

**BUDGET BRIEF &
TAX MEMORANDUM 2005**



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FOREWORD

The Federal Budget for 2005-06 of Rs. 1,098bn is pronounced with a deficit of Rs. 285 bn (3.8 per cent of GDP) including Rs. 826 bn current expenditures and Rs 272 bn development outlay.

The provision for subsidies for public sector utilities has been allocated at Rs. 72.34bn. Significant provision for social sector (education and health sector) has been earmarked for uplifting the standard of living. It also contains major increase in pay and pensions, reduction in personal income tax rate, removal of sales tax on five export-related industries, while imposing new taxes on cash transactions in banks as well as retailers and higher duties on cigarettes and phone calls.

Taxes on luxury vehicles have been reduced, while locally assembled cars will be subject to more taxes. Most of the budgetary expenditures have been shown under general public services, which include debt servicing, pensions and other items. The pension bill of Rs 43.44 bn mostly goes to the military pensions, which are parked in the civilian budget.

Defence has got 27 per cent of the budget at Rs 223.5 bn, while the combined Federal spending on education and health in Rs 20.7 bn. Total resources are estimated at Rs 980 bn, which include Rs 212.4 bn external receipts.

The total tax revenue target for the Central Board of Revenue (CBR) has been placed at Rs 690 billion, against the expected collection of Rs 590 billion during the outgoing fiscal year. This massive increase of Rs 100 billion is assumed to be collected through the perceived tax buoyancy of 15 per cent, while the net impact of new tax measures comes to less than Rs 10 billion.

However, the tax target announced in the budget is based on a highly optimistic assumption, but the budget makers hope broadening of the tax base would yield more revenues. Particularly, on the direct tax side, the budget expects Rs 215.4 billion collection.

Budget brief and tax memorandum prepared and presented by us enunciate and explain the various changes enacted in the Fiscal statutes i.e., Income Tax Ordinance 2001, Sales Tax Act 1990, Custom Act 1969 and newly enacted Federal Excise Act 2005.

Budget brief and tax memorandum is solely for the use of our clients and staff and prohibited to be reproduced, copied or quoted in any court of law or authority. The opinions expressed therein are just guidelines and clarification and the relevant amendments are to be understood according to the relevant enactment, rules or notifications framed therein. We do not take any responsibility for any action taken on the basis of clarification given therein.

I acknowledge the support of my Partners, staff and other professional associates in preparing and presenting the aforesaid budget brief and tax memorandum.

I look forward for any suggestions and recommendations for refinement and improvement of the budget brief and tax memorandum.

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SALIENT FEATURES OF THE BUDGET 2005-06

INCOME TAX

- Personal tax rates for salaried persons proposed to be reduced to range between 3.5% to 30%.
- Annual statement filed by the employer proposed to be considered as sufficient discharge of liability to file a return on the part of the employee.
- Enhancement of exemption limit from Rs. 300,000 to 400,000 proposed for senior citizens.
- Tax rebate proposed to be increased from 50% to 75% in the case of teachers and researchers.
- Increase in limit from Rs. 100,000 to Rs. 150,000 proposed for investment in TFCs and new shares.
- Exemption for employees proposed in respect of perqs carrying zero marginal cost to the employers.
- Relaxation proposed in conditions for mandatory filing of return.
- Straight deduction proposed for donations made to specified institutions.
- Removal of limit proposed on value of motor vehicle for the purpose of claiming depreciation.
- Depreciation Schedule proposed to be rationalized.
- Provision of deductibility of bad debts proposed to be liberalized.
- Reduced rate of 20% proposed for small companies – exemption from turnover tax – no obligation to act as withholding agent.
- Reduction of 1% in tax proposed for new enlistment on stock exchanges.
- Concept of group relief proposed to be extended to services sector.
- Two ways set-off losses proposed on amalgamation – amalgamation proposed to be opened up for industrial undertakings.
- One time exemption proposed on corporatization of individual stock exchange membership.
- Exemption proposed for insurance companies in respect of capital gains derived from sale of shares.
- Rationalization of withholding tax on sale of hides and skins proposed.
- Income from services rendered abroad proposed to be taxed @ 1%.
- Withholding tax on ships imported for dismantling proposed to be reduced from 3% to 1%.
- Withholding tax rate proposed to be reduced to 1% on imports of certain types of fabrics.
- Withholding tax on telephone subscription proposed to be rationalized.
- One time waiver from payment of additional tax proposed for telecom companies.
- Exemption from income tax proposed for corporatized entities of WAPDA.
- Exemption for Hubco in respect of profit and debts on accounts with financial institutions, proposed to be restored.
- Exemption from income tax proposed for M/s Fugro Geodetic Limited from survey of continental shelf.
- Exclusion of large corporate trading houses from presumptive tax regime.
- Enhancement in tax rates proposed for certain exports.

- Tax @ 0.1% on cash withdrawal from banks proposed.
- 1% final tax proposed on retailers of textile goods with turnover of more than of Rs. 5 million.
- A uniform rate of 6% of withholding tax proposed on all types of contracts.
- Option to be assessed under PTR proposed to be withdrawn in the case of manufacturers cum suppliers.
- Enabling provision proposed to be introduced for electronic filing of return.
- Direct reference to High Court proposed.
- Commissioner (Appeals) proposed to be divested of the power to set-aside an assessment.
- Definition of public company modified to include companies with foreign government holdings of minimum 50%.
- Provisions for Alternate Dispute Resolution proposed to be rationalized.
- Measures for implementation of Voluntary Pension System Rule proposed to be introduced.

CAPITAL VALUE TAX

- Exemption proposed to be allowed to Kot Addu Power Station on assets purchased in 1996 prior to privatization.

WEALTH TAX

- Alternate Dispute Resolution proposed to be introduced for wealth tax cases.

CUSTOMS BUDGETARY MEASURES 2005-06

Overall Policy Objectives:

- Boost economic activity by providing conducive environment for investment;
- Reduce cost of doing business;
- Transform Tariff System in a manner that instead of over loading at import stage, the up front cost should be reduced;
- Promote self assessment and self clearance.
- To keep the stakeholders on board.

Relief Measures

Textile Sector

- Decrease in CD rates on synthetic, woolen and cotton raw materials/products.
- The new rates are: 0% for raw-material of fibre, 3% on chips, 6.5% on fibres, 7% on yarns, and 14% on fabrics of man-made yarns, blended yarns.
- On all these items, a uniform rate of 1% of income tax will be applicable besides zero rating of sales tax.

Agriculture Sector:

-
- Exemption of Duty on Urea Fertilizer from its present rate of 5%;
 - Reduction of CD on the import of Agricultural Tractors in CBU Condition from 20% to 15%.
 - Exemption of CD on import of ginning machinery
 - Exemption of CD on import of agriculture equipment
 - Decrease in CD on import of items relating to agriculture sector
 - Reduction of CD on vitamins of poultry industry
 - Decrease in CD on 319 edible items

Primary Raw Materials

- Reduction of CD on,-
 - Primary Raw Materials (12 items)
 - Organic and inorganic chemicals (416 items)
 - Dyes and Chemicals (96 items)
 - Plastic Raw Materials (56 items)
 - Exemption/ decrease in duty on Wood and wood products

Other Industries

- Reduction of CD on,-
 - Raw Materials for Confectionary Industry.
 - Essential Oils, Cosmetics/ Toilet Preparations.
 - Inputs of Soap and Detergent Industry.
 - Photographic and Cinematographic Goods.
 - Raw materials, components and sub-components of washing machines.
 - Exemption of CD on import of picture tubes for assembly/ manufacture of TV set.
 - Components and sub-components of circuit breakers.
 - Parts and components of energy saving lamps.
 - Raw materials and components of composite doors and windows.
 - Exemption of CD on import of CKD kits for assembly of computer monitors.
 - Petroleum additives.
 - Gold and Silver.
 - Plant, Machinery, parts and equipments – 5%.
 - Hepatitis-B Vaccine 10% to 5%.
 - Concessions to encourage FDI in Steel sector.
 - Exemption of CD on import of machinery, equipment, and parts used by Civil Aviation Industry.
 - Concessions for all items/ equipments used in the Hotel and Tourism Industry – 5%.
 - Decrease in CD on import of Tyres for light Trucks from 20% 15%, Construction/ Industrial Vehicles from 25% to 10%.
 - Bicycle parts.
 - Carriages for Special Persons.
 - Baby Carriages.
 - Kits for assembly of buses of other than CNG & Euro-II (+) buses @5%.
 - Exemption from duty on compressors and evaporators for air conditioners, refrigerators, and deep freezers.

Vehicles:

- Decrease in Duty on commercial import of CBU Cars. The three duty slabs for are:
 - CBU Cars up to 1500 CC: @ 50%

-
- CBU Cars from 1501 CC to 1800 CC: @ 65%
 - CBU Cars above 1800 CC: @ 75%.
 - Duty and Taxes in US\$ (or equivalent amount in Pak Rupees) for old and used automotive to range between US\$ 4000 and US\$ 21,000.

Environment Protection:

- Concession of duty on import of specified equipment by municipal authorities including development authorities – 5% and in case of donations zero percent.
- Exemption of CD on import of kits for assembly of CNG & Euro-II (+) buses
- Exemption of duty on import of components of CNG Dispensers

Extension of waiver to Exporters:

Concession of import plant and machinery without payment of taxes under SRO 554(I)/98 be extended from 31.03.2005 to 30.06.2005 for those goods for which L/C were opened before 12.6.2004.

- Importers of plant and machinery prior to 12.06.2004 be given option to pay duty @ 2.5% as against 5% allowed in the last budget.
- Importers of plant and machinery from 12.06.2004 to 30.06.2005 may also given option to pay duty @ 5% for dispensing with condition of value addition or achieve exports to the limits specified. This option should be exercised before 30.09.2005.

Exports related Measures:

- Improvement in Duty and Tax Remission for Export (DTRE) Scheme
- Continuation of Temporary import Scheme for Exports
- Reduction in Duty Draw Backs due to zero-rating of major inputs used in textile, leather, surgical and sports goods
- Exemption from payment of CD and other taxes on imports for Infrastructure projects at Gwadar.

Other Relief Measures:

Release of indemnity bonds submitted under different rescinded notifications/ Installation certificates (both for CD and ST)

- Waiver of penal surcharge on overstayed goods in bonded warehouses
- Rationalization of Pharmaceutical raw materials
- Rationalization of SRO regime has been done.
- Number of SROs has been reduced from the existing 19 to 12 only.
- Baggage rules have been rationalized. Duty Free Allowance for holders of silver and gold cards are being increased.

Different types of passengers like coming from India and Ziarat etc, have been consolidated.

INCOME TAX ORDINANCE, 2001

DEFINITIONS

• **Amalgamation** **Section 2(1A)**
Section 9(1) (b) of the bill seeks to enlarge the scope of the definition of Amalgamation by including companies owning and managing industrial undertaking. For the purpose amalgamation one company should be a public company. It further seeks to delete the condition that the scheme of Amalgamation should be approved by S.B.P. or S.E.C.P.

• **Approved Annuity / Income Payment/Pension** **Section 2(3A)(3B)(3C)(13A)(19A)**
Section 9(1) (c) of the bill seeks to define approved annuity plan and approved pension fund these plans should be approved by S.E.C.P. under Voluntary Pension System Rules, 2005. The bill also seeks to define the contribution to approved pension fund. The contribution should had not exceed Rs. 5,000/- in a tax year in order to avail the benefit of these plans.

• **Income** **Section 2(29)**
The bill seeks to enlarge to scope of term “**INCOME**” by including following categories

- Dividend.
- Payments to non-residents by way of royalty and fee for technical services.
- Commission income on sale of petroleum products.
- Brokerage commission.

Earlier these were not included in the term “**INCOME**”

• **Industrial undertaking** **Section 2(29C)**
The bill seek to define the term “undertaking”, it means, an undertaking which is setup in Pakistan and employs

- (i) 10 or more persons; and
- (ii) involves the use of electric energy; or

- (i) 20 or more persons; and
- (ii) does not involves the one of electric energy but engaged in
 - a. Manufacture of goods.
 - b. Ship building.
 - c. Generation, Conversion of transmission or Distribution of electric energy or supply of hydraulic power.
 - d. The working of any mine, oil well or any other undertaking which C.B.R. may specify.

Earlier this definition was there but in section 148, now bringing the same under the head of definitions and deleting from section 148.

• **Public Company** **Section 2(47)**
The bill seeks to modify the definition of public company to include such companies where foreign government holding is not less than 50 % of shares. Earlier 100% holding by foreign government was defined to be public company.

- **Small Company**

Section 2(59 A), 80 153, 1st Schedule.

The bill seek to define the small company, it means a company registered on or after 01-07-2005 under Companies Ordinance, 1984, which

- (i) Has paid up capital & undistributed reasons not exceeding Rs. 25 million.
- (ii) Has annual turnover should not exceeds Rs. 200 million.
- (iii) Is not formed by the splitting up or the reconstitution of business already in existence.

The bill also seeks to include small company in the definition of company under the definition of persons.

The bill also seeks to absolve the small company from the obligation of withholding agent. The bill proposed to include the small company in provision to whom section 153 is not applicable. The bill also seeks to provide a concessional charge of taxation on small companies at the rate of 20 %. Moreover minimum tax U/S 113 will also be not chargeable on the turnover of small companies.

This is a great incentive for business community operating under the umbrella of AOP/Sole proprietorship. However putting a condition of the availability of this concession to new company only is discrimination. This anomaly should be removed and existing companies should also be facilitated.

- **Depreciation**

Section 22(13a)

The bill seeks to delete the upper limit of cost for claiming depreciation on vehicle not plying for hire. Earlier this limit for allowing depreciation was restricted to Rs. 1,000,000. Though this amendment allows depreciation on vehicles not plying for hire without any limit, however it will facilitate to only a certain class of companies.

- **Setoff of business loss consequent to amalgamation**

Section 57 A

The bill seeks to provide two- way of set-off of losses in the case of amalgamation of companies. The bill also seeks to impose condition of continuation of business of amalgamating company for a minimum period of five years in order to avail set-off of losses.

- **Group Relief**

Section 59 B

The bill seeks to enlarge the scope of group relief to an undertaking engaged in service sector, which was previously available to company owing and managing an industrial undertaking

- **Investment in shares**

Section 62

The bill seeks to enhance the limit of exemption on investment in listed companies by a person other than companies from Rs. 100,000 to Rs. 150,000 in the case of investment in new shares. Now tax credit is allowed to the extent of Rs. 150,000 in the investment of new shares going in listing on Stock Exchange.

- **Contribution to an Approved Pension Fund**

Section 63

The bill seeks to provide a tax credit to persons whose income is chargeable under the head salary or business in respect of any contribution or premium paid in approved pension fund under Voluntary Pension System Rules, 2005.

- **Minimum tax on income of certain persons**

Section 113

The bill seeks to replace central excise duty with federal excise duty to give effect of repealing of Central Excise Act 1944 and promulgating of new law Federal Excise Act, 2005.

- **Tax on income of certain retailer**

Section 113 B

The bill seeks to introduce a new levy of final tax @ 1 % of turnover on retail sales of textiles fabric and article of apparel, including readymade garments or fashion wear, article of leather including footwear, carpets and sports goods by an individual or an AOP, if the turnover exceeds Rs. 5 million for any tax year. The proposed amendment will give a much relief of breath considering cumbersome procedure of maintenance of record under Income Tax Rules, 2002.

- **Return of income**

Section 114

The bill seeks the following persons to file a return

- (a) every company
- (ab) every person (other than company) whose taxable income for the year exceeds the maximum amount that is not chargeable to tax under this ordinance for the year.

- (b) any person not covered by clause (a) or (ab) who,-
 - (i) has been charged to tax in respect of any of the two preceding tax years;
 - (ii) claims a loss carried forward under this ordinance for a tax year;
 - (iii) owns immovable property with a land area of two hundred and fifty square yards or more or owns any flat located in areas falling within the municipal limits existing immediately before the commencement of Local Government laws in the provinces; or areas in a cantonment; or the Islamabad Capital Territory.;

Meaning thereby the following persons are now not required to file a return.

- (i) owns a motor vehicle in Pakistan
- (ii) Subscribe for telephone including a mobile phone in Pakistan.
- (iii) Has undertaken foreign travel other than any travel for the purpose of hajj, umra or ziarat.
- (iv) Is member of a club where monthly subscription exceed Rs. 500 or admission fee exceeds Rs. 25,000/-.

The bill also seeks to enable “e-filing” of income tax returns.

- **Person not required to furnish a return**

Section 115

The bill seeks to absolve a salaried tax payer from the obligation of filing of return if the employer has filed the Annual statement of Deduction of income tax from salary.

The bill also seeks to provide for filling of an annual statement by retailer of textile made-up, leather articles carpets sports goods and surgical goods in pursuance of new levy U/S 113B of the Income Tax Ordinance, 1979.

• **Assessment** **Section 120**

The bill seeks to provide for selection of a case for audit after deemed assessment under USAS. Before this obstante clause, selection of cases for audit U/S 177 were challenge on basis of a lacuna in the wording of the provision.

• **Assessment giving effect to an order** **Section 124**

The bill seeks to clear fiction of law about the time limitation in the case of set aside of case. Earlier a time limit of one year from the end of the financial year in which the commissioner is served with the order was there. However if an appeal has been preferred against the order sitting aside the assessment, limitation under these clause shall not apply.

• **Decision in Appeal** **Section 129**

The bill seeks to withdraw the power of commissioner (Appeals) of set aside an assessment. The proposed amendment was most wanted by many circles. Now the commissioner has no power to set aside an assessment. The proposed law does not provide the date of applicability. However in the interest of justice and fair play it should be applied retrospectively.

• **Reference to high court** **Section 133**

The bill proposes to provide for a direct reference to High Court instead of taking the route through the Appellate Tribunal. The proposed amendment will reduce much burden on Appellate benches of Income Tax Tribunal.

• **Appeal to supreme Court** **Section 134**

The bill seeks to omit this section as it has no practical implication. The appeal filed before the apex court is governed by code of civil procedure 1908 and the same is always available to the effected party. Hence the presence of this section has no meaning.

• **Alternate Dispute Resolution** **Section 134 A**

The bill seeks to provide for constitution of a panel rather than notification of panel for the purpose of Alternate Dispute Resolution. The bill also proposes that the taxpayer who is aggrieved with the order of CBR with regard to “Alternate Dispute Resolution” may continue to pursue his remedy before the appellate forums.

• **Payments for goods and service** **Section 153**

The bill seeks to omit the manufacture/ supplier of goods from the provision of presumptive tax regime. Earlier under Repealed Ordinance, 1979 a manufactures/ suppliers of goods can opt for presumptive tax regime. Now after the proposed amendment manufacture / supplier has to file return under normal tax regime.

• **Notice to obtain information or evidence** **Sector 176**

The bill seeks to clarify the provision for obtaining information from the tax payer. Under the existing provision the commissioner by notice in writing require any person to furnish to the

commissioner any information relevant to any tax imposed under this ordinance. Now through this amendment the word imposed is replaced with the word “leviable” being the scope much wider than the original. The bill also seeks to enable a person from whom information has been called for, to furnish the required information electronically.

- **Cash withdrawal from a bank**

Section 231 A

The bill seeks to introduce a unique type of adjustable withholding tax. It is proposed that every banking company shall at time of making a payment of cash withdrawal exceeding Rs. 25,000 shall deduct tax at the rate 0.1 % from the payment. It appears and proposed to bring the unorganized sector into the tax net, however the law maker very conveniently ignored the hardships that will face the banking companies and at the same time it will also push to grow the dollar economy, which exists almost in overall country.

- **Purchase of new motor cars**

Section 233 B

The bill seeks to introduce 6 % withholding tax on purchase of new motor car from local car manufactures. Again the law maker ignored that the local car manufacture are unable to manage the demand of motor cars and the premium paid by the ultimate consumers. The proposed amendment will simply increase the premium cost the consumers have to pay, since the proposed tax will be termed as further cost of doing business.

GIST OF PROPOSED AMENDMENTS IN FIRST SCHEDULE

- The bill seeks to clarify that the existing rate card for personal tax rates shall henceforth apply only to non-salaried individual and AOPs;
- The Bill seeks to provide for a new rate card for Salaried individual with rates ranging from 3.5% to 30%.
- The bill seeks to provide for a tax rate of 20% in the case of Small Companies;
- The bill seeks to omit “cotton” for the purpose of application of reduced withholding tax rate on sale of certain items;
- The bill Seeks to provide for a uniform withholding tax rate of 6% on payments for execution of contracts in the case of a resident person or permanent establishment in Pakistan of a non-resident person;
- The bill seeks to provide for a uniform withholding tax rate of 6% in the case of non-residents on execution of contracts including a contract for advertisement services rendered by TV Satellite Channels.
- The bill seeks to simplify the existing provision for withholding tax rate of 5% in the case of indenting commission agents, advertising agents and yarn dealers and 10% in other cases of brokerage and commission;
- The bill seeks to provide new withholding tax rate for telephone users, which shall be 10% of the sale price of pre-paid telephone cards or the monthly post paid bill. However in the case of post paid bills, an exemption on monthly bill upto Rs.1000 would be available;
- The bill seeks to provide 0.1% withholding tax rate on cash withdrawal and also seeks to provide for withholding tax rate of 6% on purchase of motor cars.

GIST OF PROPOSED AMENDMENTS IN SECOND SCHEDULE

- The bill seeks to provide an exemption of perquisites in the hands of employees which carry zero marginal cost to the employers such as transporters including airlines, hospitals, educational institutions and hotels;
- The bill seeks to provide exemption from income tax to an Approved Pension Fund and profit an gain derived by a Pension Fund Manager on redemption of the seed capital;
- The bill seeks to omit certain redundant clauses and also provide for a straight deduction from income for donations to specified institutions;
- The bill seeks to provide for exemption to HUBCO on profit on debt on its bank deposits or accounts with financial institutions;
- The bill seeks to provide exemption to corporatized entities of Pakistan Water and Power Development Authority (WAPDA) from the date of creation to date of completion of the process of corporatization;
- The bill seeks to provide exemption to the income of a member of a stock exchange on corporatization;

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- The bill seeks to exempt income of Fugro Geodetic Limited on execution of contract with Government of Pakistan for survey for the establishment of the Continental Shelf of Pakistan.
 - The bill seeks to reduce the advance tax rate to 1% in the case of condemned ships imported for breaking purposes.
 - The bill seeks to provide for a 1% reduction in tax rate for new enlistments on stock exchanges.
 - The bill seeks to omit the rebate in tax liability in the case of salaried taxpayers;
 - The bill seeks to enhance the exemption limit from Rs.300,000 to Rs.400,000 for senior citizens;
 - The bill seeks to enhance the reduction from 50% to 75% in the case of teachers/researchers.
 - The bill seeks to withdraw the option for PTR available to manufacturers with retrospective effect:

THE PROPOSED FIRST SCHEDULE
PART I
RATES OF TAX
(See Chapter II)

Division I

Rates of Tax for Individuals and Association of Persons

1. Subject to clause(1A) and (2), the rates of tax imposed on the taxable income of every individual except a salaried or association of persons to which sub-section (1) of section 92 applies shall be as set out in the following table, namely:–

TABLE

S. No.	Taxable income.	Rate of tax.
(1)	(2)	(3)
1.	Where taxable income does not exceed Rs.100,000.	0%
2.	Where taxable income exceeds Rs.100,000 but does not exceed Rs.150,000	7.5% of the amount exceeding Rs. 100,000
3.	Where taxable income exceeds Rs.150,000 but does not exceed Rs.300,000.	3,750 plus 12.5% of the amount exceeding Rs.150,000
4.	Where taxable income exceeds Rs.300,000 but does not exceed Rs.400,000.	22,500 plus 20% of the amount exceeding Rs.300,000.
5.	Where taxable income exceeds Rs.400,000 but does not exceed Rs.700,000.	42,500 plus 25% of the amount exceeding Rs.400,000.
6.	Where taxable income exceeds Rs.700,000.	117,500 plus 35% of the amount exceeding Rs.700,000.

- (1A) where the income of an individual chargeable under the head “salary” exceeds fifty percent of his taxable income, the rates of tax to be applied shall be as set out in the following table namely:–

TABLE

S. No.	Taxable income.	Rate of tax.
(1)	(2)	(3)
1.	Where taxable income does not exceed Rs.100,000	Nil.
2.	Where taxable income exceeds Rs.100,000 but does not exceed Rs.200,000	3.5% of the amount exceeding Rs.100,000
3.	Where taxable income exceeds Rs.200,000 but does not exceed Rs.400,000	Rs.3,500 plus 12% of the amount exceeding Rs.200,000

4.	Where taxable income exceeds Rs.400,000 but does not exceed Rs.700,000	Rs.27,500 plus 25% of the amount exceeding Rs.400,000
5.	Where taxable income exceeds Rs.700,000	Rs.102,500 plus 30% of the amount exceeding Rs.700,000.”;

2. Where, for a tax year, an individual or association of persons to which subsection (1) of section 92 applies derives income from agriculture to which section 41 applies and the gross amount of such income for the year exceeds Rs. 80,000, the rates of tax imposed on the taxable income of the individual or association of persons for the year shall be as set out in the following table, namely:—

TABLE

S. No. (1)	Taxable income (2)	Rate of tax. (3)
1.	Where taxable income does not exceed Rs.150,000	7.5%
2.	Where taxable income exceeds Rs.150,000 but does not exceed Rs.300,000	Rs.11,250 plus 12.5% of the amount exceeding Rs.150,000.
3.	Where taxable income exceeds Rs.300,000 but does not exceed Rs.400,000	Rs.30,000 plus 20% of the amount exceeding Rs.150,000.
4.	Where taxable income exceeds Rs.400,000 but does not exceed Rs.700,000	Rs.50,000 plus 25% of the amount exceeding Rs.400,000
5.	Where taxable income exceeds Rs.700,000	Rs.125,000 plus 35% of the amount exceeding Rs.700,000

Division IA

Rate of Tax on certain persons

The rate of tax to be paid under sub-section (1) of section 113A shall be 0.75% of the turnover.

Division II

Rates of Tax for Companies

- (i) The rates of tax imposed on the taxable income of a company shall be set out in the following table, namely:—

TABLE

Tax Year	Banking Company	Public Company other than a Banking Company	Private Company other than a Banking Company
(1)	(2)	(3)	(4)
2003	47%	35%	43%
2004	44%	35%	41%
2005	41%	35%	39%
2006	38%	35%	37%
2007	35%	35%	35%]

- (ii) Where the taxpayer is a society or a cooperative society, the tax shall be payable at the rates applicable to the public company or an individual, whichever is beneficial to the taxpayer.
- (iii) Where the taxpayer is a small company as defined in section 2, tax shall be payable at the rate of 20%.

**Division III
Rate of Dividend Tax**

The rate of tax imposed under section 5 on dividend received from a company shall be –

- (a) In the case of dividend received by a public company or an insurance company, 5% of the gross amount of the dividend; or
- (b) In any other case, 10% of the gross amount of the dividend.

**Division IV
Rate of Tax on Certain Payments to Non-residents**

The rate of tax imposed under section 6 on payments to non-residents shall be 15% of the gross amount of the royalty or fee for technical services.

**Division V
Rate of Tax on Shipping or Air Transport Income of a Non-resident Person**

The rate of tax imposed under section 7 shall be –

- a) In the case of shipping income, 8% of the gross amount received or receivable; or
- b) In the case of air transport income, 3% of the gross amount received or receivable.

**PART II
RATES OF ADVANCE TAX**

(See Division II of Part V of Chapter X)

The rate of advance tax to be collected by the Collector of Customs under section 148 shall be 6% of the value of the goods.

PART III
DEDUCTION OF TAX AT SOURCE
(See Division III of Part V of Chapter X)

Division I
Profit on debt

The rate of tax to be deducted under section 151 shall be –

- (a) In the case of any profit on debt referred to in clause (a) or (b) or (d) of subsection (1) of section 151, 10% of the yield or profit paid; or
- (b) In the case of any profit on debt referred to in clause (c) of sub-section (1) of section 151, 20% of the yield or profit paid.

Division II
Payments to non-residents

The rate of tax to be deducted under sub-section (2) of section 152 shall be 30% of the gross amount paid.

Division III
Payments for Goods or Services

- 1. The rate of tax to be deducted from a payment referred to in clause (a) of sub-section (1) of section 153 shall be –
 - a. In the case of the sale of rice, cotton seed or edible oils, 1.5% of the gross amount payable; or
 - b. In the case of the sale of any other goods, 3.5% of the gross amount payable.
- 2. The rate of tax to be deducted from a payment referred to in clause (b) of sub-section (1) of section 153 shall be –
 - a. In the case of transport services, 2% of the gross amount payable; or
 - b. In any other case, 5% of the gross amount payable.
- 3. The rate of tax to be deducted from a payment referred to in clause (c) of sub-section (1) of section 153 shall be 6% of the gross amount payable.
- 4. The rate of tax to be deducted from a payment referred to sub-section (3) of section 153 shall be 6% of the gross amount payable.

Division IV
Exports

- 1. The rate of tax to be deducted under sub-section (1) or (3) of section 154 shall be as set out in the following table, namely:–

TABLE

S. No. (1)	Nature of goods exported. (2)	Rate of deduction of tax (3)
1.	Exports listed in Part I of the Seventh Schedule	0.75% of the proceeds of the export
2.	Exports listed in Part II of the Seventh Schedule	1.0% of the proceeds of the export
3.	Exports listed in Part III of the Seventh Schedule	1.25% of the proceeds of the export
4.	Exports listed in Part IV of the Seventh Schedule	1.50% of the proceeds of the export

2. The rate of tax to be deducted under sub-section (2) of section 154 shall be 5%.

**Division V
Income from Property**

The rate of tax to be deducted under section 155 shall be 5% of the gross rent paid.

**Division VI
Prizes and Winnings**

1. The rate of tax to be deducted under section 156 on a prize on prize bond shall be 10% of the gross amount paid.
2. The rate of tax to be deducted under section 156 on winnings from a raffle, lottery, prize on winning a quiz, prize offered by companies for promotion of sale, or cross-word puzzle shall be 20% of the gross amount paid.

**Division VIA
Petroleum Products**

Rate of collection of tax under section 156A shall be 10% of the amount of payment.

**PART IV
(See Chapter XII)
DEDUCTION OR COLLECTION OF ADVANCE TAX**

**Division II
Brokerage and Commission**

The rate of collection of tax under sub-section (1) of section 233 shall be:-

In the case of indenting commission

Agents, advertising agents and yarn dealers. Shall be 5% of the amount of payment.

In the case of others. 10%

Division IIA
Rates for Collection of Tax by a Stock Exchange
Registered in Pakistan

(i)	In case of purchase of shares as per clause (a) of sub-section (1) of section 233A.	0.005% of value	purchase
(ii)	In case of sale of shares as per clause (b) of sub-section (1) of section 233A.	0.005% of	sale value
(iii)	In case of trading of shares as mentioned in clause (c) of sub-section (1) of section 233A.	0.005% of	traded value
(iv)	In case of financing of carry over trades (Badla) as per clause (d) of sub-section (1) of section 233A.	10% of the charge	carry over

Division III
Transport business

Rates of collection of tax under section 234,-

(1) In the case of goods transport vehicles with registered laden weight of—

(a)	Less than 2030 kilograms.	Rs. 1,200
(b)	2030 kilograms or more but less than 8120 kilograms.	Rs. 7,200
(c)	8120 kilograms or more but less than 15000 kilograms.	Rs.12,000
(d)	15000 kilograms or more but less than 30,000 kilograms.	Rs.18,000
(e)	30,000 kilograms or more but less than 45,000 kilograms.	Rs.24,000
(f)	45,000 kilograms or more but less than 60,000 kilograms.	Rs.30,000
(g)	60,000 kilograms or more.	Rs.36,000

(1A) In the case of goods transport vehicles with laden weight of 8120 kilograms or more, advance tax after a period of ten years from the date of first registration of vehicle in Pakistan shall be collected at the rate of twelve hundred rupees per annum;

(2) In the case of passenger transport vehicles plying for hire with registered seating capacity of—

(a)	Four or more persons but less than ten persons.	Rs. 25 per seat per annum.
(b)	Ten or more persons but less than twenty persons.	Rs. 60 per seat per annum.
(c)	Twenty persons or more.	Rs.100per seat per annum.

(3) Other private motor cars with engine capacity of—

(a)	1000cc to 1199 cc.	Rs. 500
(b)	1200cc to 1299cc.	Rs. 750
(c)	1300cc to 1599cc.	Rs.1,500
(ca)	1600 cc to 1999cc	Rs.2,000
(d)	2000cc and above.	Rs.3,000

Division IV
Electricity Consumption

Rate of collection of tax under section 235 where the amount of electricity bill,-

(a) Does not exceed Rs. 400.	Rs. 60
(b) Exceeds Rs. 400 but does not exceed Rs. 600	Rs. 80
(c) Exceeds Rs. 600 but does not exceed Rs. 800	Rs. 100
(d) Exceeds Rs. 800 but does not exceed Rs. 1000	Rs. 160
(e) Exceeds Rs. 1000 but does not exceed Rs. 1500	Rs. 300
(f) Exceeds Rs. 1500 but does not exceed Rs. 3000	Rs. 350
(g) Exceeds Rs. 3000 but does not exceed Rs. 4500	Rs. 450
(h) Exceeds Rs. 4500 but does not exceed Rs. 6000	Rs. 500
(i) Exceeds Rs. 6000 but does not exceed Rs. 10000	Rs. 650
(j) Exceeds Rs. 10000 but does not exceed Rs. 15000	Rs. 1000
(k) Exceeds Rs. 15000 but does not exceed Rs. 20000	Rs. 1500
(l) Exceeds Rs. 20000.	Rs. 2000]

Division V
Telephone users

- (a) In the case of prepaid telephone cards. 10% of the amount of sale price of prepaid telephone card.
- (b) In the case of post-paid telephone bill -
where the monthly bill exceeds Rs.1000. 10% of the amount of bill; and

Division VI
Cash Withdrawal from a bank

The Rate of tax to be deducted under section 232 shall be 0.1% of the cash amount withdrawn.

Division VII

The rate of tax to be collected under section 233B shall be 6% of the amount paid as price of the motor car.”;

THE PROPOSED SECOND SCHEDULE

EXEMPTIONS AND TAX CONCESSIONS

[See section 53]

PART I

EXEMPTIONS FROM TOTAL INCOME

Incomes, or classes of income, or persons or classes of persons, enumerated below, shall be exempt from tax, subject to the conditions and to the extent specified hereunder:

(2) Any income chargeable under the head "Salary" received by, or due to, any person, not being a citizen of Pakistan or a resident individual, as remuneration for services rendered by him as a health professional under the contract of service concluded with Shaukat Khanum Memorial Hospital and Research Center, Lahore, and approved by the Federal Government for the purposes of this clause.

(3) Any income chargeable under the head "Salary" received by a person who, not being a citizen of Pakistan, is engaged as an expert or technical, professional, scientific advisor or consultant or senior management staff by institutions of the Agha Khan Development Network, (Pakistan) listed in Schedule I of the Accord and Protocol dated, November 13, 1994 executed between the Government of the Islamic Republic of Pakistan and Agha Khan Development Network.

(4) Any income chargeable under head "Salary" received by a Pakistani seafarer working on a foreign vessel provided that such income is remitted to Pakistan, not later than two months of the relevant income year, through normal banking channels.

(5) Any allowance or perquisite paid or allowed as such outside Pakistan by the Government to a citizen of Pakistan for rendering service outside Pakistan.

(6) Any income chargeable under the head "Salary" received by a person, not being a citizen of Pakistan, by virtue of his employment with the British Council.

(8) Any pension received by a citizen of Pakistan from a former employer, other than where the person continues to work for the employer (or an associate of the employer).

Provided that where the person receives more than one such pension, the exemption applies only to the higher of the pensions received.

(9) Any pension received in respect of any service rendered by a member of the Armed Forces of Pakistan or as an employee of the Federal Government or a Provincial Government.

(10) Any pension granted to any public servant to whom clause (14) does not apply in respect of injuries received in the performance of his duties.

(11) Any pension granted to any public servant to whom clause (15) does not apply who has been invalidated from service on account of any bodily disability.

(12) Any payment in the nature of commutation of pension received from Government or under any pension scheme approved by the Central Board of Revenue for the purpose of this

clause.

(13) Any income representing any payment received by way of gratuity or commutation of pension by an employee on his retirement or, in the event of his death, by his heirs as does not exceed –

- (i) in the case of an employee of the Government, a local authority, a statutory body or corporation established by any law for the time being in force, the amount receivable in accordance with the rules and conditions of the employee's services;
- (ii) Any amount receivable from any gratuity fund approved by the Commissioner in accordance with the rules in Part III of the Sixth Schedule;
- (iii) In the case of any other employee, the amount not exceeding two hundred thousand rupees receivable under any scheme applicable to all employees of the employer and approved by the Central Board of Revenue for the purposes of this sub-clause; and
- (iv) In the case of any employee to whom sub-clause (i), (ii) and (iii) do not apply, fifty per cent of the amount receivable or seventy-five thousand rupees, whichever is the less:

Provided that nothing in this sub-clause shall apply –

- (a) To any payment which is not received in Pakistan;
- (b) To any payment received from a company by a director of such company who is not a regular employee of such company;
- (c) To any payment received by an employee who is not a resident individual; and to any gratuity received by an employee who has already received any gratuity from the same or any other employer.

(14) Any pension granted to the personnel of Armed Forces of Pakistan (including personnel of the Territorial Force and the National Service of Pakistan) in respect of injuries received in the performance of their duties as such.

(15) Any pension granted to the personnel of the Armed Forces of Pakistan (including personnel of the Territorial Force and the National Service of Pakistan) invalidated from service with such Forces on account of bodily disability attributable to, or aggravated by, such service.

(16) Any income derived by the families and dependents of the "Shaheeds" belonging to Pakistan Armed Forces from the special family pension, dependents pension or children's allowance granted under the provisions of the Joint Services Instruction No. 5/66.

(17) Any income derived by the families and dependents of the "Shaheeds" belonging to the Civil Armed Forces of Pakistan to whom the provisions of the Joint Services Instruction No. 5/66 would have applied had they belonged to the Pakistan Armed Forces from any like payment made to them.

(18) Any pensions granted under the relevant rules to the families and dependents of public servants or members of the Armed Forces of Pakistan who die during service.

(19) Any sum representing encashment of leave preparatory to retirement of a member of the Armed Forces of Pakistan or an employee of the Federal Government or a Provincial Government.

(20) Any income received by a person from an annuity issued under the Pakistan Postal

Annuity Certificate Scheme on or after the 27th July, 1977, not exceeding ten thousand rupees per annum.

(21) Any income received by a person from an annuity or annuities issued by the State Life Insurance Corporation of Pakistan or a life insurance company registered under section 3 of the Insurance Ordinance, 2000 (XXXIX of 2000):

Provided that this clause shall not apply to so much of the income received by a person from an annuity or annuities which, together with the income from any annuity or annuities referred to in clause (20), exceeds ten thousand rupees per annum.

(22) Any payment from a provident fund to which the Provident Funds Act, 1925(XIX of 1925) applies.

(23) The accumulated balance due and becoming payable to an employee participating in a recognized provident fund.

(24) Any benevolent grant paid from the Benevolent Fund to the employees or members of their families in accordance with the provisions of the Central Employee Benevolent Fund and Group Insurance Act, 1969.

(25) Any payment from an approved superannuation fund made on the death of a beneficiary or in lieu of or in commutation of any annuity, or by way of refund of contribution on the death of a beneficiary –

- (i) in the case of an employee of the Government or a local authority or a statutory body or corporation established by any law for the time being in force, the amount receivable in accordance with the rules and conditions of his service;
- (ii) any amount receivable from any gratuity fund approved by the Commissioner in accordance with the rules contained in Part III of the Sixth Schedule;
- (iii) in the case of any other employee, the amount not exceeding two hundred thousand rupees receivable under any scheme applicable to all employees of the employer and approved by the Central Board of Revenue for the purposes of this sub-clause; and
- (iv) In the case of any employee to whom sub-clauses (i), (ii) and (iii) do not apply, fifty per cent of the amount receivable or seventy-five thousand rupees, whichever is the less:

Provided that nothing in this sub-clause shall apply _

- (a) To any payment which is not received in Pakistan ;
- (b) To any payment received from a company by a director of such company who is not regular employee of such company;
- (c) To any payment received by an employee who is not a resident of Pakistan ; and
- (d) To any gratuity received by an employee who has already received any gratuity from the same or any other employer.

(26) Any income of a person representing the sums received by him as a worker from out of the Workers Participation Fund established under the Companies Profits (Workers Participation) Act, 1968 (XII of 1968).

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- (35) Any income representing compensatory allowance payable to a citizen of Pakistan locally recruited in Pakistan Mission abroad as does not exceed 75 per cent of his gross salary.
- (38) Any sum paid, for purpose of meeting the charges for gas, water and electricity, or the value of gas, water and electricity provided free of charge to an employee up to ten per cent of the minimum of time scale, and where there is no time scale, up to ten per cent of the basic salary.
- (39) Any special allowance or benefit (not being entertainment or conveyance allowance) or other perquisite within the meaning of section 12 specially granted to meet expenses wholly and necessarily incurred in the performance of the duties of an office or employment of profit.
- (40) Any income of a newspaper employee representing Local Travelling Allowance paid in accordance with the decision of the Third Wage Board for Newspaper Employees constituted under the Newspaper Employees (Conditions of Service) Act, 1973, published in Part II of the Gazette of Pakistan, Extraordinary, dated the 28th June, 1980.
- (42) Any amount received as flying allowance by pilots, flight engineers and navigators employed by any Pakistani airline or by Civil Aviation Authority.
- (43) Any amount notified as flying allowance payable to pilots, flight engineers and navigators of the Pakistan Air Force.
- (44) Any amount notified as flying allowance payable to pilots, flight engineers and navigators of the Pakistan Army and the Pakistan Navy.
- (45) Any amount received as flying allowance by junior commissioned officers or other ranks of Pakistan Armed Forces.
- (46) Any amount notified as submarine allowance payable to officers of the Pakistan Navy.
- (47) The value of rations issued in kind, or cash allowance paid in lieu thereof, to members of Pakistan Armed Forces or of Territorial Forces.
- (48) The value of rent-free quarters occupied by, or cash allowance paid in lieu thereof, to members of the Pakistan Armed Forces, including Territorial Force.
- (49) The conservancy allowance granted in lieu of free conservancy to personnel below commissioned rank of Pakistan Armed Forces and Territorial Force.
- (51) The perquisite represented by the right of the President of Pakistan, the Provincial Governors and the Chiefs of Staff, Pakistan Armed Forces to occupy free of rent as a place of residence any premises provided by the Government.
- (52) The perquisite represented by free conveyance provided and the sumptuary (entertainment) allowance granted by Government to Provincial Governors, the Chiefs of Staff, Pakistan Armed Forces and the Corps Commanders.
- (53) The following perquisites and allowances provided or granted by Government to the Ministers of the Federal Government, namely:-
- (a) Rent-free accommodation in so far as the value thereof exceeds ten per cent of the basic salary of the Ministers concerned;

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- (b) house-rent allowance paid by Government in lieu of rent-free accommodation in so far as it exceeds five hundred and fifty rupees per month;
 - (c) Free conveyance; and
 - (d) Sumptuary allowance.

(53A) The following perquisites received by an employee by virtue of his employment, namely:—

- (i) Free or concessional passage provided by transporters including airlines to its employees (including the members of their household and dependents);
- (ii) Free or subsidized food provided by hotels and restaurants to its employees during duty hours;
- (iii) Free or subsidized education provided by an educational institution to the children of its employees;
- (iv) Free or subsidized medical treatment provided by a hospital or a clinic to its employees; and
- (v) Any other perquisite or benefit for which the employer does not have to bear any marginal cost, as notified by the Central Board of Revenue.

(55) The perquisites represented by the right of a judge of the Supreme Court of Pakistan or of a judge of High Court to occupy free of rent as a place of residence any premises provided by Federal or Provincial Government, as the case may be, or in case a judge chooses to reside in a house not provided by Government, so much of income which represents the sum paid to him as house rent allowance.

(56) The following perquisites, benefits and allowances received by a Judge of Supreme Court of Pakistan and Judge of High Court, shall be exempt from tax.

- (1)
 - (a) Perquisites and benefits derived from use of official car maintained at Government expenses.
 - (b) Superior judicial allowance payable to a Judge of supreme Court of Pakistan and Judge of a High Court.
 - (c) Transfer allowance payable to a Judge of High Court.
- (2) The following perquisites of the Judge of Supreme Court of Pakistan and Judge of High Court shall also be exempt from tax during service, and on or after retirement.
 - (a) The services of a driver and an orderly.
 - (b) 1000 (one thousand) free local telephone calls per month.
 - (c) 1000 units of electricity as well as (25 hm³ of gas) per month and free supply of water; and
 - (d) 200 litres of petrol per month.
- (3) If during service, a judge dies, exemption from tax in respect of benefits and perquisites provided to widow as mentioned in sub-clause (2) shall also be available to the widow.

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- (57) (1) Any income from voluntary contributions, house property and investments in securities of the Federal Government derived by the following, namely: -
- (i) National Investment (Unit) Trust of Pakistan established by the National Investment Trust Limited, if not less than ninety per cent of its Units at the end of that year are held by the public and not less than ninety per cent of its income of the year is distributed among the Unit-holders;
 - (ii) any Mutual Fund approved by the Securities and Exchange Commission of Pakistan and set up by the Investment Corporation of Pakistan, if not less than ninety per cent of its Certificates at the end of that year are held by the public and not less than ninety per cent of its income of that year is distributed among the Certificate-holders; and
 - (iii) Sheikh Sultan Trust, Karachi.
- (2) Any income derived by any Mutual Fund, investment company, or a collective investment scheme approved by the Securities and Exchange Commission or the National Investment (Unit) Trust of Pakistan established by the National Investment Trust Limited from any instrument of redeemable capital as defined in the Companies Ordinance, 1984 (XLVII of 1984), if not less than ninety per cent of its income of that year is distributed amongst the Unit-holders.
- (3) Any income of the following funds and institutions, namely: -
- (i) A provident fund to which the Provident Funds Act, 1925 (XIX of 1925), applies;
 - (ii) Trustees on behalf of a recognized provident fund or an approved superannuation fund or an approved gratuity fund;
 - (iii) A benevolent fund or group insurance scheme approved by the Central Board of Revenue for the purposes of this clause;
 - (iv) Service Fund;
 - (v) Employees Old Age Benefits Institution established under the Employees Old Age Benefit Act, 1976 (XIV of 1976);
 - (vi) Any Unit, Station or Regimental Institute; and any recognized Regimental Thrift and Savings Fund, the assets of which consist solely of deposits made by members and profits earned by investment thereof;
 - (vii) a Pension Fund approved by the Securities and Exchange Commission of Pakistan under the Voluntary Pension System Rules, 2005;
 - (viii) Any profit or gain or benefit derived by a pension fund manager from a pension Fund approved under the Voluntary Pension System Rules, 2005, on redemption of the seed capital invested in pension fund as specified in the Voluntary Pension System Rules, 2005.

Explanation. - For the purpose of this clause, "Service Fund" means a fund which is established under the authority or with the approval of the Federal Government for the purpose of -

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- (a) Securing deferred annuities to the subscribers of payment to them in the event of their leaving the service in which they are employed; or
 - (b) Making provision for their wives or children after their death; or
 - (c) Making payment to their estate or their nominees upon their death.

(58) (1) Any income of a trust or welfare institution or non-profit organization specified in sub-clauses (2) and (3) from donations, voluntary contributions, subscriptions, house property, investments in the securities of the Federal Government and so much of the income chargeable under the head "Income from business " as is expended in Pakistan for the purposes of carrying out welfare activities:

Provided that in the case of income under the head "Income from business", the exemption in respect of income under the said head shall not exceed an amount which bears to the income under the said head the same proportion as the said amount bears to the aggregate of the incomes from the aforesaid sources of income.

- (2) A trust administered under a scheme approved by the Federal Government in this behalf and established in Pakistan exclusively for the purposes of carrying out such activities as are for the benefit and welfare of-
 - (i) Ex-servicemen and serving personnel, including civilian employees of the Armed Forces, and their dependents; or
 - (ii) ex-employees and serving personnel of the Federal Government or a Provincial Government and their dependents, where the said trust is administered by a committee nominated by the Federal Government or, as the case may be, a Provincial Government.
- (3) A trust or welfare institution or non-profit organization approved by the Central Board of Revenue for the purposes of this sub-clause.

(59) Any income which is derived from investments in securities of the Federal Government, profit on debt from scheduled banks, grant received from Federal Government or Provincial Government or District Governments, foreign grants and house property held under trust or other legal obligations wholly, or in part only, for religious or charitable purposes and is actually applied or finally set apart for application thereto:

Provided that nothing in this clause shall apply to so much of the income as is not expended within Pakistan:

Provided further that if any sum out of the amount so set apart is expended outside Pakistan, it shall be included in the total income of the tax year in which it is so expended or of the year in which it was set apart, whichever is the greater, and the provisions of section 122 shall not apply to any assessment made or to be made in pursuance of this proviso.

Explanation. - Notwithstanding anything contained in the Mussalman Wakf Validating Act, 1913 (VI of 1913), or any other law for the time being in force or in the instrument relating to the trust or the institution, if any amount is set apart, expended or disbursed for the maintenance and support wholly or partially of the family, children or descendents of the author of the trust or the donor or, the maker of the institution or for his own maintenance and support during his life time or payment to himself or his family,

children, relations or descendents or for the payment of his or their debts out of the income from house property dedicated, or if any expenditure is made other than for charitable purposes, in each case such expenditure, provision, setting apart, payment or disbursement shall not be deemed, for the purposes of this clause, to be for religious or charitable purposes.

(60) Any income of a religious or charitable institution derived from voluntary Contributions applicable solely to religious or charitable purposes of the institution:

Provided that nothing contained in clause (61) or this clause shall apply to the income of a private religious trust which does not ensure for the benefit of the public.

(61) Any amount paid as donation to the following institution, foundations, societies, boards, trusts and funds, namely:—

- i. Any Sports Board or institution recognised by the Federal Government for the purposes of promoting, controlling or regulating any sport or game;
- ii. Fund for Promotion of Science and Technology in Pakistan;
- iii. Fund for Retarded and Handicapped Children;
- iv. National Trust Fund for the Disabled;
- v. Fund for Development of Mazaar of Hazarat Burri Imam;
- vi. Fatimid Foundation, Karachi;
- vii. Al-Shifa Trust;
- viii. Bank of Commerce and Credit International Foundation for Advancement of Science and Technology;
- ix. Society for the Promotion of Engineering Sciences and Technology in Pakistan;
- x. President's Fund for Assistance to Palestine;
- xi. Sindh Governor's Relief Fund, 1990, for the Relief and Rehabilitation of Victims of Violence in Sindh;
- xii. Balochistan Governor's Relief Fund for the relief and rehabilitation of drought affected people of Balochistan;.
- xiii. Citizens-Police Liaison Committee, Central Reporting Cell, Sindh Governor House, Karachi;
- xiv. ICIC Foundation;
- xv. BCCI Foundation;
- xvi. National Management Foundation;
- xvii. Endowment Fund of the institutions of the Agha Khan Development Network (Pakistan listed in Schedule 1 of the Accord and Protocol, dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and Agha Khan Development Network;
- xviii. Shaheed Zulfiqar Ali Bhutto Memorial Awards Society;
- xix. Iqbal Memorial Fund;
- xx. Cancer Research Foundation of Pakistan, Lahore;
- xxi. Shaukat Khanum Memorial Trust, Lahore;
- xxii. Christian Memorial Hospital, Sialkot;
- xxiii. National Museums, National Libraries and Monuments or institutions declared to be National Heritage by the Federal Government;

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- xxiv. Mumtaz Bakhtawar Memorial Trust Hospital, Lahore;
- xxv. Kashmir Fund for Rehabilitation of Kashmir Refugees and Freedom Fighters;
- xxvi. Institutions of the Agha Khan Development Network (Pakistan) listed in Schedule 1 of the Accord and Protocol, dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and Agha Khan Development Network;
- xxvii. Azad Kashmir President's Mujahid Fund, 1972 ; National Institute of Cardiovascular Diseases, (Pakistan) Karachi; Businessmen Hospital Trust, Lahore; Premier Trust Hospital, Mardan ; Faisal Shaheed Memorial Hospital Trust, Gujranwala; Khair-un-Nisa Hospital Foundation, Lahore; Sind and Balochistan Advocates' Benevolent Fund; Rashid Minhas Memorial Hospital Fund;
- xxviii. Any relief or welfare fund established by the Federal Government;
- xxix. Mohatta Palace Gallery Trust; and
- xxx. Bagh-e-Quaid-e-Azam project, Karachi.

(62) Such portion of the total income of a taxpayer as is paid by him during the income year as donation to the Liaquat National Hospital Association, Karachi:

Provided that the amount so donated shall be included in computing the total income of the taxpayer:

Provided further that the amount by which the taxable by a taxpayer is reduced on account of the exemption under this clause shall be equal to the sum which bears the same proportion to the sum exempted from tax under this clause as the tax payable on the total income of the taxpayer bears to the said total income.

(65) Any income derived from donations made by non-official or private sector sources in Pakistan to the Waqf for Research on Islamic History, Art and Culture, Istanbul set up by the Research Centre for Islamic History, Art and Culture (IRCICA).

(66) Any income of the Institutions of the Agha Khan Development Network (Pakistan) as contained in Schedule 1 of the Accord and Protocol, dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and the Agha Khan Development Network.

(67) Any income of the Liaquat National Hospital Association, Karachi.

(68) Any income derived by-

- (i) Abdul Sattar Edhi Foundation, Karachi; and
- (ii) Bilquis Edhi Foundation, Karachi.

(69) Any income derived by Al-Shifa Trust, Rawalpindi.

(70) Any income derived by Fatimid Foundation, Karachi.

(71) Any income of Hamadard Laboratories (Waqf) Pakistan.

(71A) Any income of National Memorial Bab-e-Pakistan Trust for the assessment year commencing on or after the 1st day of July, 1994.

(72) Any profit on debt payable to a non-resident person in respect of such private loan to be utilised on such project in Pakistan as may be approved by the Federal Government for the purposes of this clause, having regard to the rate of profit and the terms of re-payment of the loan and the nature of project on which it is to be utilised.

(73) Any profit on debt payable to a non-resident person on a loan in foreign exchange against export letter of credit which is used exclusively for export of goods manufactured or processed for exports in Pakistan.

(74) Any profit on debt derived by Hub Power Company Limited on or after the first day of July, 1991, on its bank deposits or accounts with financial institution directly connected with financial transactions relating to the project operations.

(75) Any income of an agency of a foreign Government, a foreign national (company, firm or association of persons), or any other non-resident person approved by the Federal Government for the purposes of this clause, from profit on moneys borrowed under a loan agreement or in respect of foreign currency instrument approved by the Federal Government.

(76) Any profit on debt payable to a non-resident person being a foreign individual, company, firm or association of persons in respect of a foreign loan as is utilised for industrial investment in Pakistan provided that the agreement for such loan is concluded on or after the First day of February 1991, and is duly registered with the State Bank of Pakistan.

(77) Any profit derived by a non-resident person (whether a citizen of Pakistan or otherwise) in respect of the Islamic mode of financing, including istisna, morabaha, musharika

(78) Any profit on debt derived from foreign currency accounts held with authorised banks in Pakistan, or certificate of investment issued by investment banks in accordance with Foreign Currency Accounts Scheme introduced by the State Bank of Pakistan, by citizens of Pakistan and foreign nationals residing abroad, foreign association of persons, companies registered and operating abroad and foreign nationals residing in Pakistan.

(79) Any profit on debt derived from a rupee account held with a scheduled bank in Pakistan by a citizen of Pakistan residing abroad, where the deposits in the said account are made exclusively from foreign exchange remitted into the said account.

(80) Any income derived from a private foreign currency account held with an authorised bank in Pakistan, or certificate of investment issued by investment banks in accordance with the Foreign Currency Accounts Scheme introduced by the State Bank of Pakistan, by a resident individual who is a citizen of Pakistan:

Provided that the exemption under this clause shall not be available in respect of any incremental deposits made in the said accounts on or after the 16th day of December, 1999, or in respect of any accounts opened under the said scheme on or after the said date.

(81A) Notwithstanding omission of clause (81), the existing holders of Foreign Currency Bearer Certificate shall continue to have the benefit of exemption till such certificates are encashed.

(82) Any profit on Special US Dollar Bonds issued under the Special US Dollar Bonds Rules, 1998:

Provided that the exemption under this clause shall not apply to profits on the said bonds purchased by a resident person out of any incremental deposits made in the foreign currency

accounts on or after the 16th day of December, 1999, or out of new accounts opened on or after the said date.

(83) Any profit on debt derived from Pak rupees account or certificates of deposit which have been created by conversion of a foreign currency account or deposit held on the 28th day of May, 1998, with a bank authorised under the Foreign Currency Accounts Scheme of State Bank of Pakistan:

Provided that nothing contained in this clause shall apply to such Pak rupee account or certificates which are created out of foreign currency deposits which are not exempt under clause (78) and (80).

(88A) Notwithstanding omission of clause (88), the existing holders of Federal Government Securities and redeemable capital shall continue to have benefit of exemption till the maturity of the securities and redeemable capital.

(90) Any profit on debt payable by an industrial undertaking in Pakistan -

- (i) on moneys borrowed by it under a loan agreement entered into with any such financial institution in a foreign country as may be approved in this behalf by the Federal Government by a general or special order; and
- (ii) on moneys borrowed or debts incurred by it in a foreign country in respect of the purchase outside Pakistan of capital plant and machinery in any case where the loan or debt is approved by the Federal Government, having regard to its terms generally and in particular to the terms of its payment, from so much of the tax payable in respect thereof as exceeds the tax or taxes on income paid on such interest in the foreign country from which the loan emanated or in which the debt was incurred (hereinafter referred to as the `said country'):

Provided that, where the amount of such tax or taxes paid in the said country exceeds the amount of the tax payable in Pakistan, no refund of the amount paid in excess shall be allowed:

Provided further that, where the said country exempts such interest or allows credit against its own tax for the tax which would have been payable in Pakistan if the said interest were liable to tax in Pakistan, no tax shall be payable in Pakistan in respect of such interest.

(91) Any income of a text-book board of a Province established under any law for the time being in force, accruing or arising from the date of its establishment.

(92) Any income of any university or other educational institution established solely for educational purposes and not for purposes of profit.

(93) Profits and gains derived by a taxpayer from the running of any computer training institution or computer training scheme, recognized by a Board of Education or a University or the University Grant Commission, as the case may be, set up between the first day of July, 1997, and the thirtieth day of June, 2005, both days inclusive, for a period of five years beginning with the month in which such institution is set up:

Provided that a computer training institution or computer training scheme approved by the Central Board of Revenue before the first day of July, 2000 shall continue to avail exemption under this clause till the expiry of the specified period.

(93A) Profits and gains derived by a taxpayer from the running of any vocational institute or

technical institute or poly-technical institute, recognized by a Board of Technical Education or a university or any other authority appointed in this behalf by the Federal Government or a Provincial Government, as the case may be, set up between the first day of July, 2004, and the thirtieth day of June, 2008, both days inclusive, for a period of five years beginning from the tax year in which such institution is recognized.

(95) Any income derived by the Pakistan Council of Scientific and Industrial Research.

(96) Any income derived by the Institution of Engineers, Pakistan, Lahore.

(97) Income of Pakistan Agricultural Research Council, Islamabad.

(98) Any income derived by any Board or other organization established in Pakistan for the purposes of controlling, regulating or encouraging major games and sports recognised by Government.

(99) Any income derived by a mutual fund or an investment company registered under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 , or a unit trust scheme constituted by an assets management company registered under the Assets Management Companies Rules, 1995, if not less than ninety percent of its accounting income of that year, as reduced by capital gains whether realized or unrealized, is distributed amongst the unit or certificate holders or shareholders as the case may be:

Explanation. For the purpose of this clause the expressing “accounting income” means income calculated under the Generally accepted Accounting Principles and verified by the auditors.”.

(100) Any income, not being income from trading activity, of a modaraba registered under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), for any assessment year commencing on or after the first day of July, 1999

Provided that not less than ninety per cent of its total profits in the year as reduced by the amount transferred to a mandatory reserve, as required under the provisions of the said Ordinance or the rules made thereunder, as are distributed amongst the shareholders:

Provided further that with effect from the first day of July, 1999 for the purpose of determining the distribution of ninety per cent profits, the profits distributed through bonus certificates or shares to the certificate holders shall not be taken into account.

(101) Profits and gains derived between the first day of July,2000 and the thirtieth day of June, 2007 both days inclusive, by a venture capital company and venture capital fund registered under Venture Capital Companies and Funds Management Rules, 2000.

(102) Any dividend received by the Investment Corporation of Pakistan from any other company which has paid or will pay tax in respect of the profits out of which such dividends are paid.

(103) Any distribution received by a taxpayer from the National Investment (Unit) Trust or a collective Investment Scheme authorized or registered under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 out of the capital gains of the said Trust or Fund on which tax has already been paid.

(104) Any income derived by the Libyan Arab Foreign Investment Company being dividend of the Pak-Libya Holding Company.

(105) Any income derived by the Government of Kingdom of Saudi Arabia being dividend of the Saudi-Pak Industrial and Agricultural Investment Company Limited.

(106) Any income derived by the Pakistan Water and Power Development Authority, established under the Pakistan Water and Power Development Authority Act, 1958 (West Pakistan Act. No. XXXI of 1958).

(106A) Any income derived by the corporatized entities of Pakistan Water and Power Development Authority from the date of their creation upto the date of completion of the process of corporatization i.e. till the tariff is notified.

(107) Any income derived by any subsidiary of the Islamic Development Bank wholly owned by it and set up in Pakistan and engaged in owning and leasing of tankers.

(110) Any income chargeable under the head "capital gains", being income from the sale of modaraba certificates or any instrument of redeemable capital as defined in the Companies Ordinance, 1984 (XLVII of 1984), listed on any stock exchange in Pakistan or shares of a public company (as defined in sub-section (47) of section 2) and the Pakistan Telecommunications Corporation vouchers issued by the Government of Pakistan, derived by a taxpayer upto tax year ending on the thirtieth day of June, 2007.

(111) Any income chargeable under the head "capital gains", being income from the sale of shares of a public company derived by any foreign institutional investor as is approved by the Federal Government for the purpose of this clause.

(113) Any income chargeable under the head "capital gains", being income from the sale of shares of a public company set up in any Special Industrial Zone referred to in clause (126) of this Schedule, derived by a person for a period of five years from the date of commencement of its commercial production:

Provided that the exemption under this clause shall not be available to a person from the sale of shares of such companies which are not eligible for exemption from tax under clause (126).

(114) Any income chargeable under the head "capital gains" derived by a person from an industrial undertaking set up in an area declared by the Federal Government to be a "Zone" within the meaning of the Export Processing Zones Authority Ordinance, 1980 (IV of 1980).

(117) Any income derived by a person from plying of any vehicle registered in the territories of Azad Jammu and Kashmir, excluding income arising from the operation of such vehicle in Pakistan to a person who is resident in Pakistan and non-resident in those territories.

(120) (1) Profits and gains derived by a taxpayer from an industrial undertaking for a period of five years from the date of commencement of commercial production.

(2) The exemption under this clause shall apply to an undertaking which is-

- (a) Set up between the first day of July, 1994, and the thirtieth day of June, 2000, both days inclusive;
- (b) owned and managed by a company formed exclusively for operating the said industrial undertaking engaged in fruit processing and registered under the Companies Ordinance, 1984 (XLVII of 1984), and having its registered office in Pakistan; and

-
- (c) Is not formed by splitting up or the reconstruction or reconstitution of business already in existence or by transfer to a new business of any machinery or plant in Pakistan at any time before the commencement of the new business.

- (126)** (1) Profits and gains derived by a taxpayer from an industrial undertaking set up between the first day of July, 1995, and the 31st day of December, 2002, both days inclusive, for a period of ten years beginning with the month in which the undertaking is set up or commercial production is commenced, whichever is the later:

Provided that the exemption under this clause shall not be available after the 31st January, 1996, except to such taxpayers, otherwise qualifying under this clause, who have established letters of credit for the import of plant and machinery for such industrial undertaking by the 31st January, 1996:

Provided further that the extension in deadline from the 30th June, 1999, to the 31st December, 2002, shall not apply to those projects whose cases are *sub judice* and that the Federal Government shall decide such cases in accordance with the verdict of the apex Court.

- (2) The exemption under this clause shall apply to an industrial undertaking which fulfils the following conditions, namely :-

- (a) That it is set up in such area as may be notified by the Federal Government to be a Special Industrial Zone;
- (b) That it is not formed by the splitting up, or the reconstruction or reconstitution of a business already in existence or by transfer to a new business of any machinery or plant used in a business which was being carried on in Pakistan at any time before the commencement of the new business ;
- (c) That it is owned and managed by a company formed exclusively for operating such industrial undertaking and registered under the Companies Ordinance, 1984 (XLVII of 1984), having its registered office in Pakistan ; and
- (d) That it is not engaged in the manufacture of arms and ammunition, security printing, currency and mint, high explosives, radioactive substances, alcohol (except industrial alcohol), cotton ginning, spinning (except as part of integrated textile unit), sugar manufacturing (white), flour milling, steel re-rolling and furnace, Tobacco industry, ghee or vegetable oil industry, plastic bags (including Polypropylene, and Polyethylene), beverages (excluding fruit juices), polyester industry, automobile assembly and cement industry.

(131) Any income-

- (a) Of company registered under the Companies Ordinance 1984 (XLVII of 1984), and having its registered office in Pakistan, as is derived by it by way of royalty, commission or fees from a foreign enterprise in consideration for the use outside Pakistan of any patent, invention, model, design, secret process or formula or similar property right, or information concerning industrial, commercial or scientific knowledge, experience or skill made available or provided to such enterprise by the company or in the consideration of technical services rendered outside Pakistan to such enterprise by the company under an agreement in this behalf, or

-
- (b) Of any other taxpayer as is derived by him, in the income year relevant to assessment year beginning with the first day of July, 1982 and any assessment year thereafter, by way of fees for technical services rendered outside Pakistan to a foreign enterprise under an agreement entered into in this behalf :-

Provided that-

- (i) Such income is received in Pakistan by or on behalf of the said company or other taxpayer, as the case may be, in accordance with the law for the time being in force for regulating payments and dealings in foreign exchange ; and
- (ii) Where any income as aforesaid is not brought into Pakistan in the year in which it is earned and tax is paid thereon, an amount equal to the tax so paid shall be deducted from the tax payable for the year in which it is brought into Pakistan and, where no tax is payable for that year or the tax payable is less than the amount to be deducted, the whole or such part of the said amount as is not deducted shall be carried forward and deducted from the tax payable for the year next following and so on.

(132) Profits and gains derived by a taxpayer from an electric power generation project set up in Pakistan on or after the 1st day of July, 1988. The exemption under this clause shall apply to such project which is-

- (a) Owned and managed by a company formed for operating the said project and registered under the Companies Ordinance, 1984 (XLVII of 1984), and having its registered office in Pakistan:
- (b) Not formed by the splitting up, or the reconstruction or reconstitution, of a business already in existence or by transfer to a new business of any machinery or plant used in a business which was being carried on in Pakistan at any time before the commencement of the new business; and
- (c) Owned by a company fifty per cent of whose shares are not held by the Federal Government or Provincial Government or a local authority or which is not controlled by the Federal Government or a Provincial Government or a local authority:

Provided that the condition laid down in sub-clause (a) shall not apply to the Hub Power Company Limited:

Provided further the exemption under this clause shall not apply to oil fired power plants setup on or after 22nd October, 2002.

(132A) Payments made on or after the first day of July, 1991, for the supply of plant, equipment and machinery to Hub Power Company Limited by a non-resident being a foreign individual, company, firm or association of persons.

(133) Income from exports of computer software or IT services or IT enabled services upto the period ending on 30th day of June, 2016.

Explanation.- For the purpose of this clause –

- (a) “IT Services” include software development, software maintenance, system

integration, web design, web development, web hosting, and network design, and

- (b) “IT enabled services” include inbound or outbound call centres, medical transcription, remote monitoring, graphics design, accounting services, HR services, telemedicine centers, data entry operations and insurance claims processing.

(133A) Any income derived by an individual from transfer of his membership rights or shares of a stock exchange in Pakistan to a company at any time between the first day of July, 2005, and the thirtieth day of June, 2006.

(135) Any amount received on encashment of Special US Dollar Bond issued under the Special US Dollar Bonds Rules, 1998.

(136) Any income of a special purpose vehicle as defined in the Asset Backed Securitization Rules, 1999 made under the Companies Ordinance, 1984 (XLVII of 1984):

Provided that, if there is any income which accrues or arises in the accounts of the special purpose vehicle, after completion of the process of the securitization, it shall be returned to the Originator as defined by the said rules within the income year next following the year in which the income has been determined and such income shall be taxable in the hands of the Originator.

(137) Income of Fugro Geodetic Limited from execution of contract with the Government of Pakistan for survey for the establishment of the Continental Shelf of Pakistan.

(138) Any income referred to in Section 3.4 (a) of the Facilitation Agreement between the President of the Islamic Republic of Pakistan and the taxpayer purchasing the Kot Addu Power Station from Pakistan Water and Power Development Authority for a period of ten years from 28th June, 1996; provided, however, that the exemption under this clause shall only be available subject to the business of the said taxpayer being restricted to owing and operating the Kot Addu power station.

- (139)** (a) The benefit represented by free provision to the employee of medical treatment or hospitalization or both by an employer or the reimbursement received by the employee of the medical charges or hospital charges or both paid by him, where such provision or reimbursement is in accordance with the terms of employment:

Provided that National Tax Number of the hospital or clinic, as the case may be, is given and the employer also certifies and attests the medical or hospital bills to which this clause applies;

(b) Any medical allowance received by an employee not exceeding ten per cent of the basic salary of the employee if free medical treatment or hospitalization or reimbursement of medical or hospitalization charges is not provided for in the terms of employment; or

(c) Any amount paid during a year by a taxpayer, being a resident individual, by way of personal expenditure on medical service to the extent of ten percent of taxable income declared in his return of income for the said tax year or thirty thousand rupees – whichever is the less:

Provided that the receipts of such expenditure bearing name, National Tax Number and

complete address of the medical practitioners are furnished alongwith his return of income.

PART II REDUCTION IN TAX RATES

Incomes or classes of income, or persons or classes of persons, enumerated below, shall be liable to tax at such rates which are less than the rates specified in the First Schedule, as are specified hereunder:

(2) Any income of persons whose profits or gains from business are computed under the Fifth Schedule to this Ordinance as is derived from letting out to other similar persons any pipeline for the purpose of carriage of petroleum shall be charged to tax at the same rate as is applicable to such persons in accordance with the provisions of the said Schedule.

(3) The tax in respect of income from services rendered or construction contracts outside Pakistan shall be charged at the rate of one per cent of the gross receipts, provided that such receipts are brought into Pakistan in foreign exchange through normal banking channel.

(5) The tax chargeable in respect of commission received by an export indenting agent or an export buying house shall be at the rate equal to the rate of tax applicable to the exporter on export of goods to which such commission relates.

(6) In the case of resident person the profit on Special US Dollar Bonds purchased out of any incremental deposits made in the existing foreign currency accounts on or after the 16th day of December, 1999, or out of new accounts opened on or after the said date, shall be liable to deduction of income tax under clause (c) of sub-section (1) of section 151 at the rate of 10 per cent of the amount of the said profit.

(9) Tax under section 148 shall be collected at rate of the 1% on import of all fibers, yarns and fabrics excluding pure cotton or its yarn or its fabrics.

(10) In the case of M/s Fauji Foundation and Army Welfare Trust, so much of the income chargeable under the head "Income from business " as is not exempt under clause (58) of Part I, shall be charged to tax at the rate of 20% of such income.

(11) In the case of a non-resident O&M Contractor payments, received in full or in part including a payment by way of an advance, for the operation and maintenance of a private sector power project and transmission line projects approved by the Federal Government shall be deemed to be the income of the said O&M Contractor and charged to tax at the rate of five per cent of such payments for a period of three years beginning with the date of commencement of company's operations which shall constitute the final discharge of tax liability by the O&M Contractor under this Ordinance in respect of the said project.

(12) In the case of consortium of M/s. STFA Construction Company of Turkey and M/s. JDN of Belgium (hereinafter referred to as the contractor) all payments received in pursuance of the contract agreement No. CEN-126/93, made with the Ormara Naval Harbour Project Board, on the fourteenth day of June, 1993, for the construction of a Naval Harbour at Ormara (including off-shore and land development works), chargeable to tax in any assessment year, shall be deemed to be the income of the contractor and charged to tax at the rate of three per cent which shall constitute final discharge of contractor's tax liability under this Ordinance.

(13) Tax under section 148 shall be collected in the case of edible oils at the rate of 3% and in the case of condemned ships imported for the purpose of breaking at the rate of 1% of the import value as increase by customs-duty and sales tax, if any, levied thereon

(13A) In respect of di-ammonium phosphate (DAP) fertilizer imported, the tax under section 148 shall be collected at the rate of 1% of its import value as increased by customs-duty and sales tax, if any, levied thereon.

(13B) In respect of goods falling under HS Code 801.1100, 801.3200, 802.1200, 802.9010, 902.4010, 902.4090, 904.1110, 907.0000, 908.1000, 3702.3100, 3705.2000, 3707.9000, 4011.2090, 50.04, 50.05, 50.06, 6301.1000, 8204.0000, 8301.1000, 8511.1000, 8525.4000, 8529.9010 and 9004.1000 of the First Schedule to the Customs Act, 1969 (IV of 1969), imported, the tax under section 148 shall be collected at the rate of 2% of its import value as increased by customs-duty and sales tax, if any, levied thereon.

(13C) In respect of edible oil purchased locally by manufacturers of cooking oil or vegetable ghee or both, the rate of income tax shall be 1% of the purchase price.

(14) Tax shall be deducted under section 154 at the rate of 0.75% from foreign exchange proceeds on account of exports of –

- (i) Rice marketed under a brand name up to fifty kilograms packs;
- (ii) Canned and bottled fish including sea-food and other food items; and
- (iii) Precious and semi-precious stones whether uncut, cut, or polished.

(15) Tax shall be deducted under section 154 at the rate of 0.75% from foreign exchange proceeds on account of exports of fish and fisheries products packed in retail packs of five hundred grams to two kilograms.

(16) In the case of a non-resident company, rate of deduction of tax under section 150 on dividends received from a company engaged exclusively in mining operations, other than petroleum, shall be 7.5 per cent of the gross amount of dividend.

(17) The rates of tax as specified in Division III of Part-I of First Schedule shall be reduced to 7.5% in case of dividends declared or distributed by purchaser of a power project privatized by WAPDA.

(18) In the case of a modaraba the rate of income tax shall be 25% of total income excluding such part of total income to which Division III of Part I of the First Schedule or section 153 or section 154 applies.

(19) In respect of tax year commencing on or after the first day of July, 2002, the rate of income tax in respect of income of amalgamated company for its different businesses shall be the same as applicable to such businesses in the relevant tax year for the tax year in which amalgamation takes place and two tax years next following.

(20) The rates of tax as specified in clause (b) of Division-III of Part-I of First Schedule shall be reduced to 7.5% in case of dividend declared or distributed on shares of a company set up for power generation.

(21) In the case of any resident person engaged in the business of shipping, a presumptive income tax shall be charged in the following manner, namely:-

- (a) ships and all floating crafts including tugs, dredgers, survey vessels and other specialized craft purchased or bare-boat chartered and flying Pakistan flag shall pay

tonnage tax of an amount equivalent to one US \$ per gross registered tonnage per annum; and

- (b) ships, vessels and all floating crafts including tugs, dredgers, survey vessels and other specialized craft not registered in Pakistan and hired under any charter other than bare-boat charter shall pay tonnage tax of an amount equivalent to fifteen US cents per tonne of gross registered tonnage per chartered voyage provided that such tax shall not exceed one US \$ per tonne of gross registered tonnage per annum:

Provided that the reduction under this clause shall not be available after the 30th June, 2020.

Explanation.- For the purpose of this clause the expression “equivalent amount” means the rupee equivalent of a US dollar according to the exchange rate prevalent on the first day of December in the case of a company and the first day of September in other cases in the relevant assessment year.”

- (22) In respect of companies getting enlisted on any stock exchange in Pakistan during the period first July, 2005 to thirtieth June, 2006, the rate of income tax shall be reduced by 1%.

PART III REDUCTION IN TAX LIABILITY

Income, or classes of income, or person or classes of person, enumerated below, shall be allowed reduction in tax liability to the extent and subject to such conditions as are specified hereunder:-

(1)

(1A) Where the taxable income, in a tax year, of a taxpayer aged 65 years or more on the first day of that tax year does not exceed 400,000 rupees, his tax liability on such income shall be reduced by 50%.

(2) In addition to the reduction specified in sub-clause (1), the tax payable by a full time teacher or a researcher, employed in a non profit education or research institution including government training and research institution duly recognized by a Board of Education or a University or the Higher Education Commission, shall be further reduced by an amount equal to 75% of the tax payable after the aforesaid reduction.

(2) The amount of tax payable, in a year in which the rupee is revalued or devalued, by a taxpayer whose profits or gains are computed in accordance with the rules contained in the Fifth Schedule to this Ordinance and who had entered with the Government into an agreement which provides for such reduction, shall be reduced to the amount that would be payable in the absence of the revaluation or devaluation of the rupee.

(3) Where any company engaged in the business of distribution of cigarette manufactured in Pakistan is required to pay minimum tax on the amount representing its turnover under section 113, the amount of tax payable under the said section shall be reduced by eighty per cent.

PART IV
EXEMPTION FROM SPECIFIC PROVISIONS

Income, or classes of income, or persons or classes of persons, enumerated below, shall be exempt from the operation of such provisions of this Ordinance, subject to such conditions and to the extent, as are specified hereunder: -

(2) In the case of losses referred to in section 57 in respect of an industrial undertaking set up in an area declared by the Federal Government to be a "Zone" within the meaning of Export Processing Zones Authority Ordinance, 1980 (IV of 1980), the period of six tax years specified in the said section shall not apply.

(3) The provisions of clause (b) of component C of the formula contained in sub-section (2) of section 61 shall not apply in case of donations made to Agha Khan Hospital and Medical College, Karachi:

(3A) The provisions of sub-sections (5) and (5A) of section 34 and section 70 shall not apply to any benefit derived by way of waiver of profit on debt or the debt itself under the State Bank of Pakistan, Banking Policy Department's Circular No.29 of 2002, dated the 15th October, 2002, to the extent not set off against the losses under Part VIII of Chapter III.

(5) The provisions of section 111 regarding un-explained income or assets shall not apply in respect of,—

- (i) Any amount of foreign exchange deposited in a private Foreign Currency account held with an authorized bank in Pakistan in accordance with the Foreign Currency Accounts Scheme introduced by the State Bank of Pakistan:

Provided that the exemption clause shall not be available in respect of any incremental deposits made on or after the 16th day of December, 1999 in such accounts held by a resident person or in respect of any amount deposited in accounts opened on or after the said date by such person.

- (ii) Any amount invested in the acquisition of Three-Years Foreign Currency Bearer Certificates issued under the Foreign Currency Bearer certificates Rules, 1997.
- (iii) Rupees withdrawn or assets created out of such withdrawal in rupees from private foreign currency accounts, or encashment of Foreign Exchange Bearer Certificates, US Dollar Bearer Certificates and Foreign Currency Bearer Certificates.”; and

(10) The provisions of section 111, Part-X and Part-XI of Chapter X shall not apply in respect of any amount invested in the purchase of Special US Dollar Bonds issued under the Special U.S. Dollar Bond Rules, 1998:

Provided that the exemption under this clause shall not be available in respect of the amount invested in the said Bonds purchased out of incremental deposits made in the existing foreign currency accounts on or after 16th day of December, 1999, or out of foreign currency accounts opened on or after the said date, or on payment of the amount referred to in sub-rule (3) of rule 5 of Special U.S. Dollar Bond Rules, 1998 after the said date.

(11) The provisions of section 113, regarding minimum tax, shall not apply to,—

-
- (i) National Investment (Unit) Trust or a collective investment scheme authorized or registered under the Non-banking Finance Companies (Establishment and Regulation) Rule, 2003, or any other company in respect of turnover representing transactions in shares, or securities listed on a registered stock exchange.
- (ii) Petroleum dealers, in so far as they relate to turnover on account of sale of petroleum and petroleum products, notwithstanding their status as a company, a registered firm or an individual, engaged in retail sale of petroleum and petroleum products through petrol pumps for the purposes of assessment of their income and determination of tax thereon:
- Provided that this exemption shall not apply to the sale of petroleum and petroleum products through petrol pumps which are directly operated or managed by companies engaged in distribution of petroleum and petroleum products.
- Explanation.**— For the removal of doubt it is declared that the companies engaged in distribution of petroleum and petroleum products other than through petrol pumps shall not be entitled to the benefits of this exemption.
- (iii) Hub Power Company Limited so far as they relate to its receipts on account of sale of electricity.
- (iv) Kot Addu Power Company Limited (KAPCO) for the period it continues to be entitled to exemption under clause (138) of Part-I of this Schedule.
- (v) Companies, qualifying for exemption under clause (132) of Part-I of this Schedule, in respect of receipts from sale of electricity.
- (vi) Provincial Governments and local authorities, qualifying for exemption under section 49 and other Government or semi-Government bodies which are otherwise exempt from income tax:
- Provided that nothing shall be construed to authorize any refund of tax already paid or the collection of any outstanding demand created under the said section.
- (vii) Pakistan Red Crescent Society.
- (viii) Special purpose, non-profit companies engaged in scrutinizing the receivables of Provincial Governments or the companies.
- (ix) Non-profit organizations approved under clause (36) of section 2 or clause (58) or included in clause (61) of Part-I of this Schedule.
- (x) A taxpayer who qualifies for exemption under clause (133) of Part-I of this Schedule, in respect of income from export of computer soft ware or IT services or IT enabled services.
- (xi) A resident person engaged in the business of shipping who qualifies for application of reduced rate of tax on tonnage basis as final tax under clause (21) of Part II of the Second Schedule
- (xii) A venture capital company and venture capital fund which is exempt under clause (101) of Part-I of this Schedule.

(xiii) A Modaraba registered under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980).

(xiv) Corporate and Industrial Restructuring Corporation (CIRC).

(xv) A Small Company as defined in section 2.”, and

(14) A company registered and authorized by the Federal Government to import gold and silver shall be liable to pay tax on import of gold at the rate of two rupees per eleven grams six hundred and sixty-four milligrams and five rupees per kilogram in the case of silver in accordance with the provisions of section 148 and such payment of tax shall be deemed to be full and final liability of tax in respect of income accruing from such import including liability of tax under section 113.

(16) The provisions of sections 113, 148, 151, 153, 155 and 156 shall not apply to the institutions of the Agha Khan Development Network (Pakistan) listed in Schedule 1 of the Accord and Protocol dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and Agha Khan Development Network:

Provided that such institutions shall continue to collect and deduct tax under section 149, 151, 152, 153, 155, 156 or 233 from others persons, wherever required thereunder:

Provided further that in respect of application of section 113, this clause shall take effect from the first day of July, 1991.

(19) The provisions of sections 113 and 151 shall not apply to non residents, (excluding local branches or subsidiaries or offices of foreign banks, companies, associations of persons or any other person operating in Pakistan), in respect of their receipts from Pak rupees denominated Government and corporate securities and redeemable capital, as defined in the Companies Ordinance, 1984 (XLVII of 1984), listed on a registered stock exchange, where the investments are made exclusively from foreign exchange remitted into Pakistan through a Special Convertible Rupee Account maintained with a bank in Pakistan.

(29) The provisions of section 148 shall not apply to goods imported by direct and indirect exporters covered under ---

(a) Sub-Chapter 4 of Chapter XII of S.R.O. 450(I)/2001 dated 18.06.2001;

(b) Sub-Chapter 6 of Chapter XII of S.R.O. 450(I)/2001 dated 18.06.2001; and

(c) Sub-Chapter 7 of Chapter XII of S.R.O. 450(I)/2001 dated 18.06.2001;

(33) The provisions of sections 151 and 233 shall not apply to any person making payment to National Investment (Unit) Trust or a mutual fund established by the Investment Corporation of Pakistan or an investment company registered under the Investment Companies and Investment Advisers Rules 1971 or a unit trust scheme constituted by an Asset Management Company registered under the Asset Management Companies Rules, 1995.

(36A) The provisions of clause (a) of sub-section (1) of section 151 shall not apply in respect of any amount paid as yield or profit on investment in Bahbood Savings Certificate or Pensioner’s Benefit Account.

(38) The provisions of section 151, 153 and 233 shall not apply to special purpose vehicle for

the purpose of securitization.

(38A) The provisions of sections 150, 151 and 233 shall not apply to a Venture Capital Company;

(38B) The provisions of section 150 shall not apply to the Islamic Development Bank.

(41) The provisions of sub-section (7) of section 153 shall not apply in respect of a non-resident person unless he opts for the presumptive tax regime:

Provided that a declaration of option is furnished in writing within three months of the commencement of the tax year and such declaration shall be irrevocable and shall remain in force for three years.

(42) The provisions of sub-section (6) of section 153 shall not apply in respect of payments received by a resident person for providing services by way of operation of container or chemical or oil terminal at a sea-port in Pakistan or of an infrastructure project covered by the Government's Investment Policy, 1997.

(43A) The provisions of sub-section (1) of section 153 shall not apply to payments received by a person on account of supply of petroleum product imported by the same person under the Government of Pakistan's deregulation policy of POL products;

(45) The provisions of sub-section (1) of section 153 shall not apply to any manufacturer-cum-exporter as the prescribed person:

Provided that-

- (a) The manufacturer-cum-exporter shall deduct tax from payments made in respect of goods sold in Pakistan;
- (b) If tax has not been deducted from payments on account of supply of goods in respect of goods sold in Pakistan, the tax shall be paid by the manufacture-cum-exporter, if the sales in Pakistan are in excess of five per cent of export sales; and
- (c) Nothing contained in this clause shall apply to payments made on account of purchase of the goods in respect of which special rates of tax deduction have been specified under the provisions of the repealed Ordinance.

(46) The provisions of sub-section (1) of section 153 shall not apply to any payment received by an oil distribution company or an oil refinery for supply of its petroleum products.

(47) The provisions of sections 151 and 155 shall not apply to a person who produces a certificate from the Commissioner of Income Tax concerned to the effect that his income during the income year is exempt from tax.

(47A) The provisions of section 153 shall not apply in respect of payments received by a resident person for supply of such goods as were imported by the same person and on which tax has been paid under section 148.

(47B) The provisions of sections 150, 151 and 233 shall not apply to any person making payment to National Investment (Unit) Trust or a mutual fund established by the Investment Corporation of Pakistan or a collective investment scheme authorized or registered under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 or a modaraba or Approved Income Payment Plan constituted by a Pension Fund Manger registered under

Voluntary Pension System Rules, 2005..

(47C) The provisions of sub-section (1) of section 154 shall not apply to an exporter in respect of cooking oil or vegetable ghee exported to Afghanistan, from whom advance tax has been collected under section 148 on import of edible oil.

(52) The provisions of clause (vi) of Notification No. SRO 593(I)/91, dated the 30th June, 1991, shall not apply to any importer being an industrial undertaking engaged in the manufacture of vanaspati ghee or oil.

(56) The provisions of section 148, regarding withholding tax on imports, shall not apply in respect of;—

- (i) Goods or classes of goods imported by contractors and sub-contractors engaged in the execution of power project under the agreement between the Islamic Republic of Pakistan and Hub Power Company Limited.
- (ii) Such specially equipped motor vehicle or support equipment imported by a disabled person, as is allowed by the Federal Government.
- (iii) Such goods imported into Pakistan as are exempt from customs duties and sales tax under Headings 9913, 9914 and 9915 of Sub-Chapter III of Chapter 99 of First Schedule the Customs Act, 1969 (IV of 1969).
- (iv) Goods imported by direct and indirect exporters covered under -
 - (a) Sub-Chapter 4 of Chapter XII of S.R.O. 450(I)/2001 dated 18.06.2001;
 - (b) Sub-Chapter 6 of Chapter XII of S.R.O. 450(I)/2001 dated 18.06.2001; and
 - (c) Sub-Chapter 7 of Chapter XII of S.R.O. 450(I)/2001 dated 18.06.2001;
- (v) Goods specified under Heading 9929, Sub-Chapter VIII of Chapter 99 of the First Schedule to the Customs Act, 1969 (IV of 1969).
- (vi) Such mobile telephone sets as are exempt from custom duty and are charged to sales tax in the manner prescribed in the Notification No. S.R.O. 390(I)/2001 dated the 18th June, 2001.
- (vii) plant, machinery and equipment imported as are subject to 5% rate of customs-duty under Chapter 84 of the First Schedule to the Customs Act, 1969 (IV of 1969), or are exempt from customs-duty or subject to a lower rate of customs-duty under relevant Customs notifications.
- (viii) Agricultural tractors imported in CBU condition.
- (ix) An indirect exporter as defined in the Duty and Tax Remission for Export Rules, 2001 issued under Notification No. S.R.O. 85(I)/2001, dated the 21st March 2001.
- (x) Wheat imported by Trading Corporation of Pakistan in pursuance of Economic Coordination Committee of the Cabinet's Decision No.ECC.67/5/2004 dated the 2nd July, 2004.
- (xi) Sugar imported in pursuance of Economic Coordination Committee of the Cabinet's decision No. ECC 16/2/2005 dated 08.02.2005.

(xii) Import of the following items, namely:–

- a. onions;
- b. potatoes;
- c. tomatoes;
- d. garlic;
- e. *halal* meat of–
 - (1) (i) goat; and
 - (ii) sheep; and
 - (2) Beef; and
- f. Live animals (bovine animals i.e. buffalos, cows, sheep, goats and camels only).”.

(57) The provisions of sections 148 and 153 shall not apply to companies operating Trading Houses which–

- (i) Have paid up capital of exceeding Rs.250 million;
- (ii) Own fixed assets exceeding Rs.300 million at the close of the Tax Year;
- (iii) Maintain computerized records of imports and sales of goods;
- (iv) Maintain a system for issuance of 100% cash receipts on sales;
- (iv) Present accounts for tax audit every year; and
- (v) Is registered with Sales Tax Department:

Provided that the exemption under this clause shall not be available if any of the aforementioned conditions are not fulfilled for a tax year.

(58) The provisions of section 205 shall not apply to telecom companies for default of not collecting withholding tax under section 236 (1)(b) on sale of prepaid cards during tax year 2004, if the amount not collected is deposited within three months:

Provided that nothing contained in this clause shall apply to the amounts collected under section 236(1)(b), but not deposited in the Treasury.

(59) The provisions of section 151, regarding withholding tax on profit on debt, shall not apply ;

- (i) In respect of profit or interest paid on a Term Finance Certificate held by a company which has been issued on, or after, the first day of July, 1999;
- (ii) To any payment made by way profit or interest to any person on Term Finance Certificates being the instruments of redeemable capital under the Companies Ordinance, 1984 (XLVII of 1984), issued by Prime Minister’s Housing Development Company (Pvt) Limited (PHDCL);
- (iii) To Pak rupee accounts or certificates referred to in clause (83) of Part-I of this Schedule; and

-
- (iv) In the case of any resident individual, no tax shall be deducted from income or profits paid on,-
- (a) Defence Savings Certificates, Special Savings Certificates, Savings Accounts or Post Office Savings Accounts, or Term Finance Certificates (TFCs), where such deposit does not exceed one hundred and fifty thousand rupees; and
 - (b) Investment in monthly income Savings Accounts Scheme of Directorate of National Savings, where monthly instalment in an account does not exceed one thousand rupees.

THE PROPOSED THIRD SCHEDULE

PART I DEPRECIATION

(See Section 22)

Depreciation rates specified for the purposes of section 22 shall be,—

I.	Building (all types).	10%
II.	Furniture (including fittings) and machinery and plant (not otherwise specified), Motor vehicles (all types), ships, technical or professional books.	15%
III.	Computer hardware including printer, monitor and allied items, aircrafts and aero engines.	30%
IV.	In case of mineral oil concerns the income of which is liable to be computed in accordance with the rules in Part-I of the Fifth Schedule.	
	(a) Below ground installations	100%
	(b) Offshore platform and production Installation.”	20%

PART II INITIAL ALLOWANCE

(See Section 23)

The rate of initial allowance under section 23 shall be 50%.

PART III PRE-COMMENCEMENT EXPENDITURE

(See Section 25)

The rate of amortisation of pre-commencement expenditure under section 25 shall be 20%.

SALES TAX ACT, 1990

The Clause 7(1) (a) to Clause 7(33) seeks to insert, amend, substitute, and omit section, sub section, clauses and schedule of the Sales Tax Act 1990. Clause wise details along with commentary thereon are as under:

- **ARREAR** **SECTION 2(2A)**
The Clause 7(1) (a) of the Bill seeks to substitute the words “additional tax” with the words “default surcharge”.

Under the existing definition of arrear, it includes un paid amount of tax, additional tax, extra amount of tax, fines, penalties, fees or any other sums, however described as have been assessed, adjudged or demanded under this Act.

The word “additional tax” employed in the definition of arrear is proposed to be substituted with the word “default surcharge” which has been separately defined by inserting new sub section (6B) of Section 2.

- **DEFAULT SURCHARGE** **SECTION 2(6B)**
The Clause 7(1) (b) of the Bill seeks to define the words “default surcharge” by inserting a new clause (6B) after Clause (6A) defining the word “defaulter”.

The word “default surcharge” has been defined as surcharge payable by the defaulter at the rate specified in Section 34 of the Sales Tax Act 1990.

In view of the above definition the word “additional tax” wherever used in the statute has been replaced by the word “default surcharge”

- **RETAIL PRICE** **SECTION 2(27)**
The Clause 7(1) (c) of the Bill seeks to omit the words “or the importer from the definition of retail price”. The word “or the importer” was inserted by the Finance Act 2003, and now has been omitted. The original definition of retail price fixed by the manufacturer is restored through the proposed amendment.

After the proposed amendment the retail price shall mean the price fixed by the manufacturer only, inclusive of charges and taxes specified therein.

- **TAX** **SECTION 2(34)**
The Clause 7(1) (d) (i) of the Bill seeks to omit the redundant provision of law relating to enlistment therefore, the word “enlistment tax” has been abolished from the definition of tax.

- **TAX FRAUD** **SECTION 2(37)**
The Clause 7(1) (e) of the Bill seeks to add a new sub clause in the definition of tax fraud after the sub clause (ii) of section 2(37) relating to tax fraud namely “falsifying” the sales tax invoices. Under the existing definition of “tax fraud” falsifying the sales tax invoice was not included therein and by including such falsified invoices in the definition of tax fraud the scope of tax fraud has been enlarged.

- **RETAIL TAX** **SECTION 3AA**
The Clause 7(2) (a) of the Bill seeks to add a new provision to sub section (1) of the section 3AA, whereby the Federal Government is conferred with the power to regulate the rate or rates

of Sales Tax in case of goods or classes of goods imported into or produced or any taxable supply made by the registered retailer or class of registered retailers through notification in the official Gazette.

Under the existing provision of section 3AA, retail tax was chargeable at the rate of 15% specified in section 3 of the Act. In pursuant of the proposed amendment the Federal Government through notification in official gazette may change the retail tax rate up ward or down ward and impose such conditions or restrictions as it may deem fit for the purpose of charge, collection and manner of payment of such tax.

Clause 7(2)(b) of the Bill seeks to omit sub section (4) of section 3AA, whereby the retailer not liable to pay tax could opted for paying sales tax under this section after voluntarily registration under section 14 as prescribed. The proposed amendment has abolished the above said option.

- **CHANGE IN RATE OF TAX**

SECTION 5(D)

The Clause 7(3) (a) of the Bill seeks to make an editorial correction by substituting the words “the goods declaration” in place of the words “Bill of entry”

The identical editorial correction has also been made in sub clause (2) of sub section (b) of section 5 of the Sales Tax Act 1990.

- **DETERMINATION OF TAXABLE LIABILITY**

SECTION 7

The Clause 7(4) of the Bill seeks to substitute the word “three” with the word “twelve” in the proviso to sub section (1) of section 7 of the Sales Tax Act 1990.

Under the existing proviso to sub section (1) of section 7 of the Act the registered person is entitled to adjust input tax paid on the purchases in the immediate “three” preceding tax periods from the output subject to the condition specified therein.

It is proposed that the period of “three” months originally stipulated for adjustment of input tax is extended to “twelve” months.

The amendment is beneficial in nature and in consonance with the period specified in section 66 of the Act relating to claim of input tax or refund therein.

- **EXCESS AMOUNT TO BE REFUNDED**

SECTION 10

The Clause 7(5) (a) of the Bill seeks to amend the heading of section 10 by omitting the words “carry forward” used therein.

The Clause 7(5) (b) (i) of the Bill seeks to amend the existing sub section (1) of the section 10 by substituting the words “carried forward by the register manufacturer, importer, wholesaler or retailer to the next tax period and shall be treated as input for that tax period” with the words “refunded to the registered person”.

The effect of the proposed amendment is that the registered person shall be entitled to refund the excess of input tax over the output tax and the concept of carry forward of excess output tax over input tax is dispensed with. However, such refund to the registered person shall be regulated through notification in the official gazette by the Board.

The Clause 7(5) (b)(iii) of the Bill seeks to omit the second proviso to sub section (1) of section 10 relating to refund of tax charged on the acquisition of plant and machinery, components and parts to the registered person specified therein.

The implication of the proposed deletion of second proviso to sub section (1) of section 10 could be that the registered person shall not be entitled to refund of sales tax charged on the acquisition of plant and machinery and component and spare parts thereof.

- **ASSESSMENT OF TAX**

SECTION 11

The Clause 7(6) (a) and (b) of the Bill seeks to substitute the words “additional tax” with the words “default surcharge” occurring twice in sub section (1) and (2) of section 11 relating to assessment of tax.

- **SHORT PAID AMOUNT RECOVERABLE WITHOUT NOTICE**

SECTION 11(A)

Two amendments have been made in section 11 of the Act which is of an editorial correction and consequential in nature, given as under:

- a) The words “or enrolled shall be omitted”. This amendment is an editorial correction.
- b) The words “additional tax” is substituted with the words “default surcharge”.

- **DE-REGISTRATION, BLACK LISTING AND SUSPENSION OF REGISTRATION**

SECTION 21

The Clause 7(d)(a) of the Bill seeks to omit the words “evaded tax” used in sub section (2) of section 21 of the Act.

Under the existing provision of sub section 2 of section 21, where the Collector is satisfied that the registered person is found to have issued fake invoices, evaded tax or has committed tax fraud, he may black list such person or may suspend his registration in accordance with the prescribed procedure.

After the proposed amendment the power vested with the Collector regarding suspension of registration or declaring black list the registered person evading tax, has been dispensed with.

The Clause 7(8) (b) of the Bill seeks to insert the word “otherwise” after the word “has” employed in sub section (2) of section 21 of the Sales Tax Act 1990.

- **RECORD**

SECTION 22

The Clause 7(9) (a) of the Bill seeks to rationalize the existing provision of the sub section (1) of the section 22 of the Sales Tax Act 1990, by inserting the word “imported” after the word “purchased”.

The Clause 7(9) (b) of the Bill seeks to insert the new provision of law regarding record of goods imported showing description quantity and value of goods and tax paid thereon.

Under the existing provision of law there was no explicit provision for maintaining the record of goods imported, showing their description, quantity, value and tax paid thereon.

The proposed amendment by including the record of import therein has enlarged the scope of the record of purchases.

The Clause 7(9) (c) of the Bill seeks to relettered the existing sub clauses (d) and (e) of sub section (1) of section 22, as (e) and (f) respectively in consequence of insertion of aforesaid clause relating to import.

The Clause 7(9) (d) of the Bill seeks to omit the words “turnover tax” or which is a redundant provision of law in the proviso to sub section (1) of section 22 of the Sales Tax Act 1990.

- **TAX INVOICES**

SECTION 23

The Clause 7(10) of the Bill seeks to insert after sub section (2) a new sub section (3) in section 23 to recognize the issuance of electronically invoice by the registered person to another registered person, to the Board as well as to the Collector as may be notified in the official gazette by the Board.

- **RETENTION OF RECORD AND DOCUMENT FOR THREE YEARS**

SECTION 24

The Clause 7(11) (a) of the Bill seeks to substitute the word “five” for the word “three” used in the heading of section 24 of the Act and the clause 7(11)(b) of the Bill seeks to substitute the word “five” for the word “three” in section 24 of the Sales Tax Act 1990.

Under the existing provision of section 24 of the act a person who is required to maintain any record or document under the act was obliged to retain such record and document for a person of five years after the end of tax period to which such record and document relate.

According to the proposed amendment the existing period of five years stipulated for retention of record and document has been curtailed to three years.

- **ACCESS TO RECORD AND DOCUMENT ETC**

SECTION 25

The Clause 7(12) of the Bill seeks to substitute the words “additional tax” with the words “default surcharge” in sub section (5) of section 25 of the Sales Tax Act 1990. This amendment is of a consequential nature.

- **MONTHLY RETURN**

SECTION 26

The Clause 7(13) of the Bill seeks to substitute the words “additional tax” with the words “defaults surcharge” occurring thrice in sub section (4) of section 26 of the Sales Tax Act 1990. This amendment is also of a consequential nature.

- **RETAIL TAX RETURN**

SECTION 26AA

The Clause 7(14) of the Bill seeks to substitute the words “additional tax” with the words “default surcharge” occurring thrice in sub section (4) of section 26AA of the Sales Tax Act 1990. It is an amendment of consequential nature.

- **APPOINTMENT OF OFFICER’S**

SECTION 30

The Clause 7(15) of the Bill seeks to substitute the word “adjudication” with the word “appeals” in clause (b) of section 30 of the Sales Tax Act 1990.

The power of Board relating to appointment of Collector of Sales Tax Adjudication has been dispensed with and the power to appoint a Collector of Sale Tax Appeals has been accorded.

The Clause 7(16) of the Bill seeks to add five new sub sections in section 30A, 30B, 30C, 30D and 30E, relating to following:

1. **Directorate General, (Intelligence and Investigation) Customs and Excise 30A**
2. **Directorate General of Inspection and Internal Audit 30B**
3. **Directorate General Training and Research 30C**
4. **Directorate General of Valuation and post clearance Audit. 30D**
5. **Power and functions of Directorate, etc. 30E**

This amendment relating to Directorate Generals and powers and functions thereof is in line with the identical enactment of new provision in the Federal Excise Act 2005 as well as in the Income Tax Ordinance 2001.

• **OFFENCES AND PENALTIES**

SECTION 33

The Clause 7(17) of the Bill seeks to substitute the existing provisions of section 33 of the Sales Tax Act relating to offences and penalties whereby, the existing provision has been reorganized with certain amendments in the quantum of penalties in a tabular form specifying the offences, penalties and section of the Act to which offence has occurred.

Moreover, the penalty prescribed therein shall be in addition to and not in derogation of any other punishment to which he may be liable to any other law. The proposed penalties schedule is as under.

(1)	(2)	(3)
1.	Where any person fails to furnish a return within the due date. such person shall pay a penalty of five thousand rupees: Provided that in case a person files a return within fifteen days of the due date, he shall pay a penalty of one hundred rupees for each day of default.	26
2.	Any person who fails to issue an invoice when required under this Act. such person shall pay a penalty of five thousand rupees or three <i>per cent</i> of the amount of the tax involved, whichever is higher.	23
3.	Any person who un-authorizedly issues an invoice in which an amount of tax is specified. such person shall pay a penalty of ten thousand rupees or five <i>per cent</i> of the amount of the tax involved, whichever is higher.	3, 7 and 23
4.	Any person who fails to notify the changes of material nature in the particulars of registration of taxable activity. such person shall pay a penalty of five thousand rupees.	14
5.	Any person who fails to deposit the amount of tax due or any part thereof in the time or manner laid down under this Act or rules or orders made thereunder. such person shall pay a penalty of ten thousand rupees or five <i>per cent</i> of the amount of the tax involved, whichever is higher: Provided that, if the amount of tax or any part thereof is paid within fifteen days from the due date, the defaulter shall pay a penalty of five hundred rupees for each day of default: Provided further that no penalty shall be imposed when any miscalculation is made for the first time during a year: Provided further that if the amount of tax	3, 6, 7 and 48

		due is not paid even after the expiry of a period of sixty days of issuance of the notice for such payments by an officer of Sales Tax, not below the rank of Assistant Collector of Sales Tax, the defaulter shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to three years, or with fine which may extend to amount equal to the amount of tax involved, or with both.	
6.	Any person who repeats erroneous calculation in the return during a year whereby amount of tax less than the actual tax due is paid.	such person shall pay a penalty of five thousand rupees or three <i>per cent</i> of the amount of the tax involved, whichever is higher.	7 and 26
7.	Any person who is required to apply for registration under this Act fails to make an application for registration before making taxable supplies.	such person shall pay a penalty of ten thousand rupees or five <i>per cent</i> of the amount of tax involved, whichever is higher: Provided that such person who is required to get himself registered under this Act, fails to get registered within sixty days of the commencement of taxable activity, he shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to three years, or with fine which may extend to an amount equal to the amount of tax involved, or with both.	14
8.	Any person who fails to maintain records required under this Act or the rules made thereunder.	such person shall pay a penalty of ten thousand rupees or five <i>per cent</i> of the amount of tax involved, whichever is higher.	22 and 24
9.	Where a registered person who, without any reasonable cause, in non compliance with the provisions of section 25,— (a) fails to produce the record on receipt of first notice; (b) fails to produce the record on receipt of second notice; and (c) fails to produce the record on receipt of third notice.	such person shall pay a penalty of five thousand rupees; such person shall pay a penalty of ten thousand rupees; and such person shall pay a penalty of fifty thousand rupees.	25
10.	Any person who fails to furnish the information required by the Board through a notification issued under sub-section (5) of section 26.	such person shall pay a penalty of ten thousand rupees.	26
11.	Any person who,—	such person shall pay a penalty of twenty	2(37) and general.

	(a) submits a false or forged document to any officer of sales tax; or	five thousand rupees or one hundred <i>per cent</i> of the amount of tax involved, whichever is higher. He shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to five years, or with fine which may extend to an amount equal to the loss of tax involved, or with both.	
	(b) destroys, alters, mutilates or falsifies the records including a sales tax invoice; or		
	(c) knowingly or fraudulently makes false statement, false declaration, false representation, false personification, gives any false information or issues or uses a document which is forged or false.		
12.	Any person who denies or obstructs the access of an authorized officer to the business premises, registered office or to any other place where records are kept, or otherwise refuses access to the stocks, accounts or records or fails to present the same when required under section 25, 38 or 38A.	such person shall pay a penalty of twenty five thousand rupees or one hundred <i>per cent</i> of the amount of tax involved, whichever is higher. He shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to three years, or with fine which may extend to an amount equal to the amount of tax involved, or with both.	25, 38 and 38A
13.	Any person who commits, causes to commit or attempts to commit the tax fraud, or abets or connives in commissioning of tax fraud.	such person shall pay a penalty of twenty five thousand rupees or one hundred <i>per cent</i> of the amount of tax involved, whichever is higher. He shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to five years, or with fine which may extend to an amount equal to the loss of tax involved, or with both.	2(37)
14.	Where any person violates any embargo placed on removal of goods in connection with recovery of tax.	such person shall pay a penalty of twenty five thousand rupees or ten <i>per cent</i> of the amount of the tax involved, whichever is higher. He shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to one year, or with fine which may extend to amount equal to the amount of tax involved, or with both.	48
15.	Any person who obstructs the authorized officer in the performance of his official duties.	such person shall pay a penalty of twenty five thousand rupees or one hundred <i>per cent</i> of the amount of tax involved, whichever is higher.	31 and general.
16.	Any person who fails to make payment in the manner prescribed under section 73 of this Act.	such person shall pay a penalty of five thousand rupees or three <i>per cent</i> of the amount of tax involved, whichever is higher.	73

17.	Any person who fails to fulfill any of the conditions, limitations or restrictions prescribed in a Notification issued under any of the provisions of this Act.	such person shall pay a penalty of five thousand rupees or three <i>per cent</i> of the amount of tax involved, whichever is higher.	71 and general.
18.	Where any officer of Sales Tax authorized to act under this Act, acts or omits or attempts to act or omit in a manner causing loss to the sales tax revenue or otherwise abets or connives in any such act.	such officer of Sales Tax shall be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to three years, or with fine which may extend to amount equal to the amount of tax involved, or with both.	General.
19.	Any person who contravenes any of the provisions of this Act for which no penalty has, specifically, been provided in this section.	such person shall pay a penalty of five thousand rupees or three <i>per cent</i> of the amount of tax involved, whichever is higher.	General.”;

• **DEFAULT SURCHARGE**

SECTION 34

The Clause 7(8) of the Bill seeks to substitute section 34 of the Act and the heading “additional tax” is replaced with the “default surcharge” and state that subject to section 11 if a register person does not pay tax due or any part thereof whether willfully or otherwise,

- a) in time or in the manner specified under this act, rules or notifications issued there under or
- b) claim a tax credit refund or makes an adjustment which is not admissible to him or
- c) incorrectly apply the rate of 0% to supply made by him

He shall in addition to tax due paid default surcharge in the following manner.

DEFAULT PERIOD	DEFAULT SURCHARGE RATE	BASIS
First six months	1% per month	Of the amount of tax due or the amount of refund erroneously made.
Seventh month and onward	1.5% per month	Of the amount of tax due or the amount of refund erroneously made.

In case of default on account of tax fraud, default surcharge shall be charged in the following manner,

DEFAULT PERIOD	DEFAULT SURCHARGE RATE	BASIS
Whole default period	2% per month	Of the amount of tax evaded or the amount of refund fraudulently claimed.

For the purpose of calculation of default surcharge sub section (a) and (b) of existing sub section (2) of section 34 has been resubstituted.

• **EXEMPTION FROM PENALTY AND ADDITIONAL TAX** **SECTION 34A**

By virtue of Clause 7(19) (a) and Clause 7(19) (b) the consequential substitution of words “default surcharge” has been incorporated in place of “additional tax” in the heading of section 34A and tax of the said section respectively.

• **RECOVERY OF TAX NOT LEVIED OR SHORT
LEVIED OR ERRONEOUSLY REFUNDED** **SECTION 36**

The Clause 7(20) (a) of the Bill seeks to amend the first proviso to sub section (3) of section 36 by omitting the word “or as the case may be collector (Adjudication)”. The proposed amendment is in line with the amendment in sub clause (b) of section 30, whereby the power of the Board relating to appointment of Collector of Sales Tax Adjudication has been dispensed with

The implication of this amendment is that the limitation period of 90 days stipulated for framing order under section 36 after issuance of show cause notice or within extended period of 90 days for the reasons to be recorded in writing fix shall be applicable to the Collector only.

The Clause 7(20) (b) of the Bill seeks to omit second proviso to sub section (3) of section 33 of the Sales Tax Act 1990, which state that where a register person is served with audit observation the period of

- (i) Five years prescribed in sub section 1; and
- (ii) Three years prescribed in sub section 2 for the issuance of show cause notice shall be treated as extended from the date of serving of audit observation to the date of issuing of show cause notice.

The omitted proviso was inserted by the Finance Act 2003 and has been omitted by the present Bill to rationalize the provision of limitation for issuance of notice and to prevent the abuse of power and not relating the limitation period with the serving of audit observations.

Moreover, the limitation period of five year prescribed for serving the notice in sub section (1) of section 36 is inconsistent with the amended period of three years in section 24 for retention of record and documents and need to me reduced accordingly.

• **POWER TO ARREST AN PROSECUTE** **SECTION 37A**

Clause 7(21) (a) of the Bill seeks to omit the sub section 3 of section 37A of the Sales Tax Act 1990 where by a person who commit a tax fraud shall be punishable with imprisonment for a term which may extend to five years or with fine which extend to any amount equal to the loss of tax involve or with both.

The consequence of this omission is that the Capital punishment prescribed therein has been dispensed with.

• **PROSECUTION AND PUNISHMENT
FOR EVASION OF TAX ETC.** **SECTION 37C**

Clause 7(22) of the Bill seeks to omit the provision of section 37C of the Sales Tax Act 1990 relating to prosecution and punishment for the evasion of tax in line with the omission of subsection 3 of section 37A, dealing with the period of imprisonment and fine on account of tax fraud.

- **SEARCH WITHOUT WARRANT**

SECTION 40A

Clause 7(23) of the Bill seeks to amend sub section 1 of section 40A of the Act by inserting the words “in his presence” after the word “made” occurring for the second time in sub section 1 of section 40A of the Act.

The implication of this amendment is that the search of the documents and things shall be made only in the presence of officer of Sales Tax not below the rank of an Assistant Collector of Sales Tax. Under the old provision search of document or things could be made without the presence of such authority.

- **POWER OF ADJUDICATION**

SECTION 45

Clause 7(24) (a) seeks to restructure and substitute the power of the Authorities.

The clause 7(24) (c) seeks to renumber the existing serial No (iv) as a (v) of the section 45 of the act 1990.

- **POWER OF THE BOARD AND COLLECTOR TO CALL FOR RECORD**

SECTION 45A

Clause 7(25) (a) seeks to amend the heading of section 45A of the Act by substituting the words “and Collector” in place of words “Collector and Collector (Adjudication)”.

The implication of the proposed amendment is that the power vested with the Collector Adjudication for calling and examining the records of the subordinate authorities and passing any order and exercising all or any of the power vested with the Board under sub section (1) of 45A has been dispensed with.

The clause 7(25) (b) seeks to substitute the existing provision of sub section 4 of section 45A where by the Collector or Collector Adjudication may in respect of any case decided by an officer subordinate to him exercise all or any of the powers of the Boards specified in subsection 1 of section 45A.

Under the proposed amendment the collector is authorized *suo moto* to call for and examine the record of ay preceding under this act or rules made there under for the purpose of satisfying himself as to the legality or propriety of any decision or order by an officer of sales tax subordinate to him and pass such order as he may deemed fit.

The implication of the above-proposed amendment is that the blanket power has been given to the Collector to investigate the record of proceedings and review the order passed by subordinate and pass any order without any period of limitation. This is very harsh amendment and may cause a abuse of power.

- **APPEALS**

SECTION 45B

Clause 7(26) (a)(i) seeks to substitute the word “including” with the words “other than” in sub section 1 of section 45b.

The implication of the proposed amendment is that the right of appeal available to the Collector of Sales Tax has been dispensed with.

Clause 7(26) (a)(ii) seeks to omit the words “below in the rank to Additional Collector” in sub section 1 of the section 45B of the Act 1990.

The consequence of this proposed amendment is that the appeal under sub section 1 of section 45B could be preferred to the Collector of Sales Tax Appeals by any person aggrieved by the decision or order passed under section 10, 11, 36, 45 or 66 by officer of Sales Tax of any rank with in a period prescribed therein.

Clause 7(26) (b) seeks to insert a new proviso to sub section 2 of section 45B whereby order is required to be passed by the Appellant Collector not later than 90 days from the date of filling of appeals or with in such extended period as a collector may for the reason to be recorded in writing fix. Provided further that such extended period shall in no case exceed 90 days.

The proviso to sub section 2 of section 45B is without consequence of non-framing order with in the limitation period under the said section. Therefore, the proposed proviso may be termed as procedural and cannot be effectively enforced. It is suggested that consequential provision should be enacted whereby the relief claimed by the registered person be deemed to be allowed and all the provisions of the Act shall be applied accordingly in case of failure of the Appellant Authority to pass order with in the prescribed period of limitation. Such proposed consequential provisions are available in sub section (5) of section 129 of Income Tax Ordinance 2001, which states that;

“Where the Commissioner (Appeals) has not made an order on an appeal before the expiration of three months from the end of the month in which the appeal was lodged, the relief sought by the appellant in the appeal shall be treated as having been given and all the provisions of this Ordinance shall have effect accordingly”

Clause 7(26) (c) seeks to amend the existing sub section 4 of section 45B of the Act whereby the colon occurring after the word “order” shall be omitted and there after the word comma and colon “and subject to such deposit, recovery of remaining amount of tax due shall be stayed for a period not exceeding from six months following the day on which 15% of the amount of the principal tax was deposited unless the case is finally decided”.

The implication of proposed amendment is that where the tax payer had paid 15% amount of principle amount of tax under sub section 4 of section 45B for preferring an appeal to the Collector of Sales Tax Appeal, the remaining amount shall be stayed for a period not exceeding six months subject to final disposal of appeal.

• **APPEAL TO APPELLATE TRIBUNAL** **SECTION 46**

Clause 7(27)(a) seeks to omit an existing sub clause (a) of sub section (1) of section 46 of the Act and the existing clause (b) and (c) shall be relettered as (a) and (b) respectively. The omission of clause (a) of sub section (1) of section 46 in consequent of amendment in the earlier section and is unnecessary in the presence of existing sub clause (b) of sub section (1) of section 46.

Clause 7(27) (b) seeks to rationalize the relettered provision of clause (a) by inserting the word “the collector under sub section 4 of section 45A or” after the word “by” used in relattered in sub clause of sub section 1 of section 46.

• **REFERENCE TO HIGH COURT** **SECTION 47**

Clause 7(28) seeks to substitute the existing section 47 relating to the appeal to the High Court with reference to the High Court. The existing section 47 was substituted by the Finance Act 1997 in place of reference to High Court; the same section has been reinstated.

The implication of the proposed amendment is that the scope of reference to the High Court is limited as compared to the scope of appeal to the High Court.

• **ALTERNATE DISPUTE RESOLUTION** **SECTION 47A**

Clause 7(29) (a) of the Bill seeks to substitute the words “additional tax” with the words “default surcharge” in clause (b) of sub section (1) of section 47A of the Sales Tax Act 1990 in line with

and the inconsequence of substitution of words “additional tax” in other provision of in section 34 definition clause and other provision with the word “default surcharge”.

Clause 7(29) (b) seeks to omit sub section (6) of section 47A of the Act.

The implication of the propose amendment is that the right of appeal of the registered person against the order of board to the Appropriate Authority, Tribunal or Court provided under the sub section (6) of section 47A dispensed with. Consequently if the Alternate Dispute Resolution is opted by the tax payer then the order of the Board shall be final and binding on him as the right of appeal has been dispensed with by the proposed amendment. However in the Income Tax Ordinance, by omitting the same sub-section, a proviso has been added to give affect for pursuing his case under normal appels procedure. Hence, taking away the right of filing appeal to Appellate Forums in he opts for ADR.

• **REFUND TO BE CLAIMED WITH IN ONE-YEAR** **SECTION 66**

Clause 7(30) seeks to add a new third proviso after the second proviso in section 66 of the Sales Tax Act 1990 where by the application or claim filed under section 66 shall be disposed of under the period of 90 days from the date of filing of such application or claim.

However no consequential provision has been provided where application or claim has not been disposed off with in the prescribed limitation. Therefore, proposed amendment may be termed as procedural and cannot be enforced effectively. It is suggested that consequential provision should be enacted whereby the application or claim by the registered person is not deposed of with in the period of limitation the relief sought shall be deemed to be allowed and all the provision of the Act shall be applied accordingly. Such proposed consequential provisions are available in sub section (5) of section 129 of Income Tax Ordinance 2001, which states that;

“Where the Commissioner (Appeals) has not made an order on an appeal before the expiration of three months from the end of the month in which the appeal was lodged, the relief sought by the appellant in the appeal shall be treated as having been given and all the provisions of this Ordinance shall have effect accordingly”

• **CERTAIN TRANSACTION NOT ADMISSIBLE** **SECTION 73**

Clause 7(31) seeks to insert a new proviso to sub section (1) of section 73 of the Act to recognize online transfer of payment as well as payment through credit cards for the purpose of section 73 subject to the condition that such transaction are verifiable from the bank statements of the respective buyers and suppliers.

By virtue of the proposed amendments the number of mode of payments provided in Section 73 has been enlarged.

THIRD SCHEDULE

Taxable supplies specified in Third Schedule are chargeable to tax @ 15% of the Retail price prominently printed or embossed on the packet or container by the manufacturer in accordance with sub clause (a) of sub section (2) of section 3 and the existing entry No. 6 has been substituted and the new entries from 7 to 17 as listed below are inserted:

Sr. No.	Description	Heading No.
6	Toilet and laundry soap	3401.1100; 3401.1900, 3401.2000
7	Detergents	3402.2000
8	Shampoo	3305.1000
9	Toothpaste	3306.1010
10	Shaving cream	3307.1000
11	Perfumery and cosmetics	Respective sub heading of 33.03 and 33.04
12	Biscuits	1905.3100 and 1905.3200
13	Confectionery	Respective sub headings of 17.04
14	Tea	Respective sub headings of 90.02
15	Powder drinks	21.06
16	Milky drinks	2106.9090
17	Footwear	Respective sub headings of 64.01, 64.02, 64.03, 64.04 and 64.05

SIXTH SCHEDULE

The Sixth Schedule relating to exempt supplies in terms of Section 13(1) of the Sales Tax Act 1990 has been substituted and reorganized in the form of Table-1 relating to imports or supplies and Table-2 relating to Local Supplies only.

The existing entry in this schedule has been reorganized in the substituted schedule and Heading Nos. of the First Schedule to the Custom Act 1969 is inserted in Column 3 in place of existing reference to Schedule of Custom Act. The proposed sixth schedule is as under.

“THE SIXTH SCHEDULE
[See section 13(1)]

Table-1 (Imports or Supplies)

Serial No.	DESCRIPTION	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
(1)	(2)	(3)
1.	Live Animals.	0101.1000, 0101.9000, 0102.1010, 0102.1020, 0102.1030, 0102.1040, 0102.1090, 0102.9010, 0102.9020, 0102.9030, 0102.9040, 0102.9090, 0104.1000, 0104.2000, 0105.1100, 0105.1200, 0105.1900, 0105.9200, 0105.9300, 0105.9900, 0106.1100, 0106.1200, 0106.1900, 0106.2000, 0106.3110, 0106.3190, 0106.3200, 0106.3900 and 0106.9000

2.	Meat of bovine animals, sheep, goat and poultry, excluding offal, whether or not fresh, frozen or otherwise, preserved.	0201.1000, 0201.2000, 0201.3000, 0202.1000, 0202.2000, 0202.3000, 0204.1000, 0204.2100, 0204.2200, 0204.2300, 0204.3000, 0204.4100, 0204.4200, 0204.4300, 0204.5000, 0207.1100, 0207.1200, 0207.1300, 0207.1400, 0207.2400, 0207.2500, 0207.2600, 0207.2700, 2007.3200, 0207.3300, 0207.3500 and 0207.3600
3.	Fish and crustaceans, whether or not fresh, frozen or otherwise preserved.	0302.1100, 0302.1200, 0302.1900, 0302.2100, 0302.2200, 0302.2300, 0302.2900, 0302.3100, 0302.3200, 0302.3300, 0302.3400, 0302.3500, 0302.3600, 0302.3900, 0302.4000, 0302.5000, 0302.6100, 0302.6200, 0302.6300, 0302.6400, 0302.6500, 0302.6600, 0302.6900, 0303.1100, 0303.1900, 0303.2100, 0303.2200, 0303.2900, 0303.3100, 0303.3200, 0303.3300, 0303.3900, 0303.4100, 0303.4200, 0303.4300, 0303.4400, 0303.4500, 0303.4600, 0303.4900, 0303.5000, 0303.6000, 0303.7100, 0303.7200, 0303.7300, 0303.7400, 0303.7500, 0303.7600, 0303.7700, 0303.7800, 0303.7900, 0304.1000, 0304.2000, 0304.9000, 0305.3000, 0305.4100, 0305.4200, 0305.4900, 0305.5100, 0305.5900, 0305.6100, 0305.6200, 0305.6300, 0305.6900, 0306.1100, 0306.1200, 0306.1300, 0306.1400, 0306.1900, 0306.2100, 0306.2200, 0306.2300, 0306.2400 and 0306.2900
4.	Fresh, liquid and dried milk without addition of sugar or any other sweetening matter whether packed or not.	0401.1000, 0401.2000, 0401.3000, 0402.1000, 0402.2100 and 0402.9100.
5.	Cream excluding those packaged and sold under brand name or trademark	0401.1000, 0401.2000, 0401.3000, 0402.1000, 0402.2100, 0402.2900, 0402.9100 and 0402.9900
6.	Plain yogurt excluding packaged or sold under trademark or brand name.	0403.1000
7.	Whey excluding packaged or sold under brand names or trademarks.	0404.1010 and 0404.1090
8.	Butter not sold under brand names or trademarks.	0405.1000
9.	Desi ghee derived from milk.	0405.9000
10.	Cheese excluding packaged or sold under brand names or trademarks.	0406.1010, 0406.2000, 0406.3000, 0406.4000 and 0406.9000
11.	Eggs including eggs for hatching.	0407.0010 and 0407.0090
12.	Live plants including bulbs and tubers, etc.	0601.1010, 0601.1090, 0601.2000, 0602.1000, 0602.2000, 0602.3000, 0602.4000, 0602.9010

		and 0602.9090
13.	Edible vegetables including roots and tubers, whether fresh, frozen or otherwise preserved (e.g. in cold storage) but excluding those bottled, canned or packaged.	0701.1000, 0701.9000, 0702.0000, 0703.1000, 0703.2000, 0703.9000, 0704.1000, 0704.2000, 0704.9000, 0705.1100, 0705.1900, 0705.2100, 0705.2900, 0706.1000, 0706.9000, 0707.0000, 0708.1000, 0708.2000, 0708.9000, 0709.1000, 0709.2000, 0709.3000, 0709.4000, 0709.5100, 0709.5200, 0709.5900, 0709.6000, 0709.7000, 0709.9000, 0710.1000, 0710.2100, 0710.2200, 0710.2900, 0710.3000, 0710.4000, 0710.8000, 0710.9000, 0712.2000, 0712.3100, 0712.3200, 0712.3300, 0712.3900 and 0712.9000.
14.	Pulses.	0713.1000, 0713.2000, 0713.3100, 0713.3200, 0713.3300, 0713.3910, 0713.3920, 0713.3990, 0713.4010, 0713.4020, 0713.5000, 0713.9010, 0713.9020 and 0713.9090.
15.	Edible fruits excluding imported fruits (except fruits imported from Afghanistan) whether fresh, frozen or otherwise preserved but excluding those bottled, canned or packaged.	0803.0000, 0804.1010, 0804.1020, 0804.2000, 0804.3000, 0804.4000, 0804.5010, 0804.5020, 0804.5030, 0805.1000, 0805.2010, 0805.2090, 0805.4000, 0805.5000, 0805.9000, 0806.1000, 0806.2000, 0807.1100, 0807.1900, 0807.2000, 0808.1000, 0808.2000, 0809.1000, 0809.2000, 0809.3000, 0809.4000, 0810.1000, 0810.2000, 0810.3000, 0810.4000, 0810.5000, 0810.6000, 0810.9010, 0810.9090, 0811.1000, 0811.2000, 0811.9000, 0813.1000, 0813.2000, 0813.3000, 0813.4010, 0813.4020 and 0813.4090.
16.	Red chillies excluding those sold in retail packing bearing brand names and trademarks.	0904.2010 and 0904.2020
17.	Ginger excluding those sold in retail packing bearing brand names and trademarks.	0910.1000
18.	Turmeric excluding those sold in retail packing bearing brand names and trademarks.	0910.3000
19.	Cereals whether or not milled, hulled, polished, packed for retail sale.	1001.1000, 1001.9000, 1002.0000, 1003.0000, 1004.0000, 1005.1000, 1005.9000, 1006.1000, 1006.2000, 1006.3010, 1006.3090, 1006.4000, 1007.0000, 1008.1000, 1008.2000, 1008.3000, 1008.9000, 1101.0010, 1101.0020, 1102.1000, 1102.2000, 1102.3000, 1102.9000, 1103.1100, 1103.1300, 1103.1900 and respective headings of 11.04
20.	Seeds, fruit and spores of a kind used for sowing.	1209.1000, 1209.2100, 1209.2200, 1209.2300, 1209.2400, 1209.2500, 1209.2600, 1209.2900, 1209.3000, 1209.9110, 1209.9120, 1209.9130, 1209.9190 and 1209.9900

21.	Cinchona bark.	1211.9000
22.	Sugar beet.	1212.9100
23.	Sugar cane.	1212.9900
24.	Edible oils and vegetable ghee, including cooking oil, on which Federal Excise Duty is charged, levied and collected as if it were a tax payable under section 3 of the Act.	1507.9000, 1508.9000, 1509.1000, 1509.9000, 1510.0000, 1511.9010, 1511.9020, 1511.9030, 1512.1900, 1513.1900, 1513.2900, 1514.1900, 1514.9900, 1515.2900, 1515.5000, 1516.2010, 1516.2020, 1517.1000, 1517.9000 and 1518.0000
25.	Milk preparations obtained by replacing one or more of the constituents of milk by another substance, whether or not packed for retail sale.	19.01
26.	Fruit juices, whether fresh, frozen or otherwise preserved but excluding those bottled, canned or packaged.	2009.1100, 2009.1200, 2009.1900, 2009.2100, 2009.2900, 2009.3100, 2009.3900, 2009.4100, 2009.4900, 2009.5000, 2009.6100, 2009.6900, 2009.7100, 2009.7900, 2009.8000 and 2009.9000
27.	Ice and waters excluding those for sale under brand names or trademarks.	2201.1010
28.	Poultry feed and its ingredients excluding soyabean meal.	2301.2090, 2306.4100, 2309.9000 and respective headings of 29.36
29.	Table salt including iodized salt excluding salt sold in retail packing bearing brand names and trademarks.	2501.0010
30.	Adult diapers used for incontinence.	4818.9000
31.	Holy Quran, complete or in parts, with or without translation; Quranic Verses recorded on any analogue or digital media; other Holy books.	4901.9910 and respective headings of 85.24
32.	Newspapers, journals, periodicals, books, etc. but excluding directories.	4901.9100, 4901.9990, 4902.1010, 4902.1090, 4902.9010, 4902.9090 and 4903.0000
33.	Currency notes, bank notes, shares, stocks and bonds.	4907.0000
34.	Bricks.	6901.0000
35.	Cement Blocks.	6810.1100
36.	Silver, in unworked condition.	7106.1000 and 7106.9100
37.	Gold, in unworked condition.	7108.1100 and 7108.1200
38.	Monetary gold.	7108.2000

39.	Incinerators of disposal of waste management, motorized sweepers and snow ploughs.	8417.8000, 8430.2000 and 8479.8990	
40.	Computer hardware including laptops, notebooks, PCs mainframe and other peripheral units and parts thereof.	8471.1000, 8471.3010, 8471.3020, 8471.3090, 8471.4110, 8471.4190, 8471.4910, 8471.4990, 8471.5000, 8471.6010, 8471.6020, 8471.6030, 8471.6040, 8471.6050, 8471.6061, 8471.6069, 8471.6071, 8471.6079, 8471.6080, 8471.6090, 8471.7010, 8471.7020, 8471.7030, 8471.7040, 8471.7050, 8471.7090, 8471.8010, 8471.8020, 8471.8030, 8471.8040, 8471.8050, 8471.8060, 8471.8090, 8471.9010, 8471.9020, 8471.9090, 8473.3010, 8473.3020, 8473.3030 and 8473.3090	
41.	Computer software.	8524.3100, 8524.3900, 8524.4000, 8524.9100, 8524.9910 and 8524.9990	
42.	Ambulances, firefighting vehicles, waste disposal trucks, brake down lorries, special purposes vehicles for the maintenance of streetlights and overhead cables.	87.02, 87.03, 8704.2200, 8704.2300, 8705.3000 and 8705.9000	
43.	Aircraft of unladen weight exceeding 8000 kgs. excluding those for recreational or pleasure purpose.	8802.3000 and 8802.4000	
44.	Ships, of gross tonnage exceeding 15 LDTs, excluding those for recreational or pleasure purpose.	Respective headings	
45.	Dextrose and saline infusion giving sets imported along with empty non-toxic bags for infusion solution, Dextrose and saline infusion giving sets, Artificial parts of the body, Intra-Ocular lenses and glucose testing equipment.	9018.3910, 9018.3920, 9021.3100, 9201.3900	and 9027.8000
46.	Goods imported by diplomats, diplomatic missions, privileged persons and privileged organizations which are covered under various Acts and, orders, rules, regulations made thereunder and agreements by the Federal Government provided that such goods are charged to zero-rate of customs duty under the Customs Act, 1969 (IV of 1969), and the conditions laid down for customs purposes are observed.	99.01, 99.02, 99.03 and 99.06	
47.	Import of articles of household and personal effects including vehicles and also the goods for donation to projects established in Pakistan imported by any of the rulers of Gulf Shaikhdoms who is in possession of residential accommodation in Pakistan and goods including vehicles by the United Arab Emirates dignitaries as are listed in column (2)	99.05	

against heading No. 99.05 in column (1) of the First Schedule to the Customs Act, 1969 (IV of 1969), for their personal use and for donation to welfare projects established in Pakistan subject to the similar conditions as are envisaged for the purposes of applying zero-rate of customs duty on such goods under the said Act.

48. Goods imported or supplied under grants-in-aid for which a specific consent has been obtained from the Central Board of Revenue; supplies and imports under agreements signed by the Government of Pakistan before the 30th June, 1996, provided the agreements contained the provision for exemption of tax at the time of signing of agreement. 99.03
49. Import of all goods received, in the event of a natural disaster or other catastrophe, as gifts and relief consignments, including goods imported for the President's Fund for Afghan Refugees, relief goods donated for Afghan Refugees, gifts for President's Fund for Assistance of Palestine and gifts received by Pakistani organizations from Church World Services or the Catholic Relief Services subject to the similar conditions as are envisaged for the purposes of applying zero-rate of customs duty under the Custom Act, 1969 (IV of 1969). 99.07, 99.08 and 99.11
50. Articles imported through post as unsolicited gifts, subject to the same conditions as are envisaged for the purposes of applying zero-rate of customs duty under the Customs Act, 1969 (IV of 1969). 99.09
51. Imported samples, subject to the same conditions as are envisaged for the purposes of applying zero-rate of customs duty under the Customs Act, 1969 (IV of 1969). 99.10
52. Goods imported by or donated to hospitals run by the Federal Government or a Provincial Government; and non-profit making educational and research institutions subject to the similar restrictions, limitations, conditions and procedures as are envisaged for the purpose of applying zero-rate of customs duty on such goods under the Customs Act, 1969 (IV of 1969). 99.13, 99.14 and 99.15

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| 53. | Import of all such gifts as are received, and such equipment for fighting tuberculosis, leprosy, AIDS and cancer and such equipment and apparatus for the rehabilitation of the deaf, the blind, crippled or mentally retarded as are purchased or otherwise secured by a charitable non-profit making institution solely for the purpose of advancing declared objectives of such institution, subject to the similar conditions as are envisaged for the purposes of applying zero-rate of customs duty under the Customs Act, 1969 (IV of 1969). | 99.12, 99.13 and 99.14 |
| 54. | Educational, scientific and cultural material imported from a country signatory to UNESCO Agreement or a country signatory to bilateral commodity exchange agreement with Pakistan, subject to the same conditions as are envisaged for the purposes of exemption under the Customs Act, 1969 (IV of 1969). | 99.15 |
| 55. | Import of replacement goods supplied free of cost in lieu of defective goods imported, subject to similar conditions as are envisaged for the purposes of applying zero-rate of customs duty under the Customs Act, 1969 (IV of 1969). | 99.16 |
| 56. | Re-importation of foreign origin goods which were temporarily exported out of Pakistan subject to similar conditions as are envisaged for the purposes of applying zero-rate of customs duty under the Customs Act, 1969 (IV of 1969). | 99.18 |
| 57. | Goods (including dry fruits imported from Afghanistan) temporarily imported into Pakistan, meant for subsequent exportation charged to zero-rate of customs duty subject to the similar restrictions, limitations, conditions and procedures as are envisaged for the purpose of applying zero-rate of customs duty on such goods under the Customs Act, 1969 (IV of 1969). | 99.19, 99.20 and 99.21 |
| 58. | Import of ship stores, subject to the procedures, conditions and restrictions as may be specified by the Collector of Customs in this behalf including those consignments of such stores that have been released without charging sales tax since the 1 st July, 1998, but excluding such consignments of ship stores as have been cleared on payment of sales tax. | 99.22 |
| 59. | Artificial kidneys, eye cornea, hemodialysis machines, hemodialyzers, A.V. fistula needles, hemodialysis fluids and powder, blood tubing tines for dialysis and reverse osmosis plants for dialysis, double lumen catheter for dialysis, catheter for renal failure patient and peritoneal dialysis solution and | 99.24 and 99.25 |
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	angioplasty equipment (balloons, catheters, wires and stents), subject to the similar conditions and procedures as are envisaged for the purposes of applying zero-rate of customs duty on these goods under the Customs Act, 1969 (IV of 1969).	
60.	Contraceptives and accessories thereof	Respective headings.
61.	Goods produced or manufactured in and exported from Pakistan which are subsequently imported in Pakistan within one year of their exportation, provided conditions of section 22 of the Customs Act, 1969 (IV of 1969), are complied with.	Respective headings.
62.	Defence stores, whether manufactured locally or imported by the Federal Government against foreign exchange allocation for defence, including trucks, trailers and vehicles falling under PCT heading 87.04 of the First Schedule to the Customs Act, 1969 (IV of 1969), specially modified for mounting defence equipments, their parts and accessories for supply to Armed Forces.	Respective headings.
63.	Personal wearing apparel and bonafide baggage imported by overseas Pakistanis and tourists, if imported under various baggage rules and is exempt from customs-duties.	Respective headings.
64.	Spare parts and equipment for aircraft and ships covered by serial number 43 and 44 above.	Respective headings.
65.	Equipment and Machinery for pilotage, salvage or towage for use in ports or airports.	Respective headings.
66.	Equipment and Machinery for air navigation.	Respective headings.
67.	Equipment and machinery used for services provided for handling of ships or aircrafts in a customs-port or customs-airport.	Respective headings.
68.	Such plant and machinery as is notified by the Federal Government in the official Gazette but if imported, these shall be entitled to exemption from sales tax on importation if these are not manufactured in Pakistan.	Respective headings.
69.	Tractors, bulldozers and combined harvesters; and CKD kits thereof imported by recognized local manufacturers as per their approved deletion programme subject to the same conditions as are envisaged for the purposes of exemption under the Customs Act, 1969 (IV of 1969).	Respective headings.

70. Import and supply of CNG Euro-2 buses, whether in Respective headings.
CBU or CKD condition.

At the rate of fifty per cent ad valorem except the goods and services specified in the First Schedule.

Manner of collection and levy of Excise duty on imported goods is similar to Custom Duty collection under Custom Act 1969 and the Board may, by notification in the official Gazette, in lieu of levying and collecting as stated earlier levy and collect duties on goods and services:

- a. on the production capacity of plants, machinery, undertakings, establishments or installations producing or manufacturing such goods; and
- b. on fixed basis, as it may deem fit, on any goods or class of goods or on any services or class of services, payable by any establishment or undertaking producing or manufacturing such goods or providing or rendering such services.

• **FILING OF RETURN AND PAYMENT OF DUTY ETC. SECTION 4**

Registered person is required to deposit/pay the duty with in 07 days of the close of the month and file monthly return with in 03 days after the payment of the duty, so the registered person has 10 days in total to discharge his liabilities.

A person may file a revised return for the correction of any bonafide error or mistake in the entries or declaration of the original return at any time after first filing of the return.

• **ZERO RATE OF DUTY AND DRAWBACK OF DUTY ETC. SECTION 5**

Export of the goods will be charged at ZERO rate and adjustment of duty is allowed on such exports along with any duty drawback notified by the Board.

• **ADJUSTMENT OF DUTIES OF EXCISE. SECTION 6**

The net liability of duty in respect of any goods in a month, shall be calculated after deducting the duty already paid on goods specified in the FIRST SCHEDULE and used directly as input goods for the manufacture or production of such goods. Sales proceeds containing excise duty should be through banking channel and includes the transactions through credit cards and the whole process of purchase and sale should be based on cash basis instead of accrual basis.

• **APPLICATION OF THE PROVISIONS OF THE SALES TAX ACT, 1990 SECTION 7**

The net liability of duty in respect of any goods and services, shall be calculated after deducting the duty already paid or payable on goods specified in the SECOND SCHEDULE and Sales proceeds containing excise duty are not required to be through banking channel including the transactions through credit cards and the whole process of purchase and sale can be based on cash basis and as well as on accrual basis.

• **DEFAULT SURCHARGE SECTION 8**

This is the penalty for late payment and the rate for the first six month default is 1% per month on the duty payable and after six months continuous default, rate is 1.5% per month upto the date of payment.

- **LIABILITY FOR PAYMENT OF DUTY** **SECTION 9**
IN THE CASE OF PRIVATE COMPANIES
OR BUSINESS ENTERPRISES OR IN
CASE OF SALE OF BUSINESS OWNERSHIP

If a company or other business enterprise closes or discontinues its business and the amount of duty is payable by the business then every person who was the owner, partner or Director of that company is personally liable for the payment of such duty.

When a sale of an ongoing business takes place then the chargeable duty is payable by the purchaser of the business.

- **APPLICABLE VALUE AND RATE OF DUTY.** **SECTION 10**

This section is *pari materia* to section 2(46) of Sales Tax Act 1990.

- **COLLECTION OF EXCESS DUTY ETC.** **SECTION 11**

This section is *pari materia* to section 3(B) of Sales Tax Act 1990.

- **DETERMINATION OF VALUE FOR** **SECTION 12**
THE PURPOSES OF DUTY

This section is *pari materia* to section 7 of Sales Tax Act 1990.

- **REGISTRATION** **SECTION 13**

Any person engaged in the production or manufacture of goods or providing or rendering services liable to duty of excise under this Act shall, unless otherwise specified, be required to obtain registration in the prescribed manner regardless of his annual Tax Act, 1990, shall not be required to take separate registration turnover or volume of sales of such goods or service. A person who is already registered under the Sales

- **RECOVERY OF UNPAID DUTY** **SECTION 14**
OR OF ERRONEOUSLY REFUNDED
DUTY OR ARREARS OF DUTY, ETC.

This section is *pari materia* to section 11 of Sales Tax Act 1990.

- **APPLICATION OF THE CUSTOMS** **SECTION 15**
ACT, 1969 (IV OF 1969) TO FEDERAL EXCISE DUTIES.

In terms of section 15 of the federal excise act 2005 the federal government is authorized to declared any or all of the provisions of custom act 1969 be adapted with such modification and alteration as notified in the official gazette in regard to like matter in respect of duties levied U/S 3 & 8 of the excise act

- **EXEMPTIONS** **SECTION 16**

All goods imported, produced or manufactured in Pakistan and services provided or rendered except such goods and services as are specified in the First Schedule shall be exempt from whole of excise duties, Provided that goods and services specified in the Third Schedule shall be exempt from duty subject to such conditions and restrictions, if any, specified therein and no adjustment in terms of section 6 shall be admissible in respect of goods exempt from duty of excise whether conditionally or otherwise.

• **RECORDS.**

SECTION 17

Every person registered for the purposes of this Act shall maintain and keep for a period of three years at his business premises or registered office in English or Urdu language the following records of goods purchased, manufactured and cleared (including those cleared without payment of excise duty) by him or by his agent acting on his behalf in such form and manner as would permit ready ascertainment of his liability of duty, namely:

- (a) records of clearances and sales made indicating the description, quantity and value of goods, name and address of the person to whom sales were made and the amount of the duty charged;
- (b) records of goods purchased showing the description, quantity and value of goods, name, address and registration number of the supplier and the amount of the duty, if any, on purchases;
- (c) records of goods cleared and sold without payment of duty;
- (d) records of invoices, bills, accounts, agreements, contracts, orders and other allied business matters;
- (e) records of production, stocks and inventory;
- (f) records of imports and exports; and
- (g) such other records as may be specified by the Board.

• **INVOICES.**

SECTION 18

A registered person shall issue the invoice having same particulars as are issued by persons registered under sales tax act 1990. However where a registered person is also engaged in making supplies taxable under the Sales Tax Act, 1990, such person shall not be required to issue a separate invoice for excise purposes and the amount of excise duty and other related information may in such cases be mentioned on the invoice issued for sales tax purposes.

OFFENCES AND PENALTIES

<i>SECTIONS OF EXCISE ACT</i>	<i>PARI MATRIA SECTION OF SALES TAX ACT, 1990</i>
<i>19. Offences, penalties, fines and allied matters</i>	<i>33</i>
<i>22. Power to arrest and prosecute</i>	<i>37 A</i>
<i>23. Power to summon persons to give evidence and produce documents in inquiries.–</i>	<i>37</i>
<i>24. Officers required to assist Federal Excise Officers</i>	<i>51 A</i>

• **APPOINTMENT OF SPECIAL JUDGES FOR TRIAL OF OFFENCES**

SECTION 20

The federal government is empower to appoint as many special judges as it consider necessary by notification in the official gazette and specify their territorial limit. The special judge appointed pursuant to this section is qualify to be special session judge

- **TRIAL OF OFFENCES BY SPECIAL JUDGE**

SECTION 21

The offence punishable under the act shall be tried by the special judge and all the cases pending in any other court shall be stand transferred to the special judge having jurisdiction over the area. The provision of CPC shall apply to the proceedings of court of special judge except those provision mentioned therein and the special judge shall be deemed to be court of session and person conducting prosecuting before the court of special judge shall be deemed a public prosecute.

SEARCHES, ARRESTS AND SEIZURES

SECTIONS OF EXCISE ACT	PARI MATRIA SECTION OF SALES TAX ACT, 1990
25. Searches and arrests how to be made	40 & 40 A

- **POWER TO SEIZE**

SECTION 26

In terms of section 26 the cigarette counterfeited or cigarette which has been unlawfully manufactured or on which duty has not been paid shall be liable to seized along with conveyance use for movement or transport of such cigarettes.

- **CONFISCATION OF CIGARETTES**

SECTION 27

The cigarette seized for the reason of counterfeiting shall be liable to out right confiscation and shall be destroyed in the manner prescribed therein. However, in case of cigarette seize on account of evasion of duty the owner shall be given an option to pay penalty and fine for release of such cigarettes in lieu of confiscation provided therein.

- **POWER TO RELEASE SEIZED CONVEYANCE**

SECTION 28

The adjudication authority is empowered to release the seized conveyance on such terms and conditions and on furnishing of guarantee from the scheduled bank valid at least for one year equal to the value of such seized conveyance during the pendency of case for adjudication. Where the cases pending before the special judge the release of conveyance is not permitted with out prior permission of the special judge.

POWERS, ADJUDICATION AND APPEALS

29. Appointment of Federal excise officers and delegation of powers	30
30. Use of powers of subordinate officer	31 & 32
31. Power of adjudication	45
32. Option to pay fine in lieu of confiscation of conveyance	
33. Appeals to Collector (Appeals).	45B
34. Appeals to the Appellate Tribunal and Reference to High Court	46 & 47
35. Powers of Board or Collector to pass certain orders	45A
36. Power to rectify mistakes in orders	57
37. Deposit, pending appeal, of duty demanded or penalty levied	Proviso to section 45B
38. Alternate Dispute Resolution	47A
39. Exclusion of time taken for copy	70

SUPPLEMENTAL PROVISIONS

<i>SECTIONS OF EXCISE ACT</i>	<i>PARI MATRIA SECTION OF SALES TAX ACT, 1990</i>
40. Power of Board to make rules	50
41. Bar of suit and limitation of suit and other legal proceedings	51
42. Observance of Board's orders, directions and instructions	72
43. Removal of difficulties and condonation of time limit etc	55 & 74
44. Refund of duty	66
45. Access to records and posting of excise staff, etc	25 & 40B
46. Departmental Audit	25
47. Service of order, decisions, etc	56
48. Repeal	

FIRST SCHEDULE
RATE OF EXCISE DUTY
[See section 3]

TABLE I
(EXCISABLE GOODS)

S.NO.	DESCRIPTION OF GOODS	HEADING/ SUB- HEADING NUMBER	RATE OF DUTY
(1)	(2)	(3)	(4)
1	Edible oils excluding epoxidized soyabean oil falling under heading 15.18.	15.07, 15.08, 15.09, 15.10, 15.11, 15.12, 15.13, 15.14, 15.15, 15.16, 15.17 and 15.18	Fifteen per cent <u>ad val.</u>
2	Vegetable ghee and cooking oil.	Respective headings	Fifteen per cent <u>ad val.</u>
3	Concentrates for aerated beverages in all forms including syrup form	2106.9010	Fifty per cent <u>ad val.</u>
4	Aerated waters	2201.1020	Twelve per cent of retail price.
5	Aerated waters, containing added sugar or other sweetening matter or flavoured	2202.1010	Twelve per cent of retail price.
6	Aerated waters if manufactured wholly from juices or pulp of indigenous vegetables, food grains or fruits and which do not contain any other ingredient, indigenous or imported, other than sugar, colouring materials, preservatives or additives in quantities prescribed under the west pakistan pure food rules, 1965	Respective headings	Ten per cent of retail price.
7	Unmanufactured tobacco.	24.01	Five rupee per kilogram.
8	Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes.	24.02	Sixty three per cent of retail price.
9	Locally produced cigarettes if their retail price exceeds thirteen rupees per ten cigarettes.	24.02	Sixty three per cent of retail price.
10	Locally produced cigarettes if their retail price exceeds five rupees and seventy-four paise per ten cigarettes but does not exceed thirteen rupees per ten cigarettes.	24.02	Two rupee and forty five paise per ten cigarettes plus sixty nine per cent per incremental

			rupee or part thereof.
11	Locally produced cigarettes if their retail price does not exceed five rupees and seventy-four per ten cigarettes.	24.02	Two rupee and forty five paisa per ten cigarettes.
12	Cigarettes manufactured by a manufacturer who remains engaged on and after the 10th june, 1994, either directly or through any other arrangement, in the manufacture of any brand of cigarette in non-tariff areas	24.02	Sixty three per cent of retail price.
13	Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinkers.	25.23	Seven hundred and fifty rupees per metric ton.
14	Motor spirit	2710.1110.	Eighty eight paisa per litre.
15	Aviation spirit	2710.1120.	Eighty eight paisa per litre.
16	Spirit type jet fuel	2710.1130	Eighty eight paisa per litre.
17	Solvent oil (non-composite)	2710.1150	Thirteen rupee per litre.
18	Other	2710.1190	Eighty eight paisa per litre.
19	J.p.1	2710.1912	Six paisa per litre.
20	Other jet fuels	2710.1919	Six paisa per litre.
21	Other fuel oils	2710.1949	One hundred eighty five rupees per metric ton.
22	lubricating oil in packs not exceeding 10 litres	2710.1951	Seven rupees and fifteen paisa per litre.
23	Lubricating oil in packs exceeding 10 litres	2710.1952	Seven rupees and fifteen paisa per litre.
24	Lubricating oil in bulk (vessels, bouzers, lorries etc)	2710.1953	Seven rupees and fifteen paisa per litre.
25	Lubricating oil if manufactured from reclaimed oils or sludge or sediment	Respective headings	Five rupee per litre.
26	Mineral greases	2710.1992	Twenty five rupees per kilogram.
27	Base lube oil	2710.1993	Seven rupees and fifteen paisa per litre.

28	Transformer oil	2710.1997	Ten percent of the retail price or seven rupees and fifteen paise per litre, whichever is higher.
29	Other mineral oils excluding sewing machine oil	2710.1999	Fifteen per cent <u>ad val.</u>
30	Waste oil	2710.9100 and 2710.9900	Ten per cent of the retail price or seven rupees and fifteen paise per litre, whichever is higher.
31	Liquified natural gas	2711.1100	Seven rupees and eighteen paise per hundred cubic metres.
32	Liquified propane	2711.1200	Seven rupees and eighteen paise per hundred cubic metres.
33	Liquified butanes	2711.1300	Seven rupees and eighteen paise per hundred cubic metres.
34	Liquified ethylene, propylene, butylenes and butadiene	2711.1400	Seven rupees and eighteen paise per hundred cubic metres.
35	Other liquefied petroleum gases and gaseous hydrocarbons	2711.1900	Seven rupees and eighteen paise per hundred cubic metres.
36	Natural gas in gaseous state	2711.2100	Five rupee and nine paise per million british thermal unit (mmbtu.).
37	Other petroleum gases in gaseous state	2711.2900	Five rupee and nine paise per million british thermal unit (mmbtu.).

38	Petroleum bitumen (bitumen and asphalt) including bituminous mixtures:	27.13, 27.14 and 27.15	
	(i) blown grade		(i) three thousand one hundred and fifty rupees per metric tonne.
	(ii) paving grade without further process.		(ii) one thousand eight hundred rupees per metric tonne.
	(iii) other		(iii) three thousand one hundred and fifty rupees per metric tonne.
39	Carbon black oil (carbon black feedstock) including residue carbon oil	2707.9910, 2713.9010 and 2713.9020	Seven rupee and fifteen paisa per litre.
40	Methyl tertiary butyle ether (mbte)	2909.1910	Eighty eight paisa per litre.
41	Flavours and concentrates for use in aerated beverages	3302.1010	Fifty per cent <u>ad val.</u>
42	Greases	3403.1910	Twenty five rupees per kilogram.
43	Organic composite solvents and thinners, not elsewhere specified or included; prepared paint or varnish removers.	3814.0000	
	(i) solvent oil (composite)		Thirteen rupee per litre.
	(ii) other (excluding thinners)		Ten per cent of retail price.

Interpretation. (1) Unless the intent appears otherwise, for the purpose of levy of duty of excise, the description of goods shall prevail upon the tariff classification. However in order for interpretation of description of any goods or verification of any characteristics of any product, the reliance shall be made on the relevant version of the Explanatory Notes to the Harmonized Commodity Description and Coding System.

(2) The rate of duty mentioned in column (4) of the above table shall also apply on the goods mentioned in column (2) thereof, if imported, or brought from non-tariff to tariff areas in case of notified goods.

TABLE II
(EXCISABLE SERVICES)

S.no	Description of services	Heading/sub-heading number	Rate of duty
(1)	(2)	(3)	(4)
1	Advertisement on closed circuit t.v.	9802.3000	Fifteen per cent of the charges.
2	Advertisements on cable t.v. network.	9802.5000	Fifteen per cent of the charges.
3	Facilities for inland travel	98.03	
	(i) travel by air	9803.1000	Fifteen per cent of the charges.
	(ii) travel by train in airconditioned sleeper class	9803.2010	Twelve and half per cent of the charges.
	(iii) travel by train in airconditioned parlour class (sitter)	9803.2020	Twelve and half per cent of the charges.
	(iv) travel by train in first class (sleeper)	9803.2030	Twelve and half per cent of the charges.
4	Inland carriage of goods by air	9804.1000	Fifteen per cent of the charges.
5	Shipping agents.	9805.1000	I) two hundred rupees per house-bill of lading issued in case of non-vessel operating common carriers (nvoc), international freight forwarders and slot carriers Ii) fifteen per cent of the charges in case of other categories of shipping agents.

6	Services provided or rendered by persons engaged in telecommunication work in respect of telephone, telegraph, telex, telefax and alike:	98.12	
	(i) telephone	9812.1000	Fifteen per cent of the charges.
	(ii) telegraph	9812.2000	Fifteen per cent of the charges.
	(iii) telex	9812.3000	Fifteen per cent of the charges.
	(iv) telefax	9812.4000	Fifteen per cent of the charges.
	(v) other	9812.9000	Fifteen per cent of the charges.

Explanation:- (1) the sub-head “other” includes the following services, namely:–

- (a) telephone cards including payphone cards and pre-paid calling cards.
- (b) wireless local loop (wll).
- (c) very small aperture terminal (vsat) services (voice based).
- (d) voice cast (voice broadcasting service).
- (e) installation of telephone connection.
- (f) shifting of telephone connection.
- (g) restoration of telephone connection.
- (h) conversion of telephone connection into subscriber turn dialing/non-subscriber telephone dialing.
- (i) provision of extension of telephone connection.
- (j) changing of telephone connection.

	(k) cost of telephone set.		
	(2) the persons or companies other than pakistan telecommunication corporation limited (ptcl), engaged in telecommunication services shall pay duty at the rate specified in column (4) on charges excluding the charges billed by ptcl.		
7	Services provided or rendered in respect of goods insurance.	9813.1010	Three per cent of the premium paid.
8	Services provided or rendered in respect of other insurance.	9813.1090	Three per cent of the premium paid
9	Services provided or rendered in respect of leasing, namely:–		Seven and half per cent of the charges.
	(i) financial leasing	9813.3010	
	(ii) commodity or equipment leasing.	9813.3020	
	(iii) hire purchase leasing .	9813.3030	
10	Services provided or rendered by banking companies in relation to:		Seven and half per cent of the charges.
	(i) letters of credit	9813.5010	
	(ii) guarantees	9813.5020	
	(iii) brokerage	9813.5030	
	(iv) foreign exchange dealings	9813.5040	

Explanation.– For the purpose of entry at serial number 9 of Table II of this Schedule, the word “charges” shall mean lease management fee, processing fee and documentation charges realized at the time of entering into the lease agreement.

SECOND SCHEDULE

(Goods on which duty is collectible under sales tax mode with entitlement for adjustment with sales tax and vice versa)

[See section 7]

S.No	Description of Goods	Heading/sub-heading number
(1)	(2)	(3)
<u>GOODS</u>		
1	Edible oil excluding epoxidized soyabean oil falling under heading 15.18.	15.07, 15.08, 15.09, 15.10, 15.11, 15.12, 15.13, 15.14, 15.15, 15.16, 15.17 and 15.18
2	Vegetable ghee and cooking oil.	Respective headings.

THIRD SCHEDULE

EXEMPTIONS

(Conditional exemptions)

[See sub-section (1) of section 16]

TABLE-I

(Goods)

S.No.	Description of goods	HEADING/ SUB- HEADING NUMBER
(1)	(2)	(3)
1	Crude vegetable oil, if obtained from the locally grown seeds excluding cooking oil, without having undergone any process other than the process of washing.	15.07, 15.08, 15.09, 15.10, 15.11, 15.12, 15.13, 15.14, 15.15, 15.16, 15.17 & 15.18
2	Non-aerated beverage concentrate if used in the manufacture of non-aerated drinks or aerated waters manufactured wholly from juices or pulp of indigenous vegetables, food grains or fruits and which do not contain any other ingredient, indigenous or imported, other than sugar, colouring materials, preservatives or additives prescribed under the West Pakistan Pure Food Rules, 1965	21.06
3	Unmanufactured tobacco or tobacco refuse if used for the purposes other than the manufacture of cigarettes, smoking mixtures for pipes and cigarettes and cigars and cheroots	24.01

4	Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes,—	24.02
	(i) If supplied to Pakistan Navy for consumption by its personnel on board its vessels	
	(ii) If made by hand in tapered shape of biris without the use of any manual or power-operated machine in any process of their manufacture	
	(iii) If supplied for consumption by the President of Pakistan, the President of Azad Jammu & Kashmir and the Governors of the Provinces, members of their families and guests provided that the cigarettes are manufactured and supplied on the specific written orders of the competent official authority and the cigarettes and their packets are special-crested for the respective privileged House.	
	(iv) If supplied against payment in foreign exchange, to M/s Duty Free Shops Ltd for sale in its Duty Free Shops and on board international flight by the Pakistan International Airlines subject to the same conditions and procedures as are applicable for the purposes of exemption of customs duty.	
5	Hydraulic cement imported or purchased locally by petroleum or energy sector companies or projects subject to the same conditions and procedures as are applicable for the purposes of exemption of customs duty.	2523.9000
6	Motor spirit,—	2710.1110
	(i) If supplied to Pakistan Navy for consumption in its vessels	
	(ii) If supplied for consumption by the International Bank for Reconstruction and Development in its official cars	
7	Lubricating oil if supplied to Pakistan Navy for consumption in its vessels	
8	Transformer oil if used in the manufacture of transformers supplied against international tenders to a project financed out of funds provided by the international loan or aid giving agencies.	Respective heading
9	Sludge and sediment recovered from storage tanks of the incoming vessels or ships meant for breaking	2710.9900
10	Natural gas if produced and used in the same field for drilling, production, pressure maintenance or in any other joint operations including flaring in the same field.	2711.2100
	Explanation For the purpose of this entry, "Joint Operations" means all marine and land activities, including gas exploration, prospection, development and production activities conducted by Working Interest Owners under a petroleum concession agreement with the Government	
11	Goods,	Respective
	(i) If donated to the President's Funds for Afghan Refugees,	headings

Assistance to Palestine and Famine Relief for Africa, provided that before making such donation the manufacturer or importer shall inform in writing to the Collector of Federal Excise or as the case may be, Collector of Customs about quantity, value and the duty involved on such goods and shall in case of imports, fulfil the conditions and comply with the procedures specified for the purposes of exemption from customs duty.

(ii) If purchased by the Cabinet Division, Government of Pakistan, for donation to a foreign country in the event of natural disasters as certified by the Emergency Relief Cell of that Division.

(iii) If supplied against international tender issued by UNICEF, UNDP, WHO, WFP, UNHCR, International Red Cross or any other relief agency, for Afghan Refugees subject to the conditions given below, namely,-

(a) payment for the supply shall be received in foreign currency, which shall be surrendered to the State Bank of Pakistan and the supplier shall receive payment in Pak rupees as per State Bank procedure and foreign exchange regulations;

(b) the goods shall be duly received by the organization which signed the contract, and a certificate to this effect shall be issued by the organization which shall be duly attested by the Chief Commissioner/ Commissioner of Afghan Refugees and will be submitted by the manufacturer to the Collector of Federal excise; and

(c) the registered person shall retain the relevant documents and certificates in record.

(iv) If supplied as ship stores to ships and aircrafts leaving for abroad subject to the satisfaction of the Collector of Customs in terms of section 24 of the Customs Act, 1969.

12 Goods imported or supplied under grants-in-aid for which a specific consent has been obtained from the Central Board of Revenue.

13 Goods if imported as bonafide baggage.

14 Goods if imported by Duty Free Shops as baggage free of custom duty, regulatory duty and sales tax under the baggage rules made under the Customs Act, 1969 (IV of 1969).

15 Any goods which are manufactured, produced in-house by a registered person and used for the manufacture and production of goods on which duty of excise is paid by such person.

EXPLANATION.— Exemption under this entry shall also be admissible on unmanufactured tobacco purchased and used after necessary treatment in the manufacture of cigarettes and other excisable tobacco products.

TABLE-II

(Services)

S.No	DESCRIPTION OF SERVICES	Heading/sub-heading number
(1)	(2)	(3)
1	Advertisements financed out of funds provided under grants-in-aid agreements.	Respective sub-heading of Heading 98.02
2	Telecommunication services: (i) Such charges as are billed by persons providing internet services and are in excess of the duty-paid charges of Pakistan Telecommunication Corporation Limited included in the bill (ii) Such charges payable on the international leased lines of the Pakistan Telecommunication Corporation Limited used by-- (a) software exporting firms registered with the Pakistan Software Export Board; and (b) data and internet service providers licensed by the Pakistan Telecommunication Authority. (iii) Such amount received by the Long Distance International license holders including Pakistan Telecommunication Company Limited on international incoming calls under agreements with the foreign telecommunication companies (iv) Pager service	Respective sub-heading of Heading 98.12
3	Marine insurance for export.	9813.1000.”,

CUSTOM ACT, 1969

- It is proposed that 5% customs duty on urea be withdrawn.
- It is proposed to reduce duty on tractors from 20% to 15%. This will provide substantive relief to growers.
- It is proposed that machinery used in Ginning industry to be exempted from customs duty. Similarly duty on presses for ginning industry is also proposed to be withdrawn.
- It is proposed that import of agricultural machinery like bulldozers, angle dozers, graders and levellers be exempted from payment of Customs duty.
- It is proposed to reduce customs duty on some raw materials, especially vitamins used in the poultry feed. Similarly poultry feed making and poultry meat processing machinery is also proposed to be exempted.
- Custom duty is proposed to be exempted or reduced on meat and other edibles.
- It is proposed to reduce the customs duty on 55 plastic goods items.
- It is proposed that raw materials for chemical, pharmaceutical, textiles, furniture, confectionery and soap industry are being exempted from duty or is being reduced.
- Raw material, components, and subcomponents to manufacture home appliances like air conditioners, TV, Washing Machines, Refrigerators. Computer Monitors, Circuit Breakers, energy saving lamps, composite doors and windows, are being proposed to be given reduction in Customs Duty.
- Machinery and equipment for setting up balancing, modernization or replacement of industry are proposed to be kept at 5% duty, and duty on their parts is being brought to the same rate.
- Duty on raw material for zinc and chrome coating is proposed to be exempted. This will also provide relief to down-stream agriculture and automobile sector segments.
- Presently, machinery and equipment used in hotel and tourism industry carries concessionary duty of 5%, while other items used in such industry are not so entitled. It is proposed that 5% customs duty also be allowed to all other items on certification by Ministry of Tourism. Besides, duty on Machinery, equipment and parts used by Aviation Industry is proposed to be exempted.
- It is proposed to rationalize tariff on CBU car imports to reduce duty slabs to only 3 slabs, i.e. 50% duty on cars upto 1500 cc engine capacity, 65% for 1501 to 1800 cc and 75% for capacity of more than 1800cc.
- Duty on tyres used in light trucks and in construction vehicles is proposed to be reduced to 20% and 10% respectively.
- Customs duty on all bicycle parts is proposed to be reduced from 35% to 25%.
- It is proposed to zero-rate duty on CKD kits of CNG and Euro-II buses. There is already no duty on CNG kits for cars. Duty on CNG dispensers is also proposed to be reduced to 10%.

-
- It is proposed to reduce duty and raw materials used in production of man made fibres.
 - It is proposed to amend law so that a tax defaulter who pays the principal amount of arrears adjudged against him before 31st July 2005 would not be required to pay the fine or penalty.
 - Last year, importers of plant and machinery for export sector were given option to import tax free machinery for which L/Cs were to be opened up to 12th June 2004. It is proposed that arrival of this machinery may be allowed up to 30th June 2005.
 - Last year the condition of pledging indemnity bonds for customs duty concession was discontinued. However, a number of previous cases are pending with the industry. To save the industry from hardship, the pending cases have been proposed to be settled without submission of installation certificates.
 - It is proposed to extend temporary importation scheme under SRO 410 up to 30th June 2006.
 - Duty collected on raw materials to manufacture carpets, textile, leather, surgical and sports goods are refunded in the shape of drawback which is a long standing problem. To remedy the situation, it is proposed to zero rate their major raw materials at import stage from Customs duty.
 - In the absence of passage of Gwadar Port Authority Bill, 2004, there is a strong need for granting exemption to infrastructure projects at Gwadar for its early completion. It is therefore, proposed that provisional exemption of customs duty may be extended to the imports meant for projects such as hotels, power generating plants and water treatment plants subject to certain conditions.
 - Importers whose warehoused goods have not been got cleared within the required time and who get them cleared by 30th June 2005 on payment of duty and taxes, the 1% penal surcharge would be waived.