption under this Notification, the item shall be immediately released by the Customs Department against a corporate guarantee, valid for a period of six months, submitted by the importer. A certificate from the Regulatory Authority duly verified by the Transport and Communication Section of the Ministry of Planning, Development and Reform, that the item is covered under this Notification shall be given due consideration by the Customs Department towards finally resolving the dispute. Disputes regarding the local manufacturing only shall be resolved through the Engineering Development Board of the Federal Government;</p> <p>(e) for the clearance of imported equipment through Pakistan Customs Computerized System the authorized officer of the Regulatory Authority shall furnish all relevant information, as set out in Annex-D to this Notification, online against a specific user ID and password obtained under section 155D of the Customs Act, 1969 (IV of 1969). In Collectorates or Customs stations where the Pakistan Customs Computerized System is not operational, the Director Reforms and Automation or any other person authorized by the Collector in this behalf shall enter the requisite information in the Pakistan Customs Computerized System on daily basis, whereas entry of the data obtained from the customs stations which have not yet been computerized shall be made on weekly basis;</p>	
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	<p>(f) that the equipment, imported under this Notification, shall not be re-exported, sold or otherwise disposed of without prior approval of the Federal Board of Revenue (FBR). In case goods are sold or otherwise disposed of with prior approval of FBR the same shall be subject to payment of sales tax as may be prescribed by the FBR;</p> <p>(g) in case the equipment, imported under this Notification, is sold or otherwise disposed of without prior approval of the FBR in terms of condition (f), the same shall be subject to payment of statutory rates of sales tax as were applicable at the time of import;</p> <p>(h) notwithstanding the condition (f) and (g), equipment imported under this Notification may be surrendered at any time to the Collector of Customs having jurisdiction, without payment of any sales tax, for further disposal as may be prescribed by the FBR;</p> <p>(i) the indemnity bond submitted in terms of condition (b) above shall stand discharged on submission of a certificate from the Regulatory Authority to the effect that the equipment has been installed or consumed in the said Project. In case the equipment is not consumed or installed in the project the indemnity bond shall be discharged on fulfillment of conditions stipulated at (f) or (g) or (h), as the case may be; and</p> <p>(j) that violation of any of the above conditions shall render the goods liable to payment of statutory rate of sales tax leviable on the date of clearance of goods in addition to any other penal action under relevant provisions of the law.</p> <p>Explanation. For the purpose of this provision, “equipment” shall mean machinery, apparatus, materials and all things to be provided under the contract for incorporation in the works relating to Lahore Orange Line Metro Train Project.”;</p>	
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147.	Goods supplied to German Development Agency (Deutsche Gesellschaft für Internationale Zusammenarbeit) GIZ	Respective heading
148.	Imported construction materials and goods imported by M/s China State Construction Engineering Corporation Limited (M/s CSCECL), whether or not locally manufactured, for construction of Karachi-Peshawar Motorway (Sukkur- Multan Section) subject to fulfilment of same conditions, limitations and restrictions as are specified under S. No. 145 of this table, provided that total incidence of exemptions of all duties and taxes in respect of construction materials and goods imported for the project shall not exceed ten thousand eight hundred ninety-eight million rupees.	Respective heading”;

(B) after Table-1, amended as aforesaid, the following shall be added, namely:—

“Annex-A

[See condition 145(iii)]

INDEMNITY BOND

(On appropriately stamped non-judicial paper)

THIS DEED OF INDEMNITY is made on the _____ date of _____ BETWEEN Messrs _____ having registered office at _____ (hereinafter called "the importers" which means and includes their successors, administrators, executors and assignees) of the one part, AND the President of Pakistan through the Collector of Customs _____ (hereinafter called the "Collector of Customs"), of the other part.

WHEREAS the Federal Government, by its decision contained in Notification No. S.R.O.____ dated the _____ and subject to the conditions given in the said Notification, has been pleased to direct that such equipment and construction machinery, as are not manufactured locally, shall be exempt from the whole of customs-duties leviable thereon, in accordance with the said Notification, if imported for :-

- (i) construction of Sukkur – Multan Section (392.0 km) of Karachi – Peshawar Motorway or
- (ii) for the construction of Karakorum Highway (KKH) Phase-II – Thakot to Havellian Section (118.057 km).

AND WHEREAS M/S. _____ having registered office at _____ (hereinafter called the importers) have imported the

equipment and/or construction machinery mentioned in the said Notification for purposes of construction of above mentioned project(s) in accordance with the conditions given in the said Notification;

NOW, THEREFORE, in consideration of the release of the equipment and/or construction machinery without recovery of leviable duties, the importers bind themselves to pay on demand to the Government of Pakistan the sum of Rs. _____ being the customs duties and charges leviable on the machinery, if the importers fail to fulfill the condition (vi) or (vii) or (viii) of the said Notification as the case may be.

The importers further agree and bind themselves that the amount covered by this Bond shall be recovered as arrears of customs duties under section 202 of the Customs Act, 1969. This Bond shall become void when the Collector of Customs is satisfied that the importers have fulfilled all the conditions of the said Notification.

Signed by importers on this _____ day of _____ 201_.

Managing Director
(Name and permanent address)
Collector of Customs
(On behalf of President)

Witness _____

(signature, name, designation and full address)

Witness _____

(signature, name, designation and full address)

Note: The bond shall be written on appropriate non-judicial stamp paper and shall be witnessed by a Government servant in BPS 17 or above, an Oath Commissioner, a Notary Public or an officer of a Schedule Bank

Annex-B

[See condition 145 (iv) & (v)]

NTN or FTN of Importer		Approval No.		
(I)		(II)		
Details of input goods (to be filled by the authorized officer of the Regulatory Authority) to be imported				
Description and specifications.	Quantity/UOM	L/C No. or bank contract No. and B/L.	IGM No. Date & Index No.	Remarks, if any.
(1)	(2)	(3)	(4)	(6)

CERTIFICATE BY THE AUTHORIZED OFFICER OF REGULATORY AUTHORITY: It is hereby certified that the description, quantity and other details

mentioned above are true and correct. Goods imported are in commensuration with the project requirement and are bonafide requirement of the project. It is further certified that the above items shall not be used for any other purpose except for the project.

Signature: _____
Name & Designation: _____
Official Stamp: _____
Date: _____

Note: -For the purposes of this notification, the expression "not manufactured locally" shall mean the goods which are not listed in the locally manufactured items in the Customs General Order issued by the Federal Board of Revenue from time to time.

Annex-C

[See condition 146(b)]

INDEMNITY BOND

(On appropriately stamp non-judicial paper attested by a Government servant in BPS 17 or above, an Oath Commissioner, a Notary Public or an officer of a Scheduled Bank)

THIS DEED OF INDEMNITY is made on the _____ date of _____ BETWEEN Messrs _____ having registered office at _____ (hereinafter called "the importers" which means and includes their successors, administrators, executors and assignees) of the one part, AND the President of the Islamic Republic of Pakistan through the Collector of Customs _____ (hereinafter called the "Collector of _____ Customs"), of the other part.

WHEREAS the Federal Government, by its decision contained in Notification No. S.R.O. ___ dated _____ the _____ and subject to the conditions given in the said Notification, has been pleased to direct that such equipment shall be exempt from the whole of customs-duties leviable thereon, in accordance with the said Notification, if imported for Lahore Orange Line Metro Train Project.

AND WHEREAS M/S. _____, the importers have imported the equipment mentioned in the said Notification for the above mentioned project in accordance with the conditions given in the said Notification;

NOW, THEREFORE, in consideration of the release of the equipment without recovery of leviable duties, the importers bind themselves to pay on demand to the Government of Pakistan the sum of Rs. _____ being the customs duties and charges leviable on the equipment, if the importers fail to fulfil the condition (f) or (g) or (h) of the said Notification, as the case may be.

The importers further agree and bind themselves that the amount covered by this Indemnity Bond shall be recovered as arrears of customs duties under section 202

of the Customs Act, 1969. This Bond shall stand revoked automatically when the Collector of Customs is satisfied that the importers have fulfilled all the conditions of the said Notification.

Signed by importers on this _____ day of 201_.

Managing Director or person next in hierarchy duly authorized by MD

(Name and permanent address)

Collector of Customs

(On behalf of President)

Witness (1) _____

(signature, name, designation and full address)

Witness (2) _____

(signature, name, designation and full address)

Annex-D

[See conditions 146 (c) & (e)]

NTN or FTN of Importer		Approval No.		
(I)		(II)		
Details of equipment (to be filled by the authorized officer of the Regulatory Authority) to be imported				
Description and specifications.	Quantity/UOM	L/C No. or bank contract No. and B/L.	IGM No. Date & Index No.	Remarks, if any.
(1)	(2)	(3)	(4)	(6)

CERTIFICATE BY THE AUTHORIZED OFFICER OF REGULATORY AUTHORITY:

It is hereby certified that the description, quantity and other details mentioned above are true and correct. Goods imported are in commensuration with the project requirements and are bona fide requirement of the Project under the Contract. It is further certified that the above items shall not be used for any other purpose except for the Project.

Signature: _____

Name and Designation: _____

Official Stamp: _____

Date: _____

- (C) In Table-3, after the omitted serial number 16 and omitted entries relating thereto, the following new serial numbers and entries relating thereto in columns (2), (3) and (4) shall be added, namely:—

“17.	Machinery, equipment, raw materials, components and other capital goods for use in building, fittings, repairing or refitting of ships, boats or floating structures imported by Karachi Shipyard and Engineering Works Limited.	Respective heading	Nil
18.	The following parts for assembling and manufacturing of personal computers and laptops:		If imported by manufacturers and assemblers of computers and laptops, registered with and certified by Engineering Development Board in accordance with quota determined by IOCO
	(i) Bare PCBs	8534.0000	
	(ii) Power Amplifier	8542.3300	
	(iii) Microprocessor/Controllers	85.42	
	(iv) Equipment for SMT Manufacturing	8486.2000	
	(v) Laptop batteries	8506.5000	
	(vi) Adapters	8504.4020	
	(vii) Cooling fans	8414.5190	
	(viii) Heat sink	7616.9920	
	(ix) Hard Disk SSD	8471.7020	
	(x) RAM/ROMS	8471.7060 and 8471.7090	
	(xi) System on Chip/FPGA-IC	85.42	
	(xii) LCD / LED Screen	8528.7211	
	(xiii) Motherboards	8534.0000	
	(xiv) power supply	84.73	
	(xv) Optical Drives	8471.7040	
	(xvi) External Ports	8536.2090	
	(xvii) Network cards	8517.6990	
	(xviii) Graphic cards	8471.5000	
	(xix) wireless cards	8517.6970	
	(xx) micro phone	8518.3000	
	(xxi) Trackpad	8471.6020	
19.	Plant and machinery, except the items listed under Chapter 87 of the Pakistan Customs Tariff, imported	9917(2)	Nil”; and

	for setting up of a Special Economic Zone (SEZ) by zone developers and for installation in that zone by zone enterprises, on one time basis as prescribed in the SEZ Act, 2012 and rules thereunder subject to such condition, limitations and restriction as a Federal Board of Revenue may impose from time to time.	
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(21) in the Eight Schedule,

(A) in Table-1, in column (1),—

- (a) against serial number 25, in column (3), for the figure “8701.9020”, the figures “8701.9220 and 8701.9320” shall be substituted;
- (b) against serial number 26, in column (4), for the figure “7”, the figure “5” shall be substituted;
- (c) against serial number 27, in column (4), for the figure “7”, the figure “5” shall be substituted;
- (d) against serial number 28, in column (4), for the figure “7”, the figure “5” shall be substituted;
- (e) against serial number 29, in column (4), for the figure “7”, the figure “5” shall be substituted;
- (f) against serial number 30, in column (4), for the figure “7”, the figure “5” shall be substituted;
- (g) serial numbers 33, 35, 36, 37, 38, 39, 40, 41, 42, 48 and 49 and entries relating thereto in columns (2), (3), (4) and (5) shall be omitted;
- (h) against serial number 43, in column (4), for the figure “10”, the figure “5” shall be substituted;
- (i) after serial number 49, and entries relating thereto in columns (2), (3), (4) and (5) omitted as aforesaid, the following new serial numbers and entries relating thereto in columns (2), (3), (4) and (5) shall be added, namely:

“50.	LNG	2711.1100	12%	If imported by M/s Pakistan State Oil and M/s Pakistan LNG Limited
51.	RLNG	2711.2100	12%	If supplied by M/s Pakistan State Oil and

				M/s Pakistan LNG Limited to M/s SNGPL
52.	Fertilizers (all types)	Respective heading	3%	Nil
53.	The following cinematographic equipment imported during the period commencing on the 1 st day of July, 2018 and ending on the 30th day of June, 2023.		5%	Subject to same limitations and conditions as are specified in Part-1 of Fifth Schedule to the Customs Act, 1969 for availing 3% concessionary rate of customs duty on the import of these equipment.”;
	(i) Projector	9007.2000		
	(ii) Parts and accessories for projector	9007.9200		
	(iii) Other instruments and apparatus for cinema	9032.8990		
	(iv) Screen	9010.6000		
	(v) Cinematographic parts and accessories	9010.9000		
	(vi) 3D Glasses	9004.9000		
	(vii) Digital Loud Speakers	8518.2200		
	(viii) Digital Processor	8519.8190		
	(ix) Sub-woofer and Surround Speakers	8518.2990		
	(x) Amplifiers	8518.5000		
	(xi) Audio rack and termination board	7326.9090 8537.1090		
	(xii) Music Distribution System	8519.8990		
	(xiii) Seats	9401.7100		

	(xiv) Recliners	9401.7900		
	(xv) Wall Panels and metal profiles	7308.9090		
	(xvi) Step Lights	9405.4090		
	(xvii) Illuminated Signs	9405.6000		
	(xviii) Dry Walls	6809.1100		
	(xix) Ready Gips	3214.9090		
54.	lithium iron phosphate battery (Li-Fe- PO4)	8506.5000	12%	Nil"; and

(B) in Table-2, in column (1), after serial number 8 and entries relating thereto in columns (2), (3) and (4), the following new serial number 9 and entries relating thereto in columns (2), (3) and (4) shall be inserted, namely:—

“9	Capital goods otherwise not exempted, for Transmission Line Projects.	Respective heading	The concession will be available in respect of those Transmission Line Projects which are being executed under Standard Implementation Agreement under Policy Framework for Private Sector Transmission Line Projects, 2015 and Projects Specific Transmission Services Agreement. Provided that sales tax charged under this provision shall be non-adjustable and non-refundable.”.
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5. Amendment of Ordinance, XLIX of 2001.— In the Income Tax Ordinance, 2001 (XLIX of 2001), the following further amendments shall be made, namely:-

(1) in section 2,—

(A) after clause (22A), the following new clause shall be inserted, namely:-

“(22B) “fee for offshore digital services” means any consideration for providing or rendering services by a non- resident person for online advertising including digital advertising space, designing, creating, hosting or maintenance of websites, digital or cyber space for websites, advertising, e-mails, online computing, blogs,

- online content and online data, providing any facility or service for uploading, storing or distribution of digital content including digital text, digital audio or digital video, online collection or processing of data related to users in Pakistan, any facility for online sale of goods or services or any other online facility.”; and
- (B) in clause (23A), after the word “Board” the expression “or AJ&K Council Board of Revenue or Gilgit-Baltistan Council Board of Revenue” shall be inserted;
- (C) in clause (29), for the expression “, 236M and 236N,” the word “and” shall be substituted;
- (D) in clause (41) ,—
- (a) in sub-clause (e) ,—
- (i) for paragraph (i), the following shall be substituted, namely:-
- “(i) has and habitually exercises an authority to conclude contracts on behalf of the other person or has and habitually plays the principal role leading to the conclusion of contracts that are routinely concluded without material modification by the person and these contracts are —
- (a) in the name of the person; or
- (b) for the transfer of the ownership of or for the granting of the right to use property owned by that enterprise or that the enterprise has the right to use; or
- (c) for the provision of services by that person; or”;
- (ii) after paragraph (ii), the following explanation shall be added, namely:—
- “Explanation.— For removal of doubt, it is clarified that an agent of independent status acting in the ordinary course of business does not include a person acting exclusively or almost exclusively on behalf of the person to which it is an associate; or”;
- (b) after sub-clause (f), the following new sub-clause shall be added, namely:-
- “(g) a fixed place of business that is used or maintained by a person if the person or an associate of a person carries on business at that place or at another place in Pakistan and—
- (i) that place or other place constitutes a permanent establishment of the person or an associate of the person under this sub-clause; or

- (ii) business carried on by the person or an associate of the person at the same place or at more than one place constitute complementary functions that are part of a cohesive business operation.

Explanation.- For the removal of doubt, it is clarified that —

- (A) the term “cohesive business operation” includes an overall arrangement for the supply of goods, installation, construction, assembly, commission, guarantees or supervisory activities and all or principal activities are undertaken or performed either by the person or the associates of the person; and
- (B) supply of goods include the goods imported in the name of the associate or any other person, whether or not the title to the goods passes outside Pakistan.”;
- (2) in section 4B, in sub-section (1), for the figure “2017” the figure “2020” shall be substituted;
- (3) in section 5A, in sub-section (1),—
- (a) for the words “seven and a half”, the word “five” shall be substituted;
- (b) for the word “forty”, the word “twenty” shall be substituted; and
- (c) the words “or bonus shares” shall be omitted;
- (4) in section 6,—
- (a) in sub-section (1), after the word “royalty”, a comma and the words “, fee for offshore digital services” shall be inserted;
- (b) in sub-section (3), in clause (b), after the word “services”, occurring for the first time, the words “or fee for offshore digital services” shall be inserted;
- (c) in sub-section (4), after the word “royalty”, a comma and the words “, fee for offshore digital services” shall be inserted;
- (5) in section 8, in sub-section (1), the expression “5A,” shall be omitted;
- (6) in section 18, in sub-section (1), after clause (e), the following explanation shall be added, namely:—
- “Explanation.—** For the removal of doubt it is clarified that income subject to taxation under sections 5A, 5AA, 6, 7 and 7A shall not be chargeable to tax under this section.”;
- (7) in section 37, in sub-section (4A), in clause (a), after the word “gift”, the expression “from a relative as defined in sub-section (5) of section 85” shall be inserted;

- (8) in section 39, in sub-section (1),—
- (a) in clause (k), for full stop at the end, a semi colon and the word "and" shall be substituted;
 - (b) in clause (l), for the semi colon and the word "and" a full stop shall be substituted; and
 - (c) clause (m) shall be omitted.;
- (9) in section 53, in sub-section (2), for the expression “Minister-in-charge may, from time to time pursuant to the approval of the Economic Coordination Committee of Cabinet”, the word “Government” shall be substituted;
- (10) in section 57,—
- (a) in sub-section (1), after the word “which”, the expression “sub-section (4) or” shall be inserted; and
 - (b) for sub-section (4), the following shall be substituted, namely:—

"(4) The loss attributable to deductions allowed under sections 22, 23, 23A, 23B and 24 that has not been set off against income, the loss not set off shall be set off against fifty percent of the person's balance income chargeable under the head "income from business" after setting off loss under sub-section (1), in the following tax year and so on until completely set off:

Provided that such loss shall be set off against hundred percent of the said balance income if the taxable income for the year is less than ten million Rupees";
- (11) in section 59A, for sub-section (5), the following shall be substituted, namely:-
- "(5) Subject to sub-section (4) of section 57, sub-section (12) of section 22 and sub-section (6), where in computing the taxable income for any tax year, full effect cannot be given to the loss relating to deductions under section 22, 23, 24 or 25 owing to there being no profits or gains chargeable for that year or such profits or gains as mentioned in sub-section (4) of section 57, being less than the said loss, the loss or part of the loss, as the case may be, shall be set off against fifty percent of the person's income chargeable under the head “income from business” for the following year or if there is no “income from business” for that year, be set off against fifty percent of the person's income chargeable under the head “income from business” for the next following year and so on for succeeding years.”;
- (12) in section 62, in sub-section (2), in component C of the formula, in clause (c), for the words “one and a half”, the word “two” shall be substituted;

- (13) in section 65B, in sub-section (2), for the figure “2019” the figure “2021” shall be substituted;
- (14) in section 65D, in sub-section (2), in clause (a), for the figure “2019” the figure “2021” shall be substituted;
- (15) in section 65E, in sub-section (4), for the figure “2019” the figure “2021” shall be substituted;
- (16) in section 79, in sub-section (1), in clause (c), after the word "asset" the expression "to a relative, as defined in sub-section (5) of section 85" shall be inserted;
- (17) in section 100A, after sub-section (2), the following new sub-section shall be added, namely:-
- “(3) Notwithstanding anything contained in sub-section (1), income, profits and gains and tax payable thereon shall be computed subject to the limitations and provisions contained in Chapters VII and VIII.”;
- (18) in section 100C, in sub-section (2), in clause (e), after the word "banks", the words "and microfinance banks" shall be inserted;
- (19) in section 101,—
- (a) in sub-section (3), in clause (d), for full stop at the end a semi colon and the word “or” shall be substituted and thereafter the following new clause shall be added, namely:-
- “(e) import of goods, whether or not the title to the goods passes outside Pakistan, if the import is part of an overall arrangement for the supply of goods, installation, construction, assembly, commission, guarantees or supervisory activities and all or principal activities are undertaken or performed either by the associates of the person supplying the goods or its permanent establishment, whether or not the goods are imported in the name of the person, associate of the person or any other person.
- Explanation.**— For the removal of doubt, it is clarified that where the income is subject to taxation under sections 5A, 5AA, 6, 7 and 7A, the income shall not be chargeable to tax under the head income from business.”; and
- (b) after sub-section (12), the following new sub-section shall be inserted, namely:-
- “(12A) A fee for offshore digital services shall be Pakistan-source income, if it is –
- (a) paid by a resident person, except where the fee is payable in respect of services utilised in a business carried on by the

resident outside Pakistan through a permanent establishment; or

(b) borne by a permanent establishment in Pakistan of a non-resident person.”;

(20) after section 101, amended as aforesaid, the following new section shall be inserted, namely:-

- “101A. Gain on disposal of assets outside Pakistan.—** (1) Any gain from the disposal or alienation outside Pakistan of an asset located in Pakistan of a non-resident company shall be Pakistan-source
- (2) The gain under sub-section (1) shall be chargeable to tax at the rate and in the manner as specified in sub-section (10).
- (3) Where the asset is any share or interest in a non-resident company, the asset shall be treated to be located in Pakistan, if —
- (a) the share or interest derives, directly or indirectly, its value wholly or principally from the assets located in Pakistan; and
- (b) shares or interest representing ten per cent or more of the share capital of the non-resident company are disposed or alienated.
- (4) The share or interest, as mentioned in sub-section (3), shall be treated to derive its value principally from the assets located in Pakistan, if on the last day of the tax year preceding the date of transfer of a share or an interest, the value of such assets exceeds one hundred million Rupees and represents at least fifty per cent of the value of all the assets owned by the non-resident company.
- (5) Notwithstanding the provisions of section 68, the value as mentioned in sub-section (4) shall be the fair market value, as may be prescribed, for the purpose of this section without reduction of liabilities.
- (6) Where the entire assets by the non-resident company are not located in Pakistan, the income of the non-resident company, from disposal or alienation outside Pakistan of a share of, or interest in, such non-resident company shall be treated to be located in Pakistan, to the extent it is reasonably attributable to assets located in Pakistan and determined as may be prescribed.
- (7) Where the asset of a non-resident company derives, directly or indirectly, its value wholly or principally from the assets located in Pakistan and the non-resident company holds, directly or indirectly, such assets through a resident company, such resident company shall, for the purposes of determination of gain and tax thereon under sub-section (8) or, as the case may be, sub-section (9), shall furnish to the Commissioner within sixty days of the transaction of disposal or alienation of the asset by the non-resident company, the

prescribed information or documents, in a statement as may be prescribed:

Provided that the Commissioner may, by notice in writing, require the resident company, to furnish information, documents and statement within a period of less than sixty days as specified in the notice.

- (8) The person acquiring the asset from the non-resident person shall deduct tax from the gross amount paid as consideration for the asset at the rate of fifteen percent and shall be paid to the Commissioner by way of credit to the Federal Government through remittance to the Government Treasury or deposit in an authorized branch of the State Bank of Pakistan or the National Bank of Pakistan, within fifteen days of the payment to the non-resident.
- (9) The resident company as referred to in sub-section (7) shall collect advance tax as computed in sub-section (10) from the non-resident company within thirty days of the transaction of disposal or alienation of the asset by such non-resident company:
- Provided that where the tax has been deducted and paid by the person acquiring the asset from the non-resident person under sub-section (8), the said tax shall be treated as tax collected and paid under this sub-section and shall be allowed a tax credit for that tax in computing the tax under sub-section (10).
- (10) The tax to be deducted under sub-section (8) or to be collected under sub-section (9) shall be the higher of—
- (a) 20% of A, where A = fair market value less cost of acquisition of the asset; or
- (b) 10% of the fair market value of the asset.
- (11) Where tax has been paid under sub-section (8) or (9), no tax shall be payable by the non-resident company in respect of gain under sub-section (8) of section 22 or capital gains under section 37 or 37A.”;
- (21) in section 107, in sub-section (2), for the word "Where" the words "Subject to section 109, where" shall be substituted;
- (22) in section 108,-
- (a) in sub-section (3), in clause (b), for the words “and maintain” the expression “, maintain and furnish to the Board” shall be substituted; and
- (b) in sub-section (4), after the word “under”, occurring for the first time, the expression “clause (a), (c) or (d) of” shall be inserted;
- (23) in section 109,—

- (a) in sub-section (1), after clause (c), the following new clause shall be inserted, namely:-
- "(d) to disregard an entity or a corporate structure that does not have an economic or commercial substance or was created as part of the tax avoidance scheme.";
- (b) after sub-section (2), the following new sub-section shall be added, namely:—
- "(3) Reduction in a person's liability to tax as referred to in sub-section (2) means a reduction, avoidance or deferral of tax or increase in a refund of tax and includes a reduction, avoidance or deferral of tax that would have been payable under this Ordinance, but are not payable due to a tax treaty for the avoidance of double taxation as referred to in section 107.";
- (24) after section 109, substituted as aforesaid, the following new section shall be inserted, namely:-
- “109A. *Controlled foreign company.***— (1) There shall be included in the taxable income of a resident person for a tax year an income attributable to controlled foreign company as defined in sub-section (2).
- (2) For the purpose of this section, controlled foreign company means a non-resident company, if —
- (a) more than fifty percent of the capital or voting rights of the non-resident company are held, directly or indirectly, by one or more persons resident in Pakistan or more than forty percent of the capital or voting rights of the non-resident company are held, directly or indirectly, by a single resident person in Pakistan;
- (b) tax paid, after taking into account any foreign tax credits available to the non-resident company, on the income derived or accrued, during a foreign tax year, by the non-resident company to any tax authority outside Pakistan is less than sixty percent of the tax payable on the said income under this Ordinance;
- (c) the non-resident company does not derive active business income as defined under sub-section (3); and
- (d) the shares of the company are not traded on any stock exchange recognized by law of the country or jurisdiction of which the non-resident company is resident for tax purposes.
- (3) A company shall be treated to have derived active income if —
- (a) more than eighty percent of income of the company does not include income from dividend, interest, property, capital gains, royalty, annuity payment, supply of goods or services to an associate, sale or licensing of intangibles and management, holding or investment in securities and financial assets; and

- (b) principally derives income under the head “income from business” in the country or jurisdiction of which it is a resident.
- (4) Income of a controlled foreign company is an amount equal to the taxable income of that company determined in accordance with the provisions of this Ordinance as if that controlled foreign company is a resident taxpayer.
- (5) The amount of attributable income under sub-section (1) for a tax year shall be computed according to the following formula, namely:
—
- $$A \times (B/100)$$
- Where -
- A is the amount of income of a controlled foreign company under sub-section (2); and
- B is the percentage of capital or voting rights, whichever is higher, held by the person, directly or indirectly, in the controlled foreign company.
- (6) The amount of attributable income shall be treated as zero, if the capital or voting rights of the resident person is less than ten percent.
- (7) Income of a controlled foreign company shall be treated as zero, if it is less than ten million Rupees.
- (8) The income of a controlled foreign company in respect of a foreign tax year, as defined in sub-section (9), shall be determined in the currency of that controlled foreign company and shall, for purposes of determining the amount to be included in the income of any resident person during any tax year under the provisions of this section, be converted into Rupees at the State Bank of Pakistan rate applying between that foreign currency and the Rupee on the last day of the tax year.
- (9) Foreign tax year, in relation to a non-resident company, means any year or period of reporting for income tax purposes by that non-resident company in the country or jurisdiction of residence or, if that company is not subject to income tax, any annual period of financial reporting by that company.
- (10) The income attributable to controlled foreign company under sub-section (1) and taxed in Pakistan under this section shall not be taxed again when the same income is received in Pakistan by the resident taxpayer.”;
- (25) in section 111,—
- (a) for sub-section (2), the following shall be substituted, namely:-

“(2) The amount referred to in sub-section (1) shall be included in the person’s income chargeable to tax:

- (i) in the tax year to which such amount relates if the amount representing investment, money, valuable article or expenditure is situated or incurred in Pakistan or concealed income is Pakistan-source; and
- (ii) in the tax year immediately preceding the tax year in which the investment, money, valuable article or expenditure is discovered by the Commissioner and is situated or incurred outside Pakistan and concealed income is foreign-source.

Explanation.— For the removal of doubt, it is clarified that where the investment, money, valuable article or expenditure in respect of assets or expenditure situated or incurred outside Pakistan liable to be included in the income of tax year 2018 and onwards on the basis of discovery made by the Commissioner during tax year 2019 and onwards and the person explains the acquisition of such asset or expenditure from sources relating to tax year in which such asset was acquired or expenditure was incurred, such explanation shall not be rejected on the basis that the source does not relate to the tax year immediately preceding tax year in which the asset or expenditure was discovered by the Commissioner.”;

- (b) in sub-section (4), in clause (a), after the word “channels”, the words “not exceeding ten million Rupees in a tax year” shall be inserted.

(26) in section 114,—

- (a) in sub-section (1), in clause (b),-

- (i) in sub-clause (viii), the word “or” at the end shall be omitted; and
- (ii) in sub-clause (ix), for full stop at the end, a semicolon and the word “; or” shall be substituted and thereafter the following new sub-clause shall be added, namely:-

“(x) every resident person being an individual required to file foreign income and assets statement under section 116A.”;
and

- (b) in sub-section (2),-

- (i) in clause (d), the word “and” at the end shall be omitted; and
- (ii) in clause (e), for full stop at the end a semicolon and the word “; and” shall be substituted and thereafter the following new clause shall be added, namely:-

“(f) shall be accompanied with a foreign income and assets statement as required under section 116A.”; and

(27) after section 116, the following new section 116A shall be inserted, namely:-

“116A. Foreign income and assets statement.— (1) Every resident taxpayer being an individual having foreign income of not less than ten thousand United States dollars or having foreign assets with a value of not less than one hundred thousand United States dollars shall furnish a statement, hereinafter referred to as the foreign income and assets statement, in the prescribed form and verified in the prescribed manner giving particulars of —

- (a) the person’s total foreign assets and liabilities as on the last day of the tax year;
- (b) any foreign assets transferred by the person to any other person during the tax year and the consideration for the said transfer; and
- (c) complete particulars of foreign income, the expenditure derived during the tax year and the expenditure wholly and necessarily for the purposes of deriving the said income.

(2) The Commissioner may by a notice in writing require any person being an individual who, in the opinion of the Commissioner on the basis of reasons to be recorded in writing, was required to furnish a foreign income and assets statement under sub-section (1) but who has failed to do so to furnish the foreign income and assets statement on the date specified in the notice.”;

(28) in section 118,-

- (a) in sub-section (1),-
 - (i) for the word “or” a comma shall be substituted;
 - (ii) after the figure “116” the expression “or a foreign income and assets statement under 116A, if applicable” shall be inserted; and
- (b) in sub-section (2A), after the figure “116”, the expression “or a foreign income and assets statement under 116A, if applicable” shall be added;

(29) in section 121, in sub-section (3), for full stop at the end a colon shall be substituted and thereafter the following proviso shall be added, namely:—

“Provided that where notice for furnishing a return of income under sub-section (4) of section 114 is issued in respect of one or more of the last ten completed tax years in pursuance of proviso to sub-section (5) of section 114 an assessment order under this section shall only be issued within two years from the end of tax year in which such notice is issued.”;

(30) in section 131, in sub-section (5), in the first proviso, for the expression “:— “at the end, a colon shall be substituted and thereafter the following new proviso shall be inserted, namely:—

“Provided further that where recovery of tax has been stayed under this section, such stay order shall cease to have effect on expiration of the said period of one hundred and eighty days following the date on which the stay order was made and the Commissioner shall proceed to recover the said tax.”;

(31) in section 134A,—

(a) for sub-section (2), the following shall be substituted, namely:-

"(2) The Board after examination of the application of an aggrieved person, shall within sixty days of receipt of such application in the Board appoint a committee consisting of:

- (i) an officer of Inland Revenue not below the rank of Commissioner;
- (ii) a person from a panel comprising of retired Chartered Accountants and Advocates;
- (iii) a retired judge of a High Court- for the resolution of the hardship or dispute:

Provided that the mode and manner of appointment of the members of the committee shall as may be prescribed.";

(b) after sub-section (2), substituted as aforesaid, the following new sub-sections shall be inserted, namely:—

“(2A) The aggrieved person and the Board, as the case may be, shall withdraw the appeals pending before the Appellate Authority.

(2B) The committee shall not commence the proceedings under sub-section (3), unless the order of withdrawal by the Appellate Authority is communicated to the Board:

Provided that if the order of withdrawal is not communicated within seventy five days of the appointment of the committee, the said committee shall be dissolved and this section shall not apply.”;

(c) for sub-sections (3), (4) and (4A) the following shall be substituted, namely:—

“(3) The Committee appointed under sub-section (2) shall examine the issue and may if it deems necessary conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and shall decide the dispute by majority, within one hundred and twenty days of its appointment:

Provided that in computing the aforesaid period of one hundred and twenty days, the period, if any, for communicating the order of withdrawal under sub-section (3) shall be excluded.

- (4) The decision of the committee made under sub-section (3) shall be binding on the Board and the aggrieved person.
- (4A) If the Committee fails to decide within the period of one hundred and twenty days, under sub-section (3), the Board shall dissolve the committee, by an order in writing, and the matter shall be decided by the Appellate Authority, which issued the order of withdrawal under sub-section (2B) and the appeal shall be treated to be pending before such Appellate Authority as if the appeal has never been withdrawn.”;
- (d) after sub-section (4A), substituted as aforesaid, the following new sub-sections shall be inserted, namely:-
- “(4B) The Board shall communicate the order of dissolution to the Appellate Authority mentioned in sub-section (1) and the Commissioner.
- (4C) The aggrieved person, on receipt of the order of dissolution, shall communicate to the Appellate Authority mentioned in sub-section (1), which shall decide the appeal within six months of the communication of the order of dissolution ”;
- (e) in sub-section (5),—
- (i) for the words “determined by the Board in its order under sub-section (4)”, the words “decided by the committee under sub-section (3)” shall be substituted;
- (ii) for the colon at the end, a full stop shall be substituted and the two provisos thereafter shall be omitted;
- (32) in section 137, in sub-section (2), for full stop at the end, a colon shall be substituted and thereafter the following new proviso shall be added, namely:—
- “Provided that the due date for payment of tax payable under sub-section (7) of section 147 shall be the date specified in sub-section (5) or sub-section (5A) or first proviso to sub-section (5B) of section 147.”;
- (33) in section 140, in sub-section (1), in the proviso, for the expression and figure “twenty-five” the word “ten” shall be substituted;
- (34) in section 147,—
- (a) in sub-section (4), in component A, for semi-colon, a colon shall be substituted and thereafter the following proviso shall be added, namely:—

“Provided that where the taxpayer fails to provide turnover or the turnover for the quarter is not known, it shall be taken to be one-fourth of one hundred and ten percent of the turnover of the latest tax year for which a return has been filed;”;

- (b) in sub-section (4A), after the word "taxpayer", wherever occurring, the words "including a banking company" shall be inserted; and
- (c) in sub-section (6),—
 - (i) after the word "taxpayer", wherever occurring, the words "excluding a banking company" shall be inserted;
 - (ii) for full stop at the end a colon shall be substituted and thereafter the following provisos shall be added, namely:—

“Provided that an estimate of the amount of tax payable shall contain turnover for the completed quarters of the relevant tax year, estimated turnover of the remaining quarters along with reasons for any decline in estimated turnover, documentary evidence of estimated expenses or deductions which may result in lower payment of advance tax and the computation of the estimated taxable income of the relevant tax year:

Provided further that where an estimate of the amount of tax payable is not accompanied by details mentioned in the first proviso, the Commissioner may reject the estimate after providing an opportunity of being heard to the taxpayer and the taxpayer shall pay advance tax according to the formula contained in sub-section (4).”;

(35) in section 148,—

- (i) for sub-section (8), the following shall be substituted, namely:-
 - “(8) The tax required to be collected from a person under this section shall be minimum tax for a tax year on the import of—
 - (a) goods where goods are sold in the same condition as they were when imported;
 - (b) edible oil;
 - (c) packing material; and
 - (d) plastic raw material imported by an industrial undertaking falling under PCT headings 39.01 to 39.12.”;

(36) in section 152,—

- (a) after sub-section (1BB), the following new sub-section shall be inserted, namely:-
 - “(1C) Every banking company or a financial institution remitting outside Pakistan an amount of fee for offshore digital services,

chargeable to tax under section 6, to a non- resident person on behalf of any resident or a permanent establishment of a non- resident in Pakistan shall deduct tax from the gross amount paid at the rate specified in Division IV of Part I of the First Schedule.”;

- (b) after sub-section (2AA), the following new sub-section shall be inserted, namely:—

"(2B) The tax deductible under clause (b) of sub- section (2A) shall be a minimum tax and the provisions of sub-clauses (i), (ii) and (iii) of clause (b) of sub-section (3) and sub-section (4A) of section 153 shall mutatis mutandis apply.”;

- (c) in sub-section (7), for clause (a), the following shall be substituted, namely:-

“(a) an import of goods where title to the goods passes outside Pakistan and is supported by import documents, except where —

(i) the supply is made in connection with the overall arrangement for the supply of goods, installation, construction, assembly, commission, guarantees or supervisory activities and all or principal activities are undertaken or performed either by the associates of the person supplying the goods or its permanent establishment, whether or not the title passes outside Pakistan and whether or not the goods are imported in the name of the associate or any other person; or

(ii) the supply is made by a resident person or a Pakistan permanent establishment of a non- resident person in connection with the overall arrangement as referred to in sub-clause (i); or”;

- (37) in section 153,—

- (a) in sub-section (1),—

(i) in clause (a), after the word “goods”, the expression “,except where payment is less than seventy-five thousand Rupees in aggregate, during a financial year” shall be inserted; and

(ii) in clause (b), after the word “services”, the expression “except where payment is less than thirty thousand Rupees in aggregate, during a financial year” shall be inserted;

- (b) in sub-section (7), in clause (i),—

(i) in sub-clause (h), for the expression "tax year 2007 or in any subsequent tax year", the expression "any of the preceding tax years" shall be substituted;

- (ii) in sub-clause (i),—
- (a) for the expression "the tax year 2009 or in any subsequent year", the expression "any of the preceding tax years" shall be substituted; and
 - (b) the word "or", at the end, shall be omitted;
- (iii) in sub-clause (j), after the semicolon, the word "or" shall be inserted;
- (iv) after sub-clause (j), amended as aforesaid, the following new sub-clause shall be added, namely:—
- (v) after sub-clause (j), the following new clauses shall be inserted, namely:—
- "(k) a person deriving income from the business of construction and sale of residential, commercial or other buildings(builder); or
 - (l) a person deriving income from the business of development and sale of residential, commercial or other plots (developer).";
- (38) in section 165A,—
- (a) for clause (a), the following shall be substituted, namely:-
 - “(a) a list of persons containing particulars of cash withdrawals exceeding fifty thousand Rupees in a day and tax deductions thereon for filers and non-filers, aggregating to Rupees one million or more during each preceding calendar month.”;
 - (b) in clause (b), for the word "one" the word "ten" shall be substituted;
 - (c) in clause (c), for the word "one" the word "two" shall be substituted;
- (39) in section 168,—
- (a) in sub-section (2), after the word “sub-sections” the expression “(2A), (2B),” shall be inserted;
 - (b) after sub-section (2), amended as aforesaid, the following new sub-sections shall be inserted, namely:-
 - “(2A) Where a company is a member of an association of persons which is taxed in accordance with section 92 and an amount of tax has been collected from an association of persons under Division II of this Part or Chapter XII or deducted from a payment made to the said association under Division III of this Part or Chapter XII, the company shall be allowed a tax credit, in respect of tax collected or deducted from the association of persons, according to the following formula, namely: —
$$(A/B) \times C$$

Where —

- A is the amount of share of profits before tax received by the company as a member from the association of persons;
- B is the taxable income of the association of persons; and
- C is the amount of tax withheld in the name of the association of persons.

(2B) No tax credit shall be allowed for any tax collected or deducted from an association of persons in respect of an amount for which credit has been allowed under sub-section (2A) to a company being a member of the association.”;

(40) in section 177, in sub-section (11),—

- (a) in clause (d), after the word “person”, occurring for the first time, the words “including a foreign expert or specialist” shall be inserted;
- (b) after clause (d), amended as aforesaid, the following new clause shall be added, namely:-
- “(e) a tax audit expert deployed under an audit assistance programme of an international tax organization or a tax authority outside Pakistan:

Provided that in case the member is not an officer of Inland Revenue, the person shall only be included as a member in the special audit panel if an agreement of confidentiality has been entered into between the Board and the person, international tax organization or a tax authority, as the case may be.”;

(41) in section 182, in the Table, in column (1),—

- (a) against S. No. (1A), in column (3), after the word “of”, occurring for the first time, the words “five thousand Rupees if the person had already paid tax required to be collected or deducted and to be reported in the statement within the due date and filed statement within ninety days from the due date for filing the statement and ten thousand Rupees otherwise” shall be inserted;
- (b) after S. No. 1AA and entries relating thereto in columns (2),(3) and (4), the following new S. No and entries relating thereto shall be inserted, namely:-

“1AAA	Where any person fails to furnish a foreign assets and income statement within the due date.	Such persons shall pay a penalty of 2 percent of the foreign income or value of the foreign assets for each year of default.	116A”;
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(42) after section 182, amended as aforesaid, the following new section shall be inserted, namely:-

"182A. Return not filed within due date.—(1) Notwithstanding anything contained in this Ordinance, where a person fails to file a return of income under section 114 by the due date as specified in section 118 or by the date as extended by the Board under section 214A or extended by the Commissioner under section 119, as the case may be, such person shall—

- (a) not be included in the active taxpayers' list for the year for which return was not filed within the due date; and
- (b) not be allowed, for that tax year, to carry forward any loss under Part VIII of Chapter IV";

(43) section 214D shall be omitted;

(44) in section 216,—

- (a) in sub-section (3), after clause (ka), the following new clause shall be inserted, namely:-

“(kb) to National Database and Registration Authority for the purpose of broadening of the tax base;”; and

- (b) in sub-section (5), for the expression “Minister-in-charge” the word “Government” shall be substituted;

(45) in section 218,—

- (a) in sub-section (1), after clause (c), the following new clause shall be added, namely:-

“(d) served on the individual electronically in the prescribed manner,”;

- (b) in sub-section (2), after clause (c), the following new clause shall be added, namely:-

“(d) served on the individual electronically in the prescribed manner,”;

(46) in section 227, in sub-section (1),—

- (a) after the word “made” occurring for the first time, the words “or any notice issued” shall be inserted; and
- (b) after the word, “made”, occurring for the third time, the words “or notices issued” shall be inserted;
- (c) after sub-section (1), amended as aforesaid, the following explanation shall be added, namely:—

“Explanation.— For the removal of doubt, it is clarified that Civil Court includes any court exercising power of the civil court.”;

(47) after section 227B, the following new section shall be inserted, namely:—

“227C. Restriction on purchase of certain assets.— Notwithstanding anything contained in any law, for the time being in force,—

- (a) any application for booking, registration or purchase of a new locally manufactured motor vehicle or for registration of an imported vehicle shall not be accepted or processed by any vehicle registering authority of Excise and Taxation Department or a manufacturer of a motor vehicle respectively, unless the person is a filer.;
- (b) any application or request by a person from any authority responsible for registering, recording or attesting transfer of any immovable property for registering or attesting the transfer shall not be accepted or processed by such authority, unless the person is a filer.”;

(48) after section 230E, the following new section shall be inserted, namely:—

“230F. Directorate General of Immovable Property.—(1) The Directorate-General of Immovable Property, (hereinafter referred to as Directorate-General in this section, shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors and Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.

- (2) The Board may, by notification in the official Gazette, specify the functions and jurisdiction of the Directorate-General and its officers.
- (3) The Directorate-General may, subject to the provisions and conditions as may be prescribed, initiate proceedings for the acquisition of property for the reasons and purposes specified in sub-section (4).
- (4) The proceedings under sub-section (3) shall be initiated, where the Directorate-General, on the basis of valuation made by it, has reason to believe that any immovable property of a fair market value has been transferred by a person, hereinafter referred to as the transferor, to another person, hereinafter referred to as the transferee, for a consideration which is less than the fair market value of the immovable property and that the consideration for such transfer as agreed to between the transferor and transferee has been understated in the instrument of transfer for the purposes of —
 - (a) the avoidance or reduction of withholding tax obligations under this Ordinance;
 - (b) concealment of unexplained amount referred to in sub-section (1) of section 111 representing investment in immovable property; or
 - (c) avoidance or reduction of capital gains tax under section 37.

- (5) The Directorate-General may appoint any valuer or expert as it considers necessary for the purposes of determination of valuation including fair market value of immovable property.
- (6) The mode and manner of appointment of a valuer or expert shall be as may be prescribed.
- (7) The valuation made under sub-section (4) and reasons that consideration is less than the fair market value shall be recorded in writing.
- (8) No proceedings shall be initiated in respect of any immovable property after expiration of a period of six months from the end of the month in which the instrument of transfer in respect of such property is registered, recorded or attested.
- (9) The mode and manner of initiation of proceedings and acquisition of immovable property under this section shall be as may be prescribed:
Provided that the proceedings shall not be initiated unless the transferee is provided with an opportunity of being heard and where the objection by the transferee, if any, is rejected by the Directorate-General, it shall record in writing the reasons for rejection through an order.
- (10) If the Directorate-General is satisfied with the objections or reasons furnished by the transferee or the transferor, it shall, by order in writing, declare that the property shall not be acquired under this section.
- (11) If after hearing the objections, if any, and after taking into account all the relevant material on record, the Directorate-General is satisfied that the fair market value of such property exceeds the consideration by more than fifty per cent of such consideration and that transfer as agreed to between the transferor and the transferee has not been truly stated in the instrument of transfer it may, after obtaining approval of the Board, make an order for acquisition of the immovable property under this section.
- (12) The transferee may prefer express appeal to the Appellate Tribunal of Immovable Property against the order of acquisition of any immovable property under sub-section (11) within sixty days of service of a copy of such order.
- (13) There shall be established an Appellate Tribunal of Immovable Property to exercise the powers conferred on the Tribunal under this section.
- (14) The appointment of members of the Tribunal, powers, functions, constitution of the Tribunal and mode and manner of disposal of appeals shall be as may be prescribed.

- (15) The Appellate Tribunal may, after giving the appellant and the Directorate-General an opportunity of being heard, pass such order as it thinks fit.
- (16) The transferee or the Directorate-General aggrieved by any order of the Tribunal may, within sixty days of the date on which the order under sub-section (15) is served, prefer an appeal against such order to the High Court.
- (17) As soon as may be after the order for acquisition of immovable property made under sub-section (11) becomes final, the Directorate-General may, by notice in writing, order the transferee or any other person who may be in possession of the immovable property to surrender or deliver possession thereof to the Directorate-General within thirty days of the date of the service of the notice.
- (18) The order referred to in sub-section (11) becomes final if either no appeal has been there against filed or on appeal filed before the Tribunal, the order is confirmed and no appeal is filed before the High Court or on appeal filed before the High Court the order is confirmed.
- (19) Notwithstanding anything contained in any law or any agreement for the time being in force, where order referred to in sub-section (11) becomes final, the immovable property and all rights including ownership rights thereof shall be vested in the Federal Government and shall be treated to be in the same position in relation to such rights as the person in whom such rights would have continued to vest if such order had not become final.
- (20) Where any immovable property is acquired under this section, the Board shall make the payment of consideration for acquisition to the person or persons entitled thereto, as soon as may be, after the property becomes vested in the Federal Government.
- (21) Notwithstanding the provisions of section 68, for the purpose of this section,—
 - (a) “consideration for acquisition” means a sum equal to the aggregate of the amount of the consideration for the transfer of immovable property and hundred per cent of such consideration;
 - (b) “fair market value” in relation to an immovable property means the price that the immovable property would ordinarily fetch on sale in the open market on the date of execution of the instrument of transfer of such property;
 - (c) “immovable property” means any land with or without a superstructure or any building or part of a building or any rights therein and includes, where any land or any building or part of a

building is transferred along with any machinery, plant, equipment, furniture and fittings; and

(d) "transfer" in relation to any immovable property means transfer of such property by way of sale or exchange or lease for a term of not less than ten years.

(22) The provisions of this section shall come into force on such date as the Federal Government may, by notification in official Gazette, appoint.

(23) From the date of appointment as mentioned in sub-section (21), rates mentioned in column (3) of the Table in Division XVIII shall be 1% and provisions of clause (c) of sub-section (4) of section 111, section 236C, section 236W and Division X of Part IV of the First Schedule shall not apply.”;

(49) in section 233A, in sub-section (2), for the words “final tax”, the word “adjustable” shall be substituted;

(50) after section 236H, the following new section shall be inserted, namely:—

“236HA. Tax on sale of certain petroleum products.— (1) Every person selling petroleum products to a petrol pump operator or distributor, where such operator or distributor is not allowed a commission or discount, shall collect advance tax on ex-depot sale price of such products at the rate specified in Division XVA of Part IV of the First schedule.

(2) The tax deductible under sub-section (1) shall be a final tax on the income arising from the sale of petroleum products to which sub-section (1) applies.”;

(51) in section 236K, —

(a) after sub-section (2), the following new sub-section shall be inserted, namely:-

“(3) Any person responsible for collecting payments in installments for purchase or allotment of any immovable property where the transfer is to be effected after making payment of all installments, shall at the time of collecting installments collect from the allottee or transferee advance tax at the rate specified in Division XVIII of Part IV of the First Schedule.”;

(52) section 236M shall be omitted;

(53) section 236N shall be omitted;

(54) after section 236X, the following new section shall be inserted, namely:—

“236Y. Advance tax on persons remitting amounts abroad through credit or debit or prepaid cards.—(1) Every banking company shall collect advance tax, at the time of transfer of any sum remitted outside Pakistan, on behalf of any person who has completed a credit card transaction, a debit card transaction, or a prepaid card transaction with a person outside Pakistan at the rate specified in Division XXVII of Part IV of the First Schedule.

(2) The advance tax collected under this section shall be adjustable.”;

(55) in section 241, the existing provision thereof shall be numbered as sub-section (1) of that section and thereafter the following new sub-section shall be added, namely:—

“(2) Notwithstanding any omission, irregularity or deficiency in the establishment, or conferment of powers and functions, of the Directorate-General (Intelligence and Investigation), Inland Revenue and authorities specified in section 230, all orders passed, notices issued and actions taken in exercise or purported exercise of the powers and functions of the Commissioner under this Ordinance by the Directorate-General (Intelligence and Investigation), Inland Revenue or the authorities specified in section 230 shall be deemed to have been validly passed, issued and taken under this Ordinance.”;

(56) in the First Schedule,—

(A) in Part I,—

(i) for Division I, the following shall be substituted, namely:-

“Division I

Rates of Tax for Individuals

(1) The rates of tax imposed on the taxable income of every individual shall be as set out in the following table, namely:—

TABLE

S.No.	Taxable income	Rate of tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs. 4,00,000	0%
2.	Where the taxable income exceeds Rs.4,00,000 but does not exceed Rs. 8,00,000	Rs.1,000
3.	Where the taxable income exceeds Rs.8,00,000 but does not exceed Rs. 12,00,000	Rs.2,000

4.	Where the taxable income exceeds Rs.12,00,000 but does not exceed Rs.24,00,000	5% of the amount exceeding Rs.12,00,000
5.	Where the taxable income exceeds Rs.24,00,000 but does not exceed Rs.48,00,000	Rs. 60,000 + 10% of the amount exceeding Rs.24,00,000
6.	Where the taxable income exceeds Rs.48,00,000	Rs. 300,000 + 15% of the amount exceeding Rs.48,00,000

**Rates of Tax for
Association of Persons**

The rates of tax imposed on the taxable income of every Association of Persons shall be as set out in the following table, namely:—

TABLE

S. No.	Taxable Income	Rate of Tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs.400,000	0%
2.	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.1,200,000	5% of the amount exceeding Rs.400,000
3.	Where the taxable income exceeds Rs.1,200,000 but does not exceed Rs.2,400,000	Rs.40,000 + 10% of the amount exceeding Rs.1,200,000
4.	Where the taxable income exceeds Rs. 2,400,000 but does not exceed Rs.3,600,000	Rs.160,000 + 15% of the amount exceeding Rs.2,400,000
5.	Where the taxable income exceeds Rs. 3,600,000 but does not exceed Rs.4,800,000	Rs.340,000 + 20% of the amount exceeding Rs.3,600,000
6.	Where the taxable income exceeds Rs. 4,800,000 but does not exceed Rs.6,000,000	Rs.580,000 + 25% of the amount exceeding Rs.4,800,000

7.	Where the taxable income exceeds Rs.6,000,000	Rs.880,000 + 30% of the amount exceeding Rs.6,000,000;
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ii) in Division II, in paragraph (i), in the third proviso, for the word “onwards” the following shall be substituted, namely:—

"thereafter as set out in the following Table, namely:—

“TABLE

Tax Year	Rate of Tax
2019	29%
2020	28%
2021	27%
2022	26%
2023 and onwards	25%"

(iii) for Division IIA, the following shall be substituted, namely:—

“Division IIA

Table

S. No.	Person	Rate of super tax			
		Rate(percentage of income)			
		Tax Year 2018	Tax Year 2019	Tax Year 2020	Tax Year 2021
(1)	(2)	(3)	(4)	(5)	(6)
1.	Banking company	4%	3%	2%	0%
2.	Person other than a banking company, having income equal to or exceeding Rs. 500 million	3%	2%	1%	0%

(iv) in Division IV, after the word “services”, the expression “and 5% of the gross amount of the fee for offshore digital services” shall be inserted;

(v) in Division VII, for the expression “Tax Year 2018”, the expression “Tax Years 2018 and 2019” shall be substituted;

(vi) in Division VIII, in the Table, in the third row, for the expression "sub-section (4)", the expression " the proviso to sub-section (1)" shall be substituted;

- (B) in Part-II, in the Table, in column (1), after S. No. 3 and entries relating thereto in columns (2), (3) and (4), the following new serial number and entries relating thereto shall be inserted, namely:—

“3A	Persons importing coal	4%	6%”;
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- (C) in Part III,—

- (i) in Division I, in the fourth proviso, for full stop at the end a colon shall be inserted and thereafter the following new proviso shall be added, namely,—

“Provided also that the rate of tax on dividend received by an individual, from a Rental REIT Scheme shall be 7.5%”;

- (ii) in Division III,—

- (a) in paragraph (1), in sub-paragraph (b),—

(I) in clause (i), for the figure “7”, the figure “8” shall be substituted; and

(II) in clause (ii), for the figure “7.75” the figure “9” shall be substituted;

- (b) in paragraph (3),—

(I) in sub-paragraph (ii), for the figure “12” the figure “14” shall be substituted; and

(II) in sub-paragraph (iii), for the figure “12.5” the figure “15” shall be substituted;

- (D) in Part IV,—

- (i) in Division XI, for full stop at the end a colon shall be substituted and thereafter the following proviso and the Table shall be added, namely:—

“Provided that the rate for the function of marriage in a marriage hall, marquee, hotel, restaurant, commercial lawn, club, a community place or any other place used for such purpose shall be as set out in the Table below:—

Table

S. No.	Rate of tax	
	(1)	(2)
1.	5% of the bill ad valorem or Rs. 20,000 per function, whichever is higher	(3) For Islamabad, Lahore, Multan, Faisalabad, Rawalpindi, Gujranwala, Bahawalpur, Sargodha, Sahiwal, Shekhurpura, Dera Ghazi Khan, Karachi, Hyderabad, Sukkur, Thatta, Larkana, Mirpur Khas,

		Nawabshah, Peshawar, Mardan, Abbottabad, Kohat, Dera Ismail Khan, Quetta, Sibi, Loralai, Khuzdar, Dera Murad Jamali and Turbat.
2.	5% of the bill ad valorem or Rs. 10,000 per function, whichever is higher	For cities other than those mentioned above”;

- (ii) after Division XV, the following new Division shall be inserted, namely:—

“Division XVA

Advance tax on sale of certain petroleum products

The rate of collection of tax under section 236HA shall be 0.5% of ex-depot sale price for filers and 1% for non-filers.”; and

- (iii) in Division XXI,—
- (a) for the figure “0.6”, the figure “0.4” shall be substituted;
- (b) both the provisos shall be omitted; and
- (iv) after Division XXVI, the following new Division shall be inserted, namely:—

"Division XXVII

Advance tax on amount remitted abroad through credit, debit or prepaid cards

The rate of tax to be deducted under section 236Y shall be 1% of the gross amount remitted abroad for filers and 3% for non-filers.”;

- (57) in the Second Schedule,—

(A) in Part I,—

- (i) after clause (39), the following new clause shall be inserted, namely:—

“(39A) Any amount paid as kit allowance, ration allowance, special messing allowance, SSG allowance, Northern Areas compensatory allowance, special pay for Northern Areas and height allowance to the Armed Forces personnel.”;

- (ii) in clause (57), in sub-clause (3), after paragraph (xiv), the following new sub-clauses shall be added, namely:-

“(xv) Khyber Pakhtunkhwa Retirement Benefits and Death Compensation Fund.

(xvi) Khyber Pakhtunkhwa General Provident Investment Fund.

- (xvii) Khyber Pakhtunkhwa Pension Fund." ;
- (iii) in clause (61), after sub-clause (xlv), the following new sub-clauses shall be added, namely:—
- “(xlvi) Pakistan Sweet Home, Angels and Fairies Place.
- (xlvi) Al-Shifa Trust Eye Hospital. (xlviii) Aziz Tabba Foundation.
- (xlix) Sindh Institute of Urology and Transplantation, SIUT Trust and Society for the Welfare of SIUT.
- (l) Sharif Trust.
- (li) The Kidney Centre Post Graduate Institute.
- (lii) Pakistan Disabled Foundation.”;
- (iv) in clause (66),—
- a. after sub-clause (xxxiv), the following sub-clause shall be added, namely:—
- “(xxxv) Third Pakistan International Sukuk Company Limited.”; and
- b. after sub-clause (xli), the following new sub-clauses shall be added, namely:—
- “(xlii) SAARC Energy Centre.
- (xliii) Pakistan Bar Council.
- (xliv) Pakistan Centre for Philanthropy.
- (xlv) Pakistan Mortgage Refinance Company Limited.
- (xlv) Aziz Tabba Foundation.
- (l) Al-Shifa Trust Eye Hospital.
- (li) Saylani Welfare International Trust. (lii) Shaukat Khanum Memorial Trust.
- (liii) Layton Rahmatullah Benevolent Trust (LRBT).
- (liv) The Kidney Centre Post Graduate Training Institute.
- (lv) Pakistan Disabled Foundation.
- (lvi) Forman Christian College.”;
- (v) in clause (72A), after the expression “Limited”, the expression “and the Third Pakistan International Sukuk Company Limited” shall be inserted;
- (vi) after clause (90), the following new clause shall be inserted, namely:—
- “(90A) Any profit on debt derived by any person on bonds issued by Pakistan Mortgage Refinance Company to refinance the residential housing mortgage market, for a period of five years with effect from the 1st day of July, 2018.”;

- (vii) in clause (100), after the word “from” the words “manufacturing or” shall be inserted;
- (viii) after clause (110B), the following new clause shall be inserted, namely:—
- “(110C) Any gain by a person on transfer of a capital asset, being a bond issued by Pakistan Mortgage Refinance Company to refinance the residential housing mortgage market, during the period from the 1st day of July, 2018 till the 30th day of June, 2023.”;
- (ix) after clause (126B), the following new clause shall be inserted, namely:—
- “(126BA) Profits and gains derived by a refinery set up between the 1st day of July, 2018 and the 30th day of June, 2023 with minimum 100,000 barrels per day production capacity for a period of twenty years beginning in the month in which the refinery is set up or commercial production is commenced, whichever is later. Exemption under this clause shall also be available to existing refineries, if—
- (a) existing production capacity is enhanced by at least 100,000 barrels per day;
- (b) the refinery maintains separate accounts for income arising from aforesaid additional production capacity; and
- (c) the refinery is a deep conversion refinery.”;
- (B) in Part-II, after clause (24A), the following new clause shall be added, namely:—
- “(24AA) The rate of tax, under section 152 in the case of M/S CR-NORINCO JV (Chinese Contractor) as recipient, on payments arising out of commercial contract agreement signed with the Government of Punjab for installation of electrical and mechanical (E&M) equipment for construction of the Lahore Orange Line Metro Train Project, shall be 6% of the gross amount of payment.”;
- (C) in Part III,—
- (a) in clause (6), after the word “Account” the words “and Shuhada Family Welfare Account” shall be inserted;
- (b) after clause (6), amended as aforesaid, the following new clauses shall be added, namely:—
- “(7) The amount of tax payable by foreign film-makers from making films in Pakistan shall be reduced by fifty percent on income from film-making in Pakistan.

(8) The amount of tax payable by resident companies deriving income from film-making shall be reduced by fifty percent on income from film-making.”;

(D) in Part IV,—

(a) in clause (1A), after the word “Limited” ” the words “and the Third Pakistan International Sukuk Company Limited” shall be added;

(b) in clause (11A),—

(i) after sub-clause (xxvii), the following new sub-clause shall be inserted, namely:—

“(xxviii) Third Pakistan International Sukuk Company Limited.”; and

(ii) after sub-clause (xxix), the following new sub-clause shall be added, namely:—

“(xxx) taxpayers qualifying for exemption under clause (126) of Part-I of this Schedule with effect from the tax year 2014.”;

(c) after clause (11D), the following new clause shall be inserted, namely:—

“(11E) The provisions of clause (b) of sub-section (1) of section 153 shall not apply to payments received by Sui Southern Gas Company Limited and Pakistan LNG Terminal Limited from Sui Northern Gas Pipelines Limited on account of re-gasification charges.”;

(d) after clause (12), the following new clause shall be inserted, namely:—

“(12A) The provisions of section 150 shall not apply to dividend paid to Transmission Line Projects under Transmission Line Policy 2015.”;

(e) in clause (36A), after the word “Account” the words “and Shuhada Family Welfare Account” shall be inserted.;

(f) in clause (56), in sub-clause (ia), for the expression "Bakri Trading Company Pakistan (Pvt) Ltd, Overseas Oil Trading Company (Pvt) Ltd " the expression "Bakri Energy (Private) Limited" shall be substituted.”;

(g) clause (56B) shall be omitted;

(h) in clause (57), in the second proviso, for the figure “2019” the figure “2021” shall be substituted;

(i) after clause (60), the following new clauses shall be inserted, namely:—

- “(60A)** The provisions of section 148 shall not apply for import of plant, machinery and equipment including dumpers and special purposes motor vehicles imported by the following for construction of Sukkur-Multan section of Karachi-Peshawar Motorway project and Karakorum Highway (KKH) Phase-II (Thakot to Havellian Section) of CPEC project respectively, namely:-
- (a) M/s China State Construction Engineering Corporation Ltd. (M/s CSCEC); and
 - (b) M/s China Communication Construction Company (M/s CCCC).
- (60AA)** The provisions of section 148 of the Income Tax Ordinance, 2001(XLIX of 2001), shall not apply for import of construction materials or goods up to a maximum of 10,898.000 million rupees imported by China State Construction Engineering Corporation (M/s CSCEC) for construction of Sukkur-Multan section of Karachi-Peshawar Motorway project of National Highway Authority under CPEC.”;
- (60B)** The provisions of section 148 shall not apply on import of thirty-five armoured and security vehicles imported by or for Ministry of Foreign Affairs, Government of Pakistan meant for security of visiting foreign dignitaries, subject to the following conditions, namely: -
- (a) that the vehicles imported under this clause shall only be used for the security purpose of foreign dignitaries and will be parked in Central Pool of Cars (CPC) in the Cabinet Division for further use as and when needed; and
 - (b) that the importing Ministry at the time of import shall furnish an undertaking to the concerned Collector of Customs to the extent of customs-dues exempted under this clause on consignment to consignment basis binding themselves that the vehicles imported under this clause shall not be re-exported, sold or otherwise disposed of without prior approval of the Board and in the manner prescribed therefor.
- (60C)** The provision of section 148 shall not apply on import of equipment to be furnished or installed for Rail Based Mass Transit Projects in Lahore, Karachi, Peshawar and Quetta under CPEC.”;
- (j) in clause (63), after the word "Karachi" the expression "and Lahore University of Management Sciences, Lahore" shall be inserted;

(k) for clause (86), the following shall be substituted, namely:-

- “(86)(a) The provisions of section 111 shall not apply to-
- (i) investment made by an individual in a greenfield industrial undertaking directly or as an original allottee in the purchase of shares of a company establishing an industrial undertaking or capital contribution in an association of persons establishing an industrial undertaking;
 - (ii) investment made by an association of persons in an industrial undertaking; and
 - (iii) investment made by a company in an industrial undertaking—
if the said investment is made on or after the 1st day of January, 2014 and commercial production commences on or before the 30th day of June, 2019.
- (b) The concessions given in this clause shall also apply to investment made in -
- (i) construction industry in corporate sector;
 - (ii) low cost housing construction in the corporate sector;
 - (iii) livestock development projects in the corporate sector;
 - (iv) new captive power plants; and
 - (v) mining and quarrying in Thar coal, Balochistan and Khyber Pakhtunkhawa.
- (c) The concessions given in sub-clause (a) shall not apply to investment made in-
- (i) arms and ammunitions;
 - (ii) explosives;
 - (iii) fertilizers;
 - (iv) sugar;
 - (v) cigarettes;
 - (vi) aerated beverages;
 - (vii) cement;
 - (viii) textile spinning units;
 - (ix) flour mills
 - (x) vegetable ghee; and
 - (xi) cooking oil manufacturing;
- (d) The term green field industrial undertaking shall include expansion projects for the purposes of this clause;
- (e) Immunity under this clause shall not be available to proceeds of crime relating to offences under the following laws, namely:-

- (i) Control of Narcotics Substances Act, 1997;
 - (ii) Anti Terrorism Act, 1997; and
 - (iii) Anti-Money Laundering Act, 2010.
- (l) in clause (94),—
- (a) after the expression “Mercantile Exchange Limited”, the expression “inspection, certification, testing and training services” shall be inserted;
 - (b) for the figure “2018”, the figure “2019” shall be substituted;
 - (c) in the first proviso, for the figure “2018”, the figure “2019” shall be substituted; and
 - (d) in the second proviso,—
 - (i) for the figure “2018” the figure “2019” shall be substituted; and
 - (e) for the figure “2017”, the figure “2018” shall be substituted;
- (m) for clauses (95) and (96), the following shall be substituted , namely:-
- “(95) the provisions of sections 147, 150A, 151, 152, 231A, 231AA, 236A and 236K shall not apply to “The second Pakistan international Sukuk Company Limited” and the Third Pakistan International Sukuk Company Limited, as a payer.”
- “(96) the provisions of sections 147, 150A, 151, 155 and 236K shall not apply to “The second Pakistan international Sukuk Company Limited” and the Third Pakistan International Sukuk Company Limited, as a recipient.”
- (n) after clause (99), the following new clause shall be inserted, namely:—
- “(100) The provisions of section 236U shall not apply to an insurance company collecting premium under-
- (a) Crop Loan Insurance Scheme (CLIS); and
 - (b) Livestock Insurance Scheme (LIS).”;
- (o) after clause (102), the following new clauses shall be added, namely:—
- “(103) The provisions of section 7B shall not apply to yield or profit on investment in Bahbood Savings Certificate or Pensioner’s Benefit Account, provided that tax on the said yield or profit on debt is paid at the rates specified in Division I of Part I of the First Schedule subject to clause (6) of Part III.

(104) The provisions of section 5A shall not apply to a company where a restriction has been imposed on distribution of dividend on account of an agreement with the Government of Pakistan.

(105) The provisions of section 177 and 214C shall not apply to a person whose income tax affairs have been audited in any of the preceding three tax years: Provided that the Commissioner may select a person under section 177 for audit, with approval of the Board.”;

(58) in the Seventh Schedule,—

(a) in rule 1, for the word “Income”, occurring for the first time, the expression “Subject to the provisions of Chapter VII and VIII, income” shall be substituted; and

(b) in rule (7C), for the expression “year 2015, 2016 and 2017” the expression “years 2015 to 2020” shall be substituted;

6. Amendments of the Federal Excise Act, 2005.— In the Federal Excise Act, 2005, the following further amendments shall be made, namely:-

(1) in section 3, —

(a) in sub-section (1), in clause (c), for the words “Board with the approval of the Federal Minister-in-charge”, the words “Federal Government” shall be substituted; and

(b) in sub-section (4), for the words “Board with the approval of the Federal Minister-in-charge”, the words “Federal Government” shall be substituted;

(2) In section 8, for the words “KIBOR plus three”, the word “twelve” shall be substituted;

(3) after section 14A, the following new section shall be inserted, namely:—

“14B. Assessment giving effect to an order.— (1) Except where sub-section (2) applies, where, in consequence of, or to give effect to, any finding or direction in any order made under Chapter-V by the Commissioner (Appeals), Appellate Tribunal, High Court, or Supreme Court, the Commissioner or an officer of Inland Revenue empowered in this behalf, shall issue the order within one year from the end of the financial year in which the order of the Commissioner (Appeals), Appellate Tribunal, High Court or Supreme Court, as the case may be, was served on the Commissioner or Officer of Inland Revenue.

(2) Where, by an order made under Chapter V by the Appellate Tribunal, High Court, or Supreme Court, an order of assessment is set aside wholly or partly, and the Commissioner or Commissioner (Appeals) or the Officer of Inland Revenue, as the case may be, is directed to pass a new order of assessment, the Commissioner or

Commissioner (Appeals) or Officer of Inland Revenue, as the case may be, shall pass the new order within one year from the end of the financial year in which the Commissioner or Commissioner (Appeals) or Officer of Inland Revenue, as the case may be, is served with the order:

Provided that limitation under this sub-section shall not apply if an appeal or reference has been preferred against the order passed by Appellate Tribunal or a High Court.”;

- (4) in section 16, in sub-section (2), for the words “with the approval of the Federal Minister-in-charge”, the words “Federal Government” shall be substituted;
- (5) in section 29, in sub-section (2), after clause (a), the following new clause shall be inserted, namely:—
 - “(aa) The Board may, by notification in the official Gazette,—
 - (i) specify the functions and jurisdiction of the Directorate General and its officers; and
 - (ii) confer the powers of authorities specified in section 30 upon the Directorate General and its officers;”;
- (6) in section 37, in sub-section (3), in the second proviso, for the words “twenty-five”, the word “ten” shall be substituted;
- (7) for section 38, the following shall be substituted, namely:—

“**38. Alternative Dispute Resolution.**— (1) Notwithstanding any other provision of this Act or the rules made thereunder, an aggrieved person, who has filed an appeal which is pending before an Appellate Authority, may apply to the Board for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application, except where prosecution proceedings have been initiated or where interpretation of question of law having effect on identical other cases is involved.

- (2) The Board after examination of the application of an aggrieved person shall, within sixty days of receipt of such application in the Board, appoint a committee consisting of an officer of Inland Revenue not below the rank of Commissioner and two persons from a panel comprising of retired High Court justices, retired District and Session Judges, Chartered or Cost Accountants, Advocates, Income Tax Practitioners or reputable taxpayers for the resolution of the hardship or dispute.
- (3) The aggrieved person and the Board as the case may be, shall withdraw the appeal pending before the appellate authority.
- (4) The committee shall not commence the proceeding under sub-section (2) unless the order of withdrawal from the appellate authority is communicated to the Board:

Provided that if the order of withdrawal is not communicated within seventy-five days of the appointment of the committee, the said committee shall be dissolved and this section shall not apply.

- (5) The committee appointed under sub-section (2) shall examine the issue and may, if it deems necessary, conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and shall decide the dispute by majority, within one hundred and twenty days of its appointment:

Provided that in computing the aforesaid period of one hundred and twenty days, the period, if any, for communicating the order of withdrawal under sub-section (3) shall be excluded.

- (6) The decision of the committee made under sub-section (5) shall be binding on the Board and the aggrieved person.
- (7) If the committee fails to decide within the period of one hundred and twenty days under sub-section (5), the Board shall dissolve the committee by an order in writing and the matter shall be decided by the appellate authority, which issued the order of withdrawal under sub-section (3) and the appeal shall be treated to be pending before such appellate authority as if the appeal had never been withdrawn.
- (8) The Board shall communicate the order of dissolution to the appellate authority mentioned in sub-section (1) and the commissioner.
- (9) The aggrieved person may make the payment of federal excise duty and other duties and taxes as decided by the committee under sub-section (5) and all decisions, orders and judgments made or passed shall stand modified to that extent and all proceedings under this Act or the rules made thereunder by any authority shall abate.
- (10) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section.”;
- (8) in section 45,—
- (a) in sub-section (2),—
- (i) the words “or Chief Commissioner” shall be omitted; and
- (ii) for the proviso at end, a full stop shall be substituted; and
- (b) the proviso shall be omitted.
- (9) in section 46, after sub-section (9), a new sub-section shall be added, namely:—
- “(10) The audit of a registered person under this section shall be conducted only once in every three years.”;
- (10) section 47C shall be re-numbered as sub-section (1) of that section and thereafter the following new sub-section shall be added, namely:—

“(2) Notwithstanding any omission, irregularity or deficiency in the establishment of or conferment of powers and functions on the Directorate General (Intelligence and Investigation), Inland Revenue and authorities specified in clause (a) of sub-section (2) of section 29 of this Act, all orders passed, notices issued and actions taken in exercise or purported exercise of the powers and functions of the Officers of Inland Revenue under this Act by the Director General (Intelligence and Investigation), Inland Revenue or the authorities specified in clause (a) of sub-section (2) of section 29 of this Act shall be treated to have been validly passed, issued and taken under this Act.”;

(11) in the First Schedule, in Table-1,–

(a) for serial numbers 9, 10 and 10a in column (1) and the entries relating thereto in columns (2), (3) and (4), the following serial numbers and the entries relating thereto shall be substituted, namely:–

9.	Locally produced cigarettes if their on- pack printed retail price exceeds four thousand five hundred rupees per thousand cigarettes.	24.02	Rupees three thousand nine hundred and sixty four per thousand cigarettes
10.	Locally produced cigarettes if their on- pack printed retail price exceeds two thousand nine hundred and twenty-five rupees per thousand cigarettes but does not exceed four thousand five hundred rupees per thousand cigarettes.	24.02	Rupees one thousand seven hundred and seventy per thousand cigarettes
10a.	Locally produced cigarettes if their on- pack printed retail price does not exceed two thousand nine hundred and twenty-five rupees per thousand cigarettes.	24.02	Rupees eight hundred and forty eight per thousand cigarettes”; and

(b) in column (1), in serial number 13, in column (4), for the words “one rupee and twenty five paise per kilogram”, the words “one rupee and fifty paise per kilogram” shall be substituted;

(12) in the Third Schedule,–

- (a) in Table-1, after serial number 21 in first column and the entries relating thereto in second and third columns, the following new serial numbers and the entries relating thereto shall be added, namely:—

“22.	<p>Equipment, whether or not locally manufactured, imported by M/s China Railway Corporation to be furnished and installed in Lahore Orange Line Metro Train Project subject to the following conditions:</p> <p>(a) that the equipment imported under this Notification shall only be used in the aforesaid Project;</p> <p>(b) that the importer shall furnish an indemnity bond, in the prescribed manner and format as set out in Annex-A to this Notification, at the time of import to the extent of sales tax exempted under this Notification on consignment to consignment basis;</p> <p>(c) that the Punjab Mass Transit Authority, established under the Punjab Mass Transit Authority Act, 2015 (ACT XXXIII of 2015), hereinafter referred as the Regulatory Authority, shall certify in the prescribed manner and format as set out in Annex-B to this Notification that the imported equipment is bona fide requirement of the Project under the Contract No. PMA-CR-NORINCO-OL, dated 20.04.2015, hereafter referred as the contract, signed between the Regulatory Authority and CR-NORINCO;</p> <p>(d) in the event a dispute arises whether any item is entitled to exemption under this Notification, the item shall be immediately released by the Customs Department against a corporate guarantee, valid for a period of six months, submitted by the importer. A certificate from the Regulatory Authority duly verified by the Transport and Communication Section of the Ministry of Planning, Development and Reform, that the item is covered under</p>	
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	<p>this Notification shall be given due consideration by the Customs Department towards finally resolving the dispute. Disputes regarding the local manufacturing only shall be resolved through the Engineering Development Board of the Federal Government;</p> <p>(e) for the clearance of imported equipment through Pakistan Customs Computerized System the authorized officer of the Regulatory Authority shall furnish all relevant information, as set out in Annex-B to this Notification, online against a specific user ID and password obtained under section 155D of the Customs Act, 1969 (IV of 1969). In Collectorates or Customs stations where the Pakistan Customs Computerized System is not operational, the Director Reforms and Automation or any other person authorized by the Collector in this behalf shall enter the requisite information in the Pakistan Customs Computerized System on daily basis, whereas entry of the data obtained from the customs stations which have not yet been computerized shall be made on weekly basis;</p> <p>(f) that the equipment, imported under this Notification, shall not be re-exported, sold or otherwise disposed of without prior approval of the Federal Board of Revenue (FBR). In case goods are sold or otherwise disposed of with prior approval of FBR the same shall be subject to payment of sales tax as may be prescribed by the FBR;</p> <p>(g) in case the equipment, imported under this Notification, is sold or otherwise disposed of without prior approval of the FBR in terms of condition (f), the same shall be subject to payment of statutory rates of sales tax as were applicable at the time of import;</p>	
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	<p>(h) notwithstanding the condition (f) and (g), equipment imported under this Notification may be surrendered at any time to the Collector of Customs having jurisdiction, without payment of any sales tax, for further disposal as may be prescribed by the FBR;</p> <p>(i) the indemnity bond submitted in terms of condition (b) above shall stand discharged on submission of a certificate from the Regulatory Authority to the effect that the equipment has been installed or consumed in the said Project. In case the equipment is not consumed or installed in the project the indemnity bond shall be discharged on fulfillment of conditions stipulated at (f) or (g) or (h), as the case may be; and</p> <p>(j) that violation of any of the above conditions shall render the goods liable to payment of statutory rate of sales tax leviable on the date of clearance of goods in addition to any other penal action under relevant provisions of the law.</p> <p>Explanation. For the purpose of this provisions, "equipment" shall mean machinery, apparatus, materials and all things to be provided under the contract for incorporation in the works relating to Lahore Orange Line Metro Train Project.</p>	
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Annex-A

[See condition (b)]

INDEMNITY BOND

(On appropriately stamp non-judicial paper attested by a Government servant in BPS 17 or above, an Oath Commissioner, a Notary Public or an officer of a Scheduled Bank)

THIS DEED OF INDEMNITY is made on the _____ date of _____ BETWEEN Messrs _____ having registered office at (hereinafter called "the importers" which means and includes their successors, administrators, executors and assignees) of the one part, AND the President of the Islamic Republic of Pakistan through the Collector of Customs _____ (hereinafter called the "Collector of Customs"), of the other part.

WHEREAS the Federal Government, by its decision contained in Notification No. S.R.O. _____ dated the _____ and subject to the conditions given in the said Notification, has been pleased to direct that such equipment shall be exempt from the whole of customs-duties leviable thereon, in accordance with the said Notification, if imported for Lahore Orange Line Metro Train Project.

AND WHEREAS M/S. _____, the importers have imported the equipment mentioned in the said Notification for the above mentioned project in accordance with the conditions given in the said Notification;

NOW, THEREFORE, in consideration of the release of the equipment without recovery of leviable duties, the importers bind themselves to pay on demand to the Government of Pakistan the sum of Rs. _____ being the customs duties and charges leviable on the equipment, if the importers fail to fulfill the condition (f) or (g) or (h) of the said Notification, as the case may be.

The importers further agree and bind themselves that the amount covered by this Indemnity Bond shall be recovered as arrears of customs duties under section 202 of the Customs Act, 1969. This Bond shall stand revoked automatically when the Collector of Customs is satisfied that the importers have fulfilled all the conditions of the said Notification.

Signed by importers on this _____ day of 201_.

Managing Director or person next in hierarchy duly authorized by MD
(Name and permanent address)
Collector of Customs
(On behalf of President)

Witness (1) _____
(signature, name, designation and full address)

Witness (2) _____
(signature, name, designation and full address)

Annex-B

[See conditions (c) and (e)]

NTN or FTN of Importer		Approval No.		
Details of equipment (to be filled by the authorized officer of the Regulatory Authority) to be imported				
Description and specifications.	Quantity/ UOM	L/C No. or bank contract No. and B/L.	IGM No. Date & Index No.	Remarks, if any.
(1)	(2)	(3)	(4)	(6)

CERTIFICATE BY THE AUTHORIZED OFFICER OF REGULATORY AUTHORITY: It is hereby certified that the description, quantity and other details

mentioned above are true and correct. Goods imported are in commensuration with the project requirements and are bona fide requirement of the Project under the Contract. It is further certified that the above items shall not be used for any other purpose except for the Project.

Signature: _____

Name and Designation: _____

Official Stamp: _____

Date: _____

23.	Imported construction materials and goods imported by M/s China State Construction Engineering Corporation Limited (M/s CSCECL), whether or not locally manufactured, for construction of Karachi-Peshawar Motorway (Sukkur-Multan Section) subject to fulfilment of same conditions, limitations and restrictions as are specified under S. No. 145 of Table-1 of Sixth Schedule to the Sales Tax Act, 1990, provided that total incidence of exemptions of all duties and taxes in respect of construction materials and goods imported for the project shall not exceed ten thousand eight hundred ninety-eight million rupees.	Respective heading"; and
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(b) in Table-2, after serial number 13 in column (1) and the entries relating thereto in columns (2) and (3), the following new serial number and the entries relating thereto shall be added, namely:—

“14.	Commission paid by State Bank of Pakistan and its subsidiaries to National Bank of Pakistan or any other banking company for handling banking services of Federal Or Provincial Governments as State Bank of Pakistan’s agents	Respective heading”.
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Health Levy on tobacco.- Pakistan Tobacco Board or its contractors, at the time of collecting cess on tobacco, directly or indirectly, shall collect Health Levy at the rate of ten rupees per kilogram of tobacco from every person purchasing tobacco including manufacturers of cigarettes.

Mobile handset levy.- (1) There shall be levied a Mobile handset levy, at the rates specified in column (3) of the Table below, on smart phones of different categories as specified in column (2) of the said Table, namely:-

TABLE

S.No.	Category of smart phone	Rate of levy per Set in rupees
(1)	(2)	(3)
1.	Where Import value of handset (including duties and taxes) does not exceed Rs.10,000/-	Nil
2.	Where Import value of handset (including duties and taxes) exceeds Rs.10,000 but does not exceed Rs.40,000 /-	1000
3.	Where Import value of handset (including duties and taxes) exceeds Rs.40,000 but does not exceed Rs.80,000 /-	3000
4.	Where Import value of handset (including duties and taxes) exceeds Rs.80,000	5000

(2) The Federal Board of Revenue shall collect levy on mobile handsets in prescribed manner.

STATEMENT OF OBJECTS AND REASONS

The purpose of this bill is to make financial provisions for the year beginning on the first day of July, 2018 and shall come into force on the first day of July, 2018 except clauses 3(2), 3(3), 3(19), 3(20), 3(22) 6(11)(a) & 6(11)(b) which shall have effect on the next day of assent given to this Act by the President of the Islamic Republic of Pakistan.

(DR. MIFTAH ISMAIL)

Minister for Finance, Revenue and Economic Affairs

NOTES ON CLAUSES

FINANCE BILL, 2018

CUSTOMS ACT, 1969 (IV OF 1969)

Clause 3(1)	Seeks to amend section 2 to extend the Customs enforcement activities in the sea upto 24 nautical miles and to give special reference to local manufacturer in the definition of 'person'.
Clause 3(2)	Seeks to amend section 18 to restore powers to the Federal Government of levying regulatory duty and to exclude regulatory duty from the purview of obligations relating to multilateral agreement.
Clause 3(3)	Seeks to amend section 19 to restore the powers to the Federal Government to exempt customs duty and to extend validity of notifications until 2019.
Clause 3(4)	Seeks to insert new section 25AA to provide legal cover for utilizing any data obtained through mutual assistance agreements for the purpose of assessment and valuation.
Clause 3(5)	Seeks to amend section 25C to empower Chief Collector instead of the Board to allow Collector to take over the imported goods.
Clause 3(6)	Seeks to amend section 32 to meet the requirements of Trade Facilitation Agreement, where voluntarily payment is considered a mitigating factor for establishing a penalty.
Clause 3(7)	Seeks to amend section 33 to fix time limitation for deciding of refund claim.
Clause 3(8)	Seeks to amend section 42 to ensure provision of accurate and complete information of passenger in advance to thwart attempts of money laundering and currency smuggling.
Clause 3(9)	Seeks to amend Section 55 with a view to make the shipping agents responsible for the dues charged and collected by them in connection with the discharge and delivery of goods.
Clause 3(10)	Seeks to insert new section 83B in compliance with requirements under Trade Facilitation Agreement, which provides for release of imported goods on furnishing of bank guarantee or pay order against monetary penalties involved thereof.

Clause 3(11)	Seeks to amend section 138 to allow the export of goods brought into a customs-station, where the consignee has dishonored his commitments.
Clause 3(12)	Seeks to amend section 156 to bring non-compliance of electronic notices under 155M at par with section 26, and enhance penalties for pilferage, replacement enroute or in case transshipped goods failed to reach the port of destination
Clause 3(13)	Seeks to amend section 182 to empower an officer or person authorized by the Collector or Director to take and hold possession of confiscated goods.
Clause 3(14)	Seeks to insert a new sub-section in section 193A to empower Collector (Appeals) to grant stay against recovery of duty/taxes.
Clause 3(15)	Seeks to amend section 194B to replace the word 'Controller' with 'Director' in consequence to the re-designation of the post after insertion of Section 3D.
Clause 3(16)	Seeks to amend section 207 of the Act, to give special reference to Shipping Agents and for providing legal cover to the Shipping Rules already issued.
Clause 3(17)	Seeks to insert a new section 212A to introduce Authorized Economic Operator (AEO) programme to meet the obligations of the Trade Facilitation Agreement.
Clause 3(18)	Seeks to amend section 219 to provide an opportunity to the public for offering comments before entry into force of any rules to comply with the requirements of Trade Facilitation Agreement.
Clause 3(19)	Seeks to insert new section 221B to validate levy and collection of regulatory duty already collected before decision of the honourable Sindh High Court.
Clause 3(20)	Seeks to amend First Schedule to the Customs Act, 1969 (IV of 1969), with the First Schedule to this Act.
Clause 3(21)	Seeks to insert new entry 22C in the Third Schedule to the Customs Act, 1969 to empower Board to prescribe procedures for Authorised Economic Operator Programme.
Clause 3(22)	Seeks to substitute Fifth Schedule to the Customs Act, 1969 (IV of 1969), with the Second Schedule to this Act.

SALES TAX ACT, 1990

Clause 4(1)(a)	Seeks to substitute the word “three” for the word “two” in sub- section (1A) of section 3.
Clause 4(1)(b)	Seeks to substitute the words “Federal Government” for the words “Board with the approval of the Federal Minister-in- charge” in clause (b) in sub-section (2) of section 3.
Clause 4(1)(c)	Seeks to substitute the words “Federal Government” for the words “Board with the approval of the Federal Minister-in- charge” in sub-section (3A) of section 3.
Clause 4(1)(d)	Seeks to substitute the words “Federal Government” for the words “Board with the approval of the Federal Minister-in- charge” in sub-section (5) of section 3.
Clause 4(2)	Seeks to substitute the words “Federal Government” for the words “Board with the approval of the Federal Minister-in- charge” in clause (c) of section 4.
Clause 4(3)(a)	Seeks to substitute the words “Federal Government” for the words “Board with the approval of the Federal Minister-in- charge” in sub-section (3) of section 7.
Clause 4(3)(b)	Seeks to substitute the words “Federal Government” for the words “Board with the approval of the Federal Minister-in- charge” in sub-section (4) of section 7.
Clause 4(4)(a)	Seeks to substitute the words “Federal Government” for the words “Board with the approval of the Federal Minister-in- charge” in sub-section (1) of section 7A.
Clause 4(4)(b)	Seeks to substitute the words “Federal Government” for the words “Board with the approval of the Federal Minister-in- charge” in sub-section (2) of section 7A.
Clause 4(5)(a)	Seeks to substitute the words “Federal Government” for the words “Board with the approval of the Federal Minister-in- charge” in clause (b) of sub-section (1) of section 8.
Clause 4(5)(b)	Seeks to add a new clause (m) after clause (l) in sub-section (1) of section 8.
Clause 4(6)	Seeks to insert new section 11B after section 11A.
Clause 4(7)	Seeks to omit the expression “with the approval of the Federal Minister-in-charge” in clause (a) in sub-section (2) of section 13.
Clause 4(8)	Seeks to add a new proviso after the second proviso in sub-section (2) of section 25.
Clause 4(9)	Seeks to substitute the existing section 30A.

Clause 4(10)	Seeks to substitute the word “twelve” for the expression “KIBOR plus three” in clause (a) in sub-section (1) of section 34.
Clause 4(11)(a)	Seeks to omit the words “or Chief Commissioner” in section 40B.
Clause 4(11)(b)	Seeks to omit the explanation and proviso in section 40B.
Clause 4(12)	Seeks to substitute the existing section 47A.
Clause 4(13)	Seeks to substitute the word “ten” for the words “twenty-five” in the proviso in sub-section (1) of section 48.
Clause 4(14)	Seeks to substitute the expression “Companies Act, 2017 (XIX of 2017)” for the expression “Companies Ordinance 1984 (XLVII of 1984) in section 58.
Clause 4(15)	Seeks to substitute the words “Federal Government” for the words “Board with the approval of the Federal Minister-in- charge” in section 60.
Clause 4(16)	Seeks to substitute the words “Federal Government” for the words “Board with the approval of the Federal Minister-in- charge” in section 65.
Clause 4(17)	Seeks to substitute the words “Federal Government” for the words “Board with the approval of the Federal Minister-in- charge” in sub-section (1) of section 71.
Clause 4(18)(a)	Seeks to number as sub-section the existing provision of section 74A.
Clause 4(18)(b)	Seeks to substitute the figure “2018” for the figure “2017” in sub- section (1) of section 74A.
Clause 4(18)(c)	Seeks to add sub-section (2) after sub-section (1) of section 74A.
Clause 4(19)	Seeks to add new clauses after clause (19) in column (2) against serial number 12 in column (1) in the Fifth Schedule.
Clause 4(20)(A)	Seeks to add new serial numbers and entries relating thereto in columns (2) and (3) after serial number 136 in column (1) in Table-1.
Clause 4(20)(B)	Seeks to add Annex-A after Table-1 in Sixth Schedule.
Clause 4(20)(C)	Seeks to add the following new serial numbers and entries relating thereto in columns (2), (3) and (4) after omission of serial number 16 and entries relating thereto in Table-3.

Clause 4(21)(A)(a)	Seeks to substitute the figures “8701.9220 and 8701.9320” for the figures 8701.9020” in column (3) against serial number 25 in column (1) in Table-1 of the Eighth Schedule.
Clause 4(21)(A)(b)	Seeks to substitute the figure “5” for the figure “7” in column (4) against serial number 26 in column (1) in Table-1 of the Eighth Schedule.
Clause 4(21)(A)(c)	Seeks to substitute the figure “5” for the figure “7” in column (4) against serial number 27 in column (1) in Table-1 of the Eighth Schedule.
Clause 4(21)(A)(d)	Seeks to substitute the figure “5” for the figure “7” in column (4) against serial number 28 in column (1) in Table-1 of the Eighth Schedule.
Clause 4(21)(A)(e)	Seeks to substitute the figure “5” for the figure “7” in column (4) against serial number 29 in column (1) in Table-1 of the Eighth Schedule.
Clause 4(21)(A)(f)	Seeks to substitute the figure “5” for the figure “7” in column (4) against serial number 30 in column (1) in Table-1 of the Eighth Schedule.
Clause 4(21)(A)(g)	Seeks to omit serial numbers 33, 35, 36, 37, 38, 39, 40, 41, 42, 48 and 49 and entries relating thereto in columns (2), (3) and (4) in Table-1 of the Eighth Schedule.
Clause 4(21)(A)(h)	Seeks to substitute the figure “5” for the figure “10” in column (4) against serial number 43 in Table-1 of the Eighth Schedule.
Clause 4(21)(A)(i)	Seeks to add new serial numbers and entries relating thereto in columns (2), (3), (4) and (5) after serial number 49 in Table-1 of the Eighth Schedule.
Clause 4(21)(B)	Seeks to insert new serial number and entries relating thereto in columns (2), (3) and (4) after serial number 8 in column (1) in Table-2 of the Eighth Schedule.

AMENDMENT OF INCOME TAX ORDINANCE, XLIX OF 2001

Clause 5(1)(a)	Seeks to define fee for offshore digital services.
Clause 5(1)(b)	Seeks to include filers of AJK Council Board of Revenue and Gilgit-Baltistan Council Board of Revenue within the meaning of filer.
Clause 5(1)(c)	Seeks to exclude the collection of tax under sections 236M and 236N from the definition of income
Clause 5(1)(d)(a)(i)	Seeks to make technical amendment regarding execution of contract by permanent establishment.

Clause 5(1)(d)(a)(ii)	Seeks to add a technical explanation regarding meaning of a permanent establishment with respect to an independent agent.
Clause 5(1)(d)(b)	Seeks to make an amendment in the definition of permanent establishment to include cohesive business operation of a person and associates
Clause 5(2)	Seeks to extend applicability of super tax to 2020.
Clause 5(3)(a)	Seeks to reduce the rate of tax on retained earnings from 7.5% to 5%.
Clause 5(3)(b)	Seeks to reduce the threshold of undistributed profits from 40% to 20% and reduce the tax rate from seven and a half percent to five percent.
Clause 5(3)(c)	Seeks to exclude distribution of bonus shares from calculation of 20% retained earnings for application of tax on undistributed profits.
Clause 5(4)(a)	Seeks to levy tax on non-resident person for fee for offshore digital services.
Clause 2(4)(b)	Seeks to exclude levy on fee for offshore digital services when it is rendered by permanent establishment of a non-resident.
Clause 5(4)(c)	Seeks to include Pakistani-source fee for offshore digital of a non-resident as business income of the person's permanent establishment.
Clause 5(5)	Seeks to amend section 8 to provide for adjustability of super tax.
Clause 2(6)	Seeks to make a technical amendment on separate classes of income for section 8.
Clause 5(7)	Seeks to limit non-recognition of capital gain or loss on gift to the extent of gift to relatives.
Clause 5(8)	Seeks exclude income from bonus shares as income from other sources.
Clause 5(9)	Seeks to vest the power to issue exemption and concession through notification in the official gazette, with the Federal Government.
Clause 5(10)	Seeks to provide for set off of brought forward depreciation losses up to fifty percent of the income.
Clause 5(11)	Seeks to provide set off of depreciation losses against fifty per cent of business income until it is completely set off.
Clause 5(12)	Seeks to amend the formula for calculation of tax

	credit for investment in shares and insurance.
Clause 5(13)	Seeks to extend the benefit of tax credit under section 65B to 2020.
Clause 5(14)	Seeks to extend the benefit of tax credit under section 65D to 2020.
Clause 5(15)	Seeks to extend the benefit of tax credit under section 65E to 2020.
Clause 5(16)	Seeks to limit non-recognition of capital gain or loss on gift to the extent of gift to relatives.
Clause 5(17)	Seeks to make a technical amendment that chapters VII and VIII shall apply to computation of profits and gains of banking business.
Clause 5 (18)	Seeks to allow tax credit under section 100C to a microfinance bank also.
Clause 5(19)	Seeks to make a technical amendment on geographical source of income on import and execution of contract.
Clause 5(20)	Seeks to add a new section on gain on disposal of assets outside Pakistan.
Clause 5(21)	Seeks to make a corrective amendment.
Clause 5(22)	Seeks to make an amendment for furnishing information to Board by associates.
Clause 5(23)	Seeks to make a technical amendment to plug loopholes.
Clause 5(24)	Seeks to add a new section on attributing and including income of a controlled foreign company in taxable income of a resident person where the prescribed conditions prevail.
Clause 5(25)	Seeks to set a threshold for foreign remittance as an explanation for source of investment.
Clause 5(26)(a)	Seeks to enhance the scope of section 114 for filing of return of income.
Clause 5(26)(b)	Seeks to prescribe certain information for submission along with return.
Clause 5(27)	Seeks to insert a new section for submission of foreign income and assets statement and empowering the Commissioner to seek such statement if required.
Clause 5(28)	Seeks to make a technical amendment on method of furnishing returns and other documents.
Clause 5(29)	Seeks to provide time limitation on making assessment under section 121 when notice is issued.

Clause 5(30)	Seeks to provide for recovery of tax after expiry of maximum period of stay granted by the Tribunal.
Clause 5(31)	Seeks to amend section 134A to make alternate dispute resolution effective by making its decision binding.
Clause 5(32)	Seeks to make an amendment on due date for payment of tax under sub-section (7) of section 147.
Clause 5(33)	Seeks to reduce the percentage of payable tax on automatic stay under section 140.
Clause 5(34)	Seeks to provide advance tax when taxpayer fails to furnish estimate.
Clause 5(35)	Seeks to provide for collection of tax on commercial imports as minimum tax.
Clause 5(36)	Seeks to insert a new sub-section and make tax deductible on services by permanent establishment as minimum tax.
Clause 5(37)	Seek to make technical amendment to enhance the threshold limit of non-taxable supplies and services and broadened the scope of prescribed persons.
Clause 5(38)	Seeks to amend the type of information required to be furnished by banks.
Clause 5(39)	Seeks to apportion the credit of tax deduction, between association of persons and a company being member of an association of persons.
Clause 5(40)	Seeks to enhance scope of experts on the audit panel.
Clause 5(41)	Seeks to introduce new penalties for newly inserted provisions.
Clause 5(42)	Seeks to add new section for non-filing of return by due date.
Clause 5(43)	Seeks to omit section 214D.
Clause 5(44)	Seeks to make technical amendment.
Clause 5(45)	Seeks to make technical amendment.
Clause 5(46)	Seeks to make technical amendment on bar of suit.
Clause 5(47)	Seeks to restrict purchase of certain assets.
Clause 5(48)	Seeks to establish Directorate of Immovable Property.
Clause 5(49)	Seeks to make tax under section 233A adjustable.
Clause 5(50)	Seeks to insert new section on tax on deregulated products.
Clause 5(51)	Seeks provide for payment of tax under section 236K

	on installments on allotment.
Clause 5(52)	Seeks to omit section 236M.
Clause 5(53)	Seeks to omit section 236N.
Clause 5(54)	Seeks to tax amounts remitted abroad through use of debit, credit or prepaid card.
Clause 5(55)	Seeks to make technical amendment.
Clause 5(56)(A)(i)	Seeks to rationalize tax rates on individuals and AOPs.
Clause 5(56)(A)(ii)	Seeks to rationalize tax rates on companies.
Clause 5(56)(A)(iii)	Seeks to rationalize tax rates of super tax.
Clause 5(56)(B)	Seeks to rationalize tax rate for import of coal.
Clause 5(56)(C)(i)	Seeks to reduce dividend tax rate on rental REIT.
Clause 5(56)(C)(ii)	Seeks to enhance tax rate for non-filers on supplies and contracts.
Clause 5(56)(D)(i)	Seeks to rationalize tax rates on functions.
Clause 5(56)(D)(ii)	Seeks to introduce tax rates on certain petroleum products.
Clause 5(56)(D)(iii)	Seeks to reduce tax rate on banking transactions.
Clause 5(56)(D)(iv)	Seeks to introduce tax rates on amounts remitted abroad through debit, credit and prepaid cards.
Clause 5(57)(A)(i)	Seeks to exempt certain allowances of armed forces personnel.
Clause 5(57)(A)(ii)	Seeks to exempt Khyber Pakhtunkhwa retirement benefits and death compensation and general provident investment funds.
Clause 5(57)(A)(iii)	Seeks to exempt donations received by various non-profit organizations.
Clause 5(57)(A)(iv)	Seeks to exempt income of various non-profit organizations.
Clause 5(57)(A)(v)	Seeks to exempt International Sukuk.
Clause 5(57)(A)(vi)	Seeks to exempt profit on debt on PMRC bonds.
Clause 5(57)(A)(vii)	Seeks to exclude manufacturing modaraba from exemption.
Clause 5(57)(A)(viii)	Seeks to exempt gain on transfer of assets being PMRC bonds.
Clause 5(57)(A)(ix)	Seeks to exempt profits and gains derived by oil refineries subject to conditions.
Clause 5(57)(B)	Seeks to specify reduced rate of tax under section 152 in the case of M/s CR-NORINCO JV.
Clause 5(57)(C)	Seeks to make a technical correction.

Clause 5(57)(D)(a)	Seeks to validate statutory regulatory orders.
Clause 5(57)(D)(b)	Seeks to validate statutory regulatory orders.
Clause 2(57)(D)(c)	Seeks to exempt payment of re-gasification charges.
Clause 5(57)(D)(d)	Seeks to exempt dividend of transmission line projects.
Clause 5(57)(D)(e)	Seeks to make a technical correction.
Clause 5(57)(D)(f)	Seeks to make a technical correction.
Clause 5(57)(D)(g)	Seeks to omit clause (56B).
Clause 5(57)(D)(h)	Seeks to make a technical amendment.
Clause 5(57)(D)(i)	Seeks to validate statutory regulatory order.
Clause 5(57)(D)(j)	Seeks to exempt condition for section 2(36) for LUMS.
Clause 5(57)(D)(k)	Seeks to validate statutory regulator order.
Clause 5(57)(D)(l)	Seeks to extend the benefit of reduced minimum tax for a certification sector.
Clause 5(57)(D)(m)	Seeks to validate statutory regulator order.
Clause 5(57)(D)(n)	Seeks to validate statutory regulator order.
Clause 5(57)(D)(o)	Seeks to validate statutory regulator order and restrict selection of audit.
Clause 5(58)	Seeks to make corrective amendment.

FEDERAL EXCISE ACT, 2005

Clause 6(1)(a)	Seeks to substitute the words “Federal Government” for the words “Board with the approval of the Federal Minister-in- charge” in clause (c) of sub-section (1) of section 3.
Clause 6(1)(b)	Seeks to substitute the words “Federal Government” for the words “Board with the approval of the Federal Minister-in- charge” in sub-section (4) of section 3.
Clause 6(2)	Seeks to substitute the word “twelve” for the words “KIBOR plus three” in section 8.
Clause 6(3)	Seeks to insert a new section 14B after section 14A.
Clause 6(4)	Seeks to substitute the words “Federal Government” for the words “Board with the approval of the Federal Minister-in- charge” in sub-section (2) of section 16.
Clause 6(5)	Seeks to insert a new clause (aa) after clause (a) in sub-section (2) in section 29.
Clause 6(6)	Seeks to substitute the word “ten” for the words “twenty five” in the second proviso in sub-section (3) of section 37.

Clause 6(7)	Seeks to substitute the existing section 38.
Clause 6(8)(a)(i)	Seeks to omit the words “or Chief Commissioner” in sub-section (2) of section 45.
Clause 6(8)(a)(ii)	Seeks to substitute a full stop at the end for the proviso in sub- section (2) of section 45.
Clause 6(8)(b)	Seeks to omit the proviso in sub-section (2) of section 45.
Clause 6(9)	Seeks to add a new sub-section (10) after sub-section (9) in section 46.
Clause 6(10)	Seeks to add a new sub-section after the re-numbered sub- section (1) of section 47C.
Clause 6(11)(a)	Seeks to substitute serial numbers 9, 10, 10a and the corresponding entries relating thereto in columns (2), (3) and (4) in Table-I in the First Schedule.
Clause 6(11)(b)	Seeks to substitute the words “one rupee and fifty paisa per kilogram” for the words “one rupee and twenty five paisa per kilogram” in column (4) against serial number 13 of Table-I in the First Schedule.
Clause 6(12)(a)	Seeks to add new serial numbers 22 and 23 and entries relating thereto in second and third column after serial number 21 in first column in Table-1 in the Third Schedule.
Clause 6(12)(b)	Seeks to add new serial number 14 and entries relating thereto in columns (2) and (3) in serial number 13 in column (1) in Table-2 in the Third Schedule.

