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CHARTERED ACCOUNTANTS

BUDGET 2020-21

HIGHLIGHTS & COMMENTS

PRESENTED BY:

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CHARTERED ACCOUNTANTS



Foreword



We hope that this document finds you in good health. As we all find ourselves in a bit of uncertain and risky situation, our team really hopes that you are taking proper precautions and staying at home. We still advise as you our moral and social obligation to please stay at your home, avoid large gatherings and take strict measures for your and your family's safety. InshaAllah together we will beat this pandemic.

With this document, we intend to explain main features of Finance Bill 2020-21, best to our understanding. Our hope is to make our readers understand the amendments that came into force with Finance Bill 2020-21, in best and easiest way possible.

This overview consists of brief explanations of the considerable changes in the Income Tax, Sales Tax, Federal Excise and Customs Duty laws presented in the Finance Bill, 2020-21. It also puts light over the economic review and the overall highlights of the fiscal proposals.

The purpose of this overview is to generally guide and provide some guidance with the objective of keeping our clients and staff in line with the changes in purposed laws. We are not responsible for any loss occurring to any person acting or refraining from action as a result of our publications. The users are always advised to solicit professional counsel before exercising any action or interpreting any legal provisions and acting upon. The purposed amendments in the Finance Bill, 2020-21 shall take effect from July, 01, 2020 unless, otherwise, is stated in its approval by the Parliament.

We thank you all on behalf of our team for taking your time.

Your feedback is always welcomed.

Team Parker Randall Pakistan

Contents

❖ Budget at a Glance	03
❖ Economic Review	04
❖ Highlights of Important Fiscal Proposals	08
❖ Significant Amendments Proposed In Income Tax Ordinance, 2001	13
❖ Significant Amendments Proposed In Sales Tax Act, 1990	31



Budget At A Glance

2020-21

	Rs. In Billions 2020-21		Rs. In Billions 2020-21
Tax Revenue	5,464.3	Domestic Financing	
Non-Tax Revenue	1,108.9	Bank Financing	889
Gross Revenue Receipts	6,573.2	Non Bank	
Less: Provincial Share in Federal Taxes	(2,873.7)	Public Debt	1179
		Public Account	216
Net Revenue Receipts	3,699.5	Privatization Proceeds	100
			1495
Expenditure			2384
Current Expenditure	(6,345.2)	Net External Financing	810
Development Expenditure	(792.0)		
	(7,137.2)	Financing of Fiscal Deficit	3195
Estimated Provincial Surplus	242.5		
Overall Fiscal Deficit	(3,195)		

Revised 2019-20 Estimates

	Rs. In Billions 2019-20		Rs. In Billions 2019-20
Resources		Expenditure	
Internal Resources	3988.4	Current Expenditure	7375.7
External Resources	2272.9	Development Expenditure	759.4
Privatization Proceeds	150		
	6411.3		
Bank Borrowing	1723.8		
	8135.1		8135.1

Economic Review

Pakistan Economy 2019-20

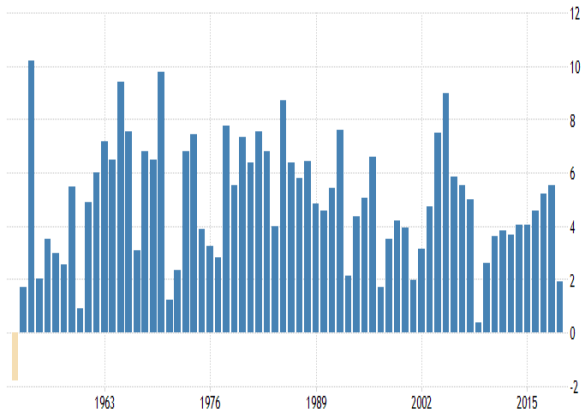
The underlying fault based previous economic gains have clearly down turned majorly due to the Fiscal and Monetary contraction, currency devaluation, high taxes on energy, higher interest rates and higher inflation, which in turn dropped the fundamentals and combativeness of the economy. The country has been passing through unseen economic downturn which obviously is not seen to be going away soon, as internal and external shocks are challenging our policymakers even more. There has been a vast unemployment rate within the country due to the macroeconomic basic factors, higher cost of doing and up keeping business and drive out of the private sector. In the last 14 Global Economic Declines, this Pandemic situated global recession is foreseen to be the 4th harsh since the 2nd World War. The results of this pandemic are dangerous as the Covid-19 may endanger the medium to long term expected outcomes of the country.

The Current Account deficit has dropped down 71% to \$3.34 billion during the Fiscal Year 2020 vs. the previous year. The projected estimated GDP Growth of the country is now estimated to be around 2.10%. Industrial Sector has deteriorated down by 3.75%. State Bank of Pakistan Reserves stand at \$10.36 billion as of May 2020. The Exports overall dropped by 7% to \$19.79 billion during 2019-20 vs. 21.25 last year. Currency Circulation within the country increased by PKR 1421 billion since June 2019 till May 2020. Debts and Liabilities of the country appreciated by 22% to 42,820 billion. Total External Debt and liabilities of the country appreciated by 3.8% to \$110 billion. FBR's Tax collection increased to Rs. 3518 billions during 2019-20 vs. 3266 billion last year.

This is the 2nd time that Pakistan is witnessing a negative GDP growth since 1951-1952. The GDP of the country has dropped down to \$264 billions during the fiscal year 2019-20 against the \$279 billions in 2018-19 and \$315 billions in 2018-19.

The contraction measures adopted by the Federal Govt. and the Global Pandemic reduced the GDP growth of the country from 5.53% to -0.38% during 2019-20 as against the target of 4% Planning Commission 2019-20. Subsequently, the GDP growth of 2018-19 has been revised down to 1.91% from the provisional stats of 3.3%. The historical GDP Growth Rate is as under;

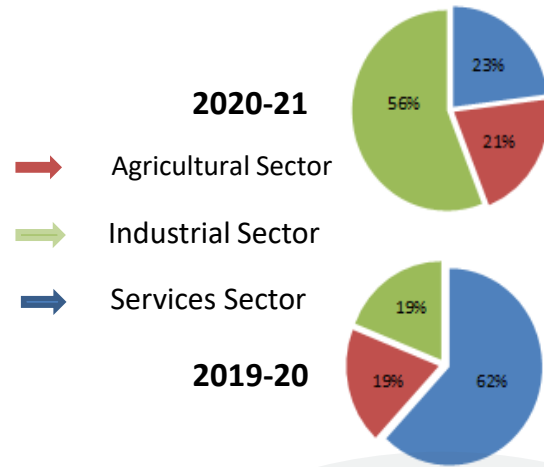
GDP Growth Rate Since 1951



Pakistan’s economy was at a constant rate of growth which has now resulted into a recession for two consecutive years since 2017-18 which can be clearly seen in the critical breakdown of economic activities, less exports and lower tax revenue collections. Due to the presently going tightening policies in the Large Scale Manufacturers (LSM) sector and the lethal shocks by Pandemic, Pakistan’s exports have taken a nose dive down to 34% from \$2.096 billion to \$1.391 billion in the last year. The aboriginal tax target of the country was 5.5 trillion which was highly unlikely to be attainable and is expected to stay below 4 trillion in the year 2019-20.

Even before the Pandemic Covid-19, the country had to adopt to the aching reforms agenda of the IMF program, which basically included the monetary and fiscal contractions, this agenda has pressed down the high rate of growth back to the recession, which resulted in the tough and hurting circumstances reduced the growth of LSM into the negative zone which has further reduced the economic activities, reduction in exports becoming yet another enemy of country’s economy.

GDP Growth Contributors



Pakistan's GDP Growth Contribution		
Sectors	Share In GDP	
	2020-21	2019-20
Agriculture	23.16%	19.31%
Industrial	20.53%	19.21%
Services	56.31%	61.40%

The Imbalance of the unsettled and unsustainable structure of the country has been facing the consequences of the Covid-19, deep down to the roots. The fundamental factors representing the downfall of the country’s GDP are following ;

Sectors	2019-20		2018-19	
	Targets	Provisional	Provisional	Revised
Agriculture	3.50%	2.70%	0.80%	0.60%
Industrial	2.30%	-2.60%	1.40%	-2.30%
Services	4.80%	0.60%	4.70%	3.80%
GDP Growth	4.00%	-0.40%	3.30%	1.90%

1. Agriculture Sector

This is relatively the best performing sector of Pakistan’s economy this year as it has contributed 19% to the GDP and showed a 38% employment in the country. The sector grew by 2.67% in the

year 2019-20 vs. 0.58% last year. Though it's original target was 3.50% in the year 2019-20. Apparently, the Covid-19 pandemic has not affected the agriculture sector much in 2019-20.

Agriculture Sector	Provisional Growth 2019-20
1. Crops (i+ii+iii)	2.98%
i. Important Crops	2.90%
ii. Other Crops	4.57%
iii. Cotton Ginning	-4.61%
2. Livestock	2.58%
3. Forestry	2.29%
4. Fishing	0.60%
Overall Growth	2.67%

The major part of the Agriculture growth was based on wheat productions stocks and livestock sector during the year 2019-20. Wheat, Rice and Maize has performed reasonable better within the Important crops. The bad weather conditions have caused losses for the cotton crops due to low water availability and pest attacks on crops. The Livestock sector has around 60% part in the agricultural growth sector and comprises the 11% of the overall GDP. The drop in the hospitality industry has caused a low demand for poultry and livestock sector. The provisional growth of the agriculture sector was 4% in 2017-18, which was revised 0.58% in 2018-19, and grew by 2.67% in 2019-20.

2. Industrial Sector

Country's LSM was going through the strain of high interest rates which had achieved its peak at 13.25% during the year. The high cost of energy and the cost

of working capital contributed towards the reduction of the manufacturing sector. The supply side issues like Pakistan Rupee devaluation, increased import duties, custom duties and other regulatory systems pressurized the LSM in Auto, Electronics and Pharmaceutical sector's cost of import were highly increased.

Due the Covid-19, Pakistan's LSM growth further dropped to 22.95% in March 2020 vs. a negative growth of 11.31% last year. It is expected that this sector will face even worse conditions due to the supply chain disruption, drops in demand and global recession.

The Share of the Industrial Sector has reduced in the GDP at 19.21% for 2019-20 vs. 19.74% in the previous year. LSM is the backbone of economic development as it contributes towards employment and economic surplus generation, it has a share of 78% in the manufacturing and makes up the 10% of the GDP.

The Small Scale Manufacturing has been growing at a rate of 8% since the last 14 years but this year around it has only managed to grow by 1.52%. The SSM makes up around 2% of the GDP.

Industrial Sector	Provisional Growth 2019-20
1. Mining and Quarrying	-8.82%
2. Manufacturing (i+ii+iii)	-5.56%
i. Large Scale	-7.78%
ii. Small Scale	1.52%
iii. Slaughtering	4.10%
3. Electricity Generation & Dist.	
Gas dist.	17.70%
4. Construction	8.06%
Overall Growth	-2.64%

3. Services Sector

The Wholesale and retail business has not been able to perform well, this sector's growth dropped by 3.42% during the year and it had only grown by 1.52% during the previous year.

The Services sector has performed its lowest in decades. The services sector has been growing at an average of 5.47% during the last five years from 2013-14 to 2018. Transport, storage and communication sector growth dropped down to 7.13% vs. 4.6% growth last year. The services sector makes up around 61.4% which is dependent on the manufacturing sector and value addition in the economy and agricultural output.

Services Sector	Provisional Growth 2019-20
1. Wholesale & Retail Trade	-3.42%
2. Transport, Storage & Comm.	-7.13%
3. Finance & Insurance	0.79%
4. Housing Services	4.02%
5. General Govt. Services	3.92%
6. Other Private Services	5.39%
Overall Growth	-0.59%

Last year the services sector was growing by 3.75% but this year it has shown a negative growth down to 0.59%.

The Pandemic and its safety measures lockdown has adversely affected the whole economy but the trading activities within transport, storage, communication and

wholesale, retail trade has almost gone dead.

The Covid-19 has caused severe damage to the economy and if still persists, the extended lockdowns will become even more lethal for the economic sectors. There is always a possibility of a 2nd attack of the pandemic so private sector will always be concerned about its production capacity uncertainty. The continuing scenarios do not support a high economic growth projection in the near future.

Key Highlights of Finance Bill 2020-21

- Key proposed allocations;

PARTICULARS	RUPEES
Corona relief fund	100 Billion
Utility Stores	50 Billion
Relief in Electricity and Gas Bills	100 Billion
Daily wagers	200 Billion
For SMBs to relief in their bills	50 Billion
Health supplies amidst corona situation	15 Billion
Agricultural Sector and Catering to locust issue	10 Billion
For Artists	One Billion
Special grant for Baluchistan	10 Billion
Special grant for Azad Kashmir	50 Billion
For Higher Education fund	64 Billion
For Science and Technology	20 Billion
Educational Reforms	5 Billion

Income Tax

- Threshold for becoming prescribed Person for Withholding of Tax on Supplies, Services and Contracts from fifty to hundred million rupees.
- Reduction in Holding Period and Tax Rates for Capital Gain on Immoveable Property.
- Increase in Threshold of Section 21(l) per transaction delineated under section 21(l) is being increased.
- Increase in Threshold of Section 21(m) from Rs. 15,000/- per month to Rs. 25,000/- per month.
- Enabling Adjustability of Property Expenses for All Individuals/AOPs.
- Exempting Withholding Tax on Cash Withdrawal to the extent of Foreign Remittances.

Key Highlights of Finance Bill 2020-21

- Deletion of withholding taxes

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

- Promoting Investment in Government Debt Instruments through a foreign bank account, a non-resident rupee account repatriable or a foreign currency account.
- Issuance of Centralized Income Tax Refunds.
- Hajj Operators to be Exempted from Withholding Tax on Payments to Non-Residents.
- Explanation for excluding Vehicles Up to 200cc from the Ambit of Advance Tax.
- Advance Tax on Auction of Immovable Property to be Collected in Installments.
- Prompt Issuance of Exemption Certificates to Public Listed Companies within 15 days.
- Collection of advance tax by Educational Institutions not to apply to persons on the ATL. Taxation of resident shipping Companies as per latest marine policy.
- Taxpayer's profile automated adjusted assessment to rectify computational errors and wrongly claimed credits.
- Real-Time Access to databases of certain Organizations.

Key Highlights of Finance Bill 2020-21

- Audit on the basis of benchmark ratios.
- Enabling E-Audit
- Strengthening compliance regime of Non-Profit / Welfare Organizations.
- Electricity expense to be treated as an inadmissible business deduction subject to non-disclosure of name of actual user from 01.01.2021.
- Rationalizing tax on imports by shifting from person-specific rates to goods specific rates cascaded according to the type of goods.
- Disallowance of business expenditure proportionate to sales made to sales tax Unregistered Persons.
- Rationalizing depreciation deduction based on the Half Year Rule.
- Limiting interest deductibility to foreign affiliates.
- Rationalization of Cost of Transport Vehicle for Claiming Deduction on Account of Lease Rentals.
- Filing of Withholding Statements under section 165 on Quarterly Basis.
- Incentivizing and Promoting the Construction Industry.
- Tax Exemptions and Concessions for the Gwadar Port and the Gwadar Free Zone.
- Incorporation of Relief measures provided through SROs during the COVID pandemic.
- Agreed assessment through arbitration by Assessment Oversight Committee.

Sales Tax

- The minimum threshold of supplies obtaining CNIC of the buyers is proposed to be increased from Rs 50,000 to 100,000.
- Exemptions granted to health related items and equipment through SRO 237(I)/2020 dated 20-3-2020 is being extended for another three months.
- Concept of conducting audit proceedings through electronic means introduced.

Key Highlights of Finance Bill 2020-21

- Relief provided to organized retail sector through reduction of sales tax rate from 14% to 12% is proposed.
- Ninth Schedule is proposed to be amended in line with Mobile Manufacturing Policy approved by the ECC of the Cabinet.
- Insertion of the Tax Laws Amendment Ordinance 2019, relating to tax concessions and exemptions to Gawadar Port and Gawadar Free Zone, in the Finance Bill 2020.
- To strengthen the Alternate Dispute Resolution process and to make it more taxpayer-friendly, it is proposed that the taxpayer is allowed to withdraw his case from any court of law or any appellate authority after decision of ADRC..
- The scope of section 73 is proposed to be widened to cover all registered persons supplying taxable goods.
- Board is empowered to fix minimum production on the basis of single or more inputs and for fixation of wastage.
- Real-time access to information and databases to the Board by various authorities such as NADRA, FIA, provincial excise & taxation departments etc.

Federal Excise Duty

- Increase in the rate of FED on cigars, cheroots , and cigarillos and cigarettes from 65% to 100% of retail price. Increase in the rate of FED on filter rods from Rs 0.75 to Rs 1 per filter rod.
- Levy of FED on e-liquids of electric cigarettes @ Rs 10 per ml.
- Levy of FED on caffeinated energy drinks @ 25%.
- Levy of FED @ 7.5% ad valorem in case of locally manufactured double cabin (4x4) pick-up vehicles and @ 25% in the case of imported ones.
- In the wake of worsening affect of COVID-19 and reduction in production of cement, it has been proposed to reduce FED on cement from Rs. 2 per kg to Rs. 1.75 per kg.
- Board is empowered to fix minimum production on the basis of single or more inputs and for fixation of wastage.

Key Highlights of Finance Bill 2020-21

- The scope of seizure of non-duty paid goods is extended to all products subject to FED besides cigarettes and beverages;
- Real-time access to information and databases to the Board by various authorities such as NADRA, FIA, provincial excise & taxation departments etc.
- Hotel and hospitality industry has taken a huge hit due to COVID-19 lockdown. Reduction of 0.5% tax on hotel industry has been proposed.
- No new tax is imposed to give relief to people.
- New procedures are introduced to improve public service through E-Governance.

Custom Duty

- Industrial relief measures on custom duty through reductions, exemptions and removal of additional custom duties on import of raw materials of various items
- Exemption from custom duties on import of 61 Covid related items, edible oils and oil seeds, dietetic foods for children, diagnostic kits, supplementary foods and ready to use supplementary foods (RUSF).
- Reduction in regulatory duty on smuggling prone items to bring these items under legal imports. Tariff protection for domestic industry by increasing/levy of regulatory duty on import of those items which are also locally manufactured. And enhancing scope of concessions available to Special Economic Zones.
- Regulatory duty on several industrial inputs is also being reduced to decrease their cost of doing business Tariff protection for domestic industry by increasing/levy of regulatory duty on import of those items which are also locally manufactured.
- Incentivizing soap manufacturing industry by reducing rate of Additional customs duty on Palm Stearin.
- Enhancing scope of concessions available to Special Economic Zones.
- Exemption of custom duties on import of raw material by beverage can manufacturers.
- Reduction in Custom duty and exemption from Additional custom duty on import of raw material by food packaging industry.

AMENDMENTS IN INCOME TAX ORDINANCE, 2001

2(29C) “INDUSTRIAL UNDERTAKING”

A new clause is proposed to be inserted that a person who is directly involved in the construction business and development of land will be considered comes under the ambit of the definition “industrial undertaking”. This clause was inserted for the purpose of import of plant and machinery to be utilized in such activities.

2(30A) “INTEGRATED ENTERPRISE”

A new definition is proposed to be inserted as

“integrated enterprise” means a person integrated with the Board through approved fiscal electronic device and software and who fulfills obligations and requirements for integration as may be prescribed;”

2(30AC) “IRIS”

A new definition is proposed to be inserted as “IRIS” means a web based computer programme for operation and management of Inland Revenue taxes administered by the Board;”

6. TAX ON CERTAIN PAYMENTS TO NON-RESIDENTS

The fee for offshore digital services was not presently taxed under the ambit of ITO, 2001. Now the same is proposed to be taxed under section 6 of the ITO, 2001.

7A. TAX ON SHIPPING OF A RESIDENT PERSON

A new clause is proposed to be added, namely:-

(c) A Pakistan resident ship owning company registered with the Securities and Exchange Commission of Pakistan after the 15th day of November, 2019 and having its own sea worthy vessel registered under Pakistan Flag shall pay tonnage tax of an amount equivalent to seventy five US Cents per ton of gross registered tonnage per annum.”.

15A. DEDUCTION IN COMPUTING INCOME CHARGEABLE UNDER THE HEAD “INCOME FROM PROPERTY”

In order to provide a level playing field to all individuals and AOPs, and remove distortion in the taxation of property income derived by individuals and AOPs, the option of claiming

Amendments in Income Tax Ordinance, 2001

expenses is being accorded to all individuals and AOPs irrespective of their property income if they choose to pay tax applicable to them as per Division I, Part I of the First Schedule.

Currently, the individual and AOP are liable to tax as separate block of income having rental income upto Rs. 4,000,000/-. No deductions were allowed on account of expenses deducted from rent chargeable to tax. Now they have to be taxed under NTR by claiming expenditures under section 15A of the ITO, 2001.

21. DEDUCTION NOT ALLOWED

Amendment is proposed by increase in threshold of Section 21(l) In order to promote ease of doing business and reduce compliance cost for taxpayers running businesses the threshold per transaction delineated under section 21(l) is being increased from Rs. 10,000/- to Rs. 25,000/-. Similarly, the threshold of payments under a single account head liable to disallowed as a business deduction /expense under section 21(l) is being increased from Rs.50,000/- to Rs.250,000/-.

Amendment is proposed by increase in threshold of Section 21(m) To promote ease of doing business and reduce compliance cost for taxpayers running businesses, the threshold of requirement of paying salaries through crossed cheque or direct transfer of funds to the bank accounts of employees under section 21(m) is being increased from Rs. 15,000/- per month to Rs. 25,000/- per month.

It is proposed that Electricity Expense to be Treated as an Inadmissible Business Deduction 21(p) To complement efforts towards broadening of the tax base and documentation of the economy, electricity expense is being allowed as an expense against business income subject to adherence to certain conditions.

It is proposed that Disallowance of Business Expenditure Proportionate to Sales Made to Sales Tax Unregistered Persons 21(q) To compel industrial undertakings to sell to sales tax registered persons, their business expenditure equivalent to the proportion of their sales to unregistered persons is being disallowed in the same ratio as exists between their total business expenditure and total turnover, however, the aggregate disallowance shall not exceed twenty percent of total business deductions excluding deductions under this provision.

21. DEPRECIATION

Currently full year depreciation is allowed as admissible expenditure in the year of purchase and no depreciation is admissible in the year of disposal. Now through this Finance Bill it is proposed to Rationalizing Depreciation Deduction based on the Half Year Rule To rationalize accelerated deductions being offered to assets in their year of

Amendments in Income Tax Ordinance, 2001

acquisition, normal depreciation for the first year of use of the asset is being restricted to 50% of deduction, which would eventually be allowed in subsequent years at the time of disposal. This amendment is in line with international best practices.

28. PROFIT ON DEBT, FINANCIAL COST AND LEASE PAYMENTS

The lease rentals paid is an allowable expenditures under the ITO, 2001. The lease rentals paid on account of passengers transport vehicle not plying for hire is proposed to be restricted maximum up to Rs. 2,500,000/-. Currently there is no limit for claiming the said expenditures. This clause was inserted in the line of depreciation allowed on a freehold passenger transport vehicle not plying for hire costing Rs. 2,500,000/- or actual cost which ever is lower.

37. CAPITAL GAINS

It is proposed that Reduction in Holding Period and Tax Rates for Capital Gain on Immoveable Property to incentivize and propel economic activity in the real estate sector, the bifurcation of plots and constructed property for determining holding period of capital gains is being done away with i.e. the holding period for taxation of capital gains on disposal of immovable property is being restricted to 4 years. In addition, rates are also being reduced on capital gains emanating from disposal of immovable property.

Sr. No.	Holding Period	Gain
(1)	(2)	(3)
1.	Where the holding period of an immoveable property does not exceed one year.	A
2.	Where the holding period of an immoveable property exceeds one year but does not exceed two years	$A \times \frac{3}{4}$
3.	Where the holding period of an immoveable property exceeds two years but does not exceed three years	$A \times \frac{1}{2}$
4.	Where the holding period of an immoveable property exceeds three years but does not exceed four years	$A \times \frac{1}{4}$
5.	Where the holding period of an immoveable property exceeds four years.	0';

Amendments in Income Tax Ordinance, 2001

where A is the amount of gain determined under sub-section (2)

61. CHARITABLE DONATIONS (TAX CREDIT)

A new tax credit is proposed to be provided that where any sum is paid or any property is given to an associate by a donor. A tax credit is calculated on the basis of average rate of tax with following limit;

In case of individual and AOP, 15 % of taxable income of the person for the year or in case of a company 10% of the taxable income of the person for the year.

100C. TAX CREDIT FOR CERTAIN PERSONS

A further, new condition is proposed through this bill to claim the 100% tax credit through this section.

Non-profit organizations (NPOs), trusts and welfare institutions, are required to file a statement of voluntary contributions and donations received in the preceding tax year. Further, the definition of 'NPO' is being amended to include only such organizations under the ambit of the definition which are for the benefit of general public.

100D. SPECIAL PROVISIONS RELATING TO BUILDERS AND DEVELOPERS

The Tax Laws (Amendment) Ordinance, 2020 which has already announced is now proposed to be the part of this Finance Bill which is annexed herewith.

106A. RESTRICTION ON DEDUCTION OF PROFIT ON DEBT PAYABLE TO ASSOCIATED ENTERPRISE.

It is proposed that Limiting Interest Deductibility to Foreign Affiliates Many countries have introduced fixed ratio tests based on subsidiary company's interest/earnings ratio instead of Debt/Equity ratio, which has been found to be a better tool to combat base erosion and profit shifting. In light of international best practices, an interest payment to foreign affiliate, which exceeds 15% of taxable income before interest, amortization, and depreciation is being disallowed as a deduction.

111. UNEXPLAINED INCOME OR ASSET

The tax chargeability under section 111 in terms of section 39 "income from other source" is not properly and thoroughly explained. Now with this insertion any sum credited, value of investment, value of article, which was not adequately explained by the taxpayer is proposed to be charged to tax in terms of section 39 "Income from other Source" of the ITO, 2001.

Amendments in Income Tax Ordinance, 2001

The Suppressed amount of production, sales or any amount chargeable to tax or any receipt liable to tax shall be included in the person income chargeable to tax under the head income from business which is not adequately explained by the taxpayer.

113. MINIMUM TAX ON THE INCOME OF CERTAIN PERSONS

The scope of minimum tax is enhanced by adding that “permanent establishment of non-resident company will also be liable pay the turnover tax.

114. RETURN OF INCOME

It is proposed through this bill that Simplifying Declaration through filling of return u/s 114 instead of filling statements under section 115(4) Under the current law, a person whose income is subject to final tax is required to furnish a statement u/s 115(4) instead of a return of income u/s 114.

In order to simplify the tax law for compliance purposes and to promote ease of doing business, the statement declaring income subject to final tax is being incorporated as a part of the return u/s 114(2).

114A. TAXPAYER'S PROFILE

It has been observed that in some cases taxpayers' particulars are either not furnished or not updated which makes it arduous to trace new taxpayers. Therefore, a new Section 114A is being inserted under which it is made compulsory for taxpayers to file the said profile and update it by the due date.

116. WEALTH STATEMENT

It is proposed that Permission Of The Commissioner For Revising Wealth Statement Revision of the wealth statement is to be conditional to the Commissioner's approval, as in case of return of income. presently, the taxpayer can revise his wealth statement without any prior approval.

120. ASSESSMENTS

A new section is proposed to be inserted, namely:—

A return of income furnished shall be processed through automated system to arrive at correct amounts of total income, taxable income and tax payable by making adjustments for—

Amendments in Income Tax Ordinance, 2001

- any arithmetical error;
- any incorrect claim;
- disallowance of any loss;
- Disallowance of wrong tax credit;
- Disallowance of carry forward of any loss

A system generated notice is to be given to the taxpayer intended to be made the such adjustments. After the response received of the taxpayer and the same shall be considered.

If no response from the taxpayer within the thirty days of the issuance of notice the adjustment shall be made accordingly.

If no such adjustment has been made within the six month of filing of return the declaration by the taxpayer shall be deemed to be accepted and the same has to be automatically intimated through IRIS to the taxpayer.

122. AMENDMENT OF ASSESSMENTS

Enabling Amendment on the Basis of Audit Presently, amendment under section 122 may be made on the basis of definite information acquired from an audit or otherwise subject to fulfilment of certain other conditions. Enabling provision are being inserted whereby amendment in assessment under section 122 can also be made in pursuance of audit alone independent of the requirement of obtaining definite information from such audit.

122D. AGREED ASSESSMENT IN CERTAIN CASES

Agreed Assessment In order to facilitate taxpayers and reduce the burden on the formal appeal system, amendment is being made to the effect that where a taxpayer in response to a notice for amendment intends to get his case settled, he may file offer of settlement before the Assessment Oversight Committee for resolution of his dispute. The committee shall comprise the following income tax authorities having jurisdiction over the taxpayer namely;

- a) The Chief Commissioner Inland Revenue
- b) The Commissioner Inland Revenue
- c) The Additional Commissioner Inland Revenue

Amendments in Income Tax Ordinance, 2001

It is also proposed that if the taxpayer is satisfied with the decision of the committee then the taxpayer shall deposit the amount of tax and the commissioner shall amend the assessment as per the decision of the committee. The taxpayer has no right to file and appeal against the said assessment.

127. APPEAL TO THE COMMISSIONER (APPEALS)

The prescribed fee structure under section 127(4)(a) and (b) has been static since the Finance Act, 2009. Therefore, to account for inflationary impact, for companies the rate are proposed to increase to Rs. 5,000/-; for other cases (if appeal is filed against assessment order) to Rs. 2,500/-; whereas, in all other cases, it rates are being specified at Rs. 1,000/-.

131. APPEAL TO THE APPELLATE TRIBUNAL

The prescribed fee for appeals against the orders of the Commissioner (Appeal) is Rs. 2,000/- under section 131(3). The fee structure has not been revised since the Finance Act, 2009. Therefore, to account for inflationary impact, the prescribed fee is proposed to enhance from Rs. 2, 000/- to Rs. 5, 000/- in case of companies and specified at Rs. 2, 500/- in all other cases.

134A. ALTERNATIVE DISPUTE RESOLUTION

Taxpayers being apprehensive of binding nature of ADRC's decisions and the precondition of withdrawal of appeals, have not opted to avail this forum. Hence, to promote the use of alternate dispute mechanism, amendment is proposed under which the decision of ADRC shall not be binding upon the aggrieved person. Where the aggrieved person is satisfied with the decision of ADRC, he shall withdraw his appeal within sixty days of decision of ADRC and the decision will become binding both upon the aggrieved person and the Commissioner. In this way, the ADRC's decision will become binding once the aggrieved person is satisfied with its decision.

147. ADVANCE TAX PAID BY THE TAXPAYER

The prescribed taxpayer are liable to pay the quarterly installment of advance tax on the basis of the declared turnover by the taxpayer. Now it is proposed that board has power to prescribe for filing and calculation the turnover for the quarter through an automated system.

148. IMPORTS

In order to provide a level playing field to commercial importers viz-z-viz manufacturers, remove distortions in the incidence of income tax on the import of capital goods and raw

Amendments in Income Tax Ordinance, 2001

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

148A. TAX ON LOCAL PURCHASE OF COOKING OIL OR VEGETABLE GHEE BY MANUFACTURERS

The manufacturer of cooking oil or vegetable ghee, or both shall be chargeable to tax at the rate of two percent on purchase of locally produced edible oil.

The said section is proposed to be deleted as relief measure for industrial undertakings.

152. PAYMENTS TO NON-RESIDENTS

Introducing Parity between Permanent Establishment (PE) of Non-Residents and Resident Persons, To provide a level playing field for permanent establishment of non-residents viza-viz resident taxpayers and remove disparity, tax deduction u/s 152(2A) (a) and (c) is proposed to be minimum tax in the case of payments made to PE's of nonresidents for sale/supply of goods and execution of contracts.

153. PAYMENTS FOR GOODS, SERVICES AND CONTRACTS

Enhancement of Threshold for Becoming Prescribed Person for Withholding of Tax on Supplies, Services and Contracts To facilitate WHT agents and to promote ease in doing business, the threshold of turnover, to become a withholding agent, in case of an individual and an AOP is proposed to enhance from fifty to hundred million rupees and a similar threshold of hundred million rupees is proposed for a sales tax registered person to become a withholding agent. Currently, the sales tax registered persons are liable to withhold income tax on every payment irrespective of any threshold.

EXEMPTION CERTIFICATE

Prompt Issuance of Exemption Certificates to Public Listed Companies To facilitate public listed companies, amendment is being made to enable the Commissioner issues exemption certificate within fifteen days of filing of application, failing which the certificate will be automatically issued through the system.

Amendments in Income Tax Ordinance, 2001

156B. WITHDRAWAL OF BALANCE UNDER PENSION FUND

A Pension fund manager while making the payment to individual pension accounts maintained under the approved pension fund shall liable to deduct the tax at specified rates

The said section is proposed to be deleted as relief measure for pensioners.

165. STATEMENTS

It is proposed that Filing of Withholding Statements under section 165 on Quarterly Basis At present, withholding tax agents are obliged to file withholding tax statements on a biannual basis. In order to augment efforts towards effective monitoring of withholding tax agents, amendments are being so that withholding tax statements are filed on a quarterly basis.

- a) in respect of quarter ending on the 31st day of March, on or before the 20th day of April;
- b) in respect of quarter year ending on the 30th day of June, on or before the 20th day of July;
- c) in respect of quarter ending on the 30th day of September, on or before the 20th day of October;
- d) in respect of quarter ending on or before the 31st day of December, on or before the 20th January.”.

165A. FURNISHING OF INFORMATION BY BANKS

It is proposed that list of person receive profit on debt and tax deduction thereon shall be reported to the FBR irrespective of any threshold.

170. REFUNDS

The present system of manually verifying and processing refunds is outdated and prone to corruption. Therefore, to facilitate taxpayers, impart transparency and efficiency and promote ease of doing business, a provision is being introduced to enable expeditious processing and automatic payment of refunds directly into the bank accounts of the taxpayer by the Board through a centralized processing system.

Amendments in Income Tax Ordinance, 2001

175A. REAL-TIME ACCESS TO INFORMATION AND DATABASES

For broadening of the tax base and checking tax evasion, it is essential that real-time access of various databases such as land record departments, excise and taxation departments, utility companies, visa and immigration offices, and others is made available to the Board. A legal framework is, therefore, proposed in law for real-time access to databases of various organizations.

177. AUDIT

Variation from sectoral benchmark ratio is a basis for audit and assessment. Therefore, under the proposed amendment being made, those cases selected for audit, where the taxpayer is unable to furnish books of accounts or where there are defects in accounts, the taxable income will be determined and assessment will be amended, if need be, on the basis of sectoral benchmark ratios notified by the Board. The commissioner may conduct audit proceedings through video link or any other facility as prescribed by the board.

182. OFFENCES AND PENALTIES

- It has been observed that in some cases taxpayers' particulars are either not furnished or not updated which makes it arduous to trace new taxpayers. Therefore, a new Section 114A is being inserted under which it is made compulsory for taxpayers to file the said profile and update it by the due date. To ensure compliance, penalty of Rs 2500 shall be proposed for each day commencing from the due date subject to a minimum penalty of ten thousand rupees.
- Section 181AA of the Income tax Ordinance 2001 restricts issuing industrial and commercial connections of electricity or natural gas to non-registered taxpayers. To ensure compliance with the aforementioned provision a penalty under section 181AA is being inserted @ Rs 10,000/- for each default by the authorities responsible for providing industrial and commercial connections of electricity and gas in contravention of section 181 AA.

205. DEFAULT SURCHARGE

Default surcharge is liable to be imposed upon on default of tax payment, however, can only be imposed after the period of default is delineated upon actual payment of the defaulted tax. An amendment is proposed in order to enable imposition of default surcharge prior to actual payment of tax.

Amendments in Income Tax Ordinance, 2001

231B. ADVANCE TAX ON PRIVATE MOTOR VEHICLE

It is proposed that collection of advance tax under section 231B is not mandated in the case of motor vehicles having engine capacity up to 200cc (motorcycles and motor rickshaws) in order to impart clarity to the existing provision of law/explain the intent of law.

235B. TAX ON STEEL MELTERS AND COMPOSITE UNITS

The tax was collected from every steel melters @ one rupee per unit of electricity consumed for the production. It is proposed that the taxpayer has to pay the same along with the payment of electricity bills.

The said section is proposed to be deleted as relief measure for industrial undertakings.

236A. ADVANCE TAX AT THE TIME OF SALE BY AUCTION

An explanation is being added to the effect that where payments in respect of auction of property are received in instalments, it is proposed that the advance tax on auction of such immovable property shall also be collected in instalments in accordance with the intent of law.

236D. ADVANCE TAX ON FUNCTIONS AND GATHERINGS

Every prescribed person was liable to collect advance tax at the specified rate on the total amount of the bill from a person arranging or holding a function in a marriage hall, marquee, hotel and similar places.

The said section is proposed to be deleted as relief measure hotel and hospitality industry which was hurt badly due to COVID-19.

236F. ADVANCE TAX ON CABLE OPERATORS AND OTHER ELECTRONIC MEDIA

Pakistan Electronic Media Regulatory Authority, at the time of issuance of licence for distribution services or renewal of the licence shall had to collect advance tax at specified rates.

The said section is proposed to be deleted as relief measure cable operators.

236I. COLLECTION OF ADVANCE TAX BY EDUCATIONAL INSTITUTIONS

To facilitate and encourage compliant taxpayers and ease the burden for persons paying tuition fees to educational institutions, amendment is proposed to be made to the effect

Amendments in Income Tax Ordinance, 2001

that advance tax on tuition fees shall not be collected from persons whose names are appearing on the Active Taxpayers List.

236J. ADVANCE TAX ON DEALERS, COMMISSION AGENTS AND ARHATIS ETC.

Every market committee shall have to collect advance tax from dealers, commission agents or arhatis, etc. at the specified rates at the time of issuance or renewal of licenses.

The said section is proposed to be deleted as relief measure.

236Q. PAYMENT TO RESIDENTS FOR USE OF MACHINERY AND EQUIPMENT

Section 236Q requires prescribed person to deduct tax while making payment for use or the right to use scientific and commercial equipment or making payment on account of rent of machinery. Advance tax withheld under this section constitutes final tax. It is proposed that such tax is now being made minimum as a step towards phasing out of the presumptive tax regime.

236R. COLLECTION OF ADVANCE TAX ON EDUCATION RELATED EXPENSES REMITTED ABOARD

There shall be collected advance tax at the specified rate on the amount of education related expenses remitted abroad.

The same section is proposed to be deleted as relief measure.

236U. ADVANCE TAX ON INSURANCE PREMIUM

Every insurance company shall collect advance tax at the time of collection of insurance premium at the specified rates.

The said section is proposed to be deleted as relief measure.

236X. ADVANCE TAX ON TOBACCO

Pakistan Tobacco Board or its contractors, the time of collecting cess on tobacco shall collect advance tax at the rate of five percent of the purchases value.

The same is proposed to be deleted as relief measure.

Amendments in Income Tax Ordinance, 2001

TAX ON CAPITAL GAINS ON DISPOSAL OF IMMOVABLE PROPERTY

Sr. No.	Amount of Gain	Rate of tax
(1)	(2)	(3)
1.	Where the gain does not exceed Rs. 5 million	2.5%
2.	Where the gain exceeds Rs. 5 million but does not exceed Rs. 10 million	5%
3.	Where the gain exceeds Rs. 10 million but does not exceed Rs. 15 million	7.5%
4.	Where the gain exceeds Rs. 15 million	10%

RATES OF ADVANCE TAX

Sr. No.	Description	Rate of tax
(1)	(2)	(3)
1.	Persons importing goods classified in Part I of the Twelfth Schedule	1% of the import value as increased by customs-duty, sales tax and federal excise duty
2.	Persons importing goods classified in Part II of the Twelfth Schedule	2% of the import value as increased by customs-duty, sales tax and federal excise duty
3.	Persons importing goods classified in Part III of the Twelfth Schedule	5.5% of the import value as increased by customs-duty, sales tax and federal excise duty”;

Amendments in Income Tax Ordinance, 2001

Provided that the rate specified in column (3),—

(a) in case of manufacturers covered under rescinded Notification No. S.R.O. 1125(I)/2011 dated the 31st December, 2011 as it stood on the 28th June, 2019 on import of items covered under the aforementioned S.R.O. shall be 1%;

(b) in case of persons importing finished pharmaceutical products that are not manufactured otherwise in Pakistan, as certified by the Drug Regulatory Authority of Pakistan shall be 4% Provided further that the rate of tax on value of import of mobile phone by any person shall be as set out in the following table, namely: –

Sr. No.	C & F Value of mobile phone (in US Dollar)	Tax (in Rs.)	Tax (in Rs.)
		In CBU condition PCT Heading 8517.1219	In CKD/SKD condition under PCT Heading 8517.1211
(1)	(2)	(3)	
1.	Up to 30 except smart phones	70	0
2.	Exceeding 30 and up to 100 and smart phones up to 100	100	0
3.	Exceeding 100 and up to 200	930	0
4.	Exceeding 200 and up to 350	970	0
5.	Exceeding 350 and up to 500	3,000	5000
6.	Exceeding 500	5,200	11,500

DEDUCTION AT SOURCE

DIVIDEND

the following new clause shall be added, namely:— “

25% in case of a person receiving dividend from a company where no tax is payable by such company, due to exemption of income or carry forward of business losses under Part VIII of Chapter III or claim of tax credits under Part X of Chapter III.”;

Amendments in Income Tax Ordinance, 2001

RETURN ON INVESTMENT IN SUKUKS

The rate of tax to be deducted under section 150A is proposed to be 25% in case of the Sukuk's holder is the Company, presently the rate is 15%.

PAYMENT TO NON-RESIDENT

Presently, the rate of tax to be deducted under section 152(2A)(b) is 2% on the gross amount of payable in case of transport services. Now this clause is proposed to be substituted as under;

- (i) 3% of the gross amount payable, in the cases of transport services, freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, IT services and IT enabled services as defined in clause (133) of Part I of the Second Schedule, tracking services, advertising services (other than by print or electronic media), share registrar services, car rental services, building maintenance services, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited inspection and certification, testing and training services;”;

PAYMENTS FOR GOODS AND SERVICES

Toll manufacturing is proposed to be included along with rates as given for the sale of goods. The reduced rate of 3% for Engineering services is proposed to be withdrawn.

ADVANCE TAX AT THE TIME SALE BY AUCTION

The rate of five percent of gross sales price is proposed to be introduced in case of immovable property sold by auction.

ADVANCE TAX ON EXTRACTION OF MINERAL

The rate of tax to be collected under section 236V of the ITO, 2001 is proposed to be five percent of the value of minerals. Presently the tax is deducted only from person not appeared in the Active Taxpayers List.

SECOND SCHEDULE

PART I

23A. It is proposed to charge tax at rates specified for salaries for accumulated balance exceeding 50% received from voluntary pension system offered by pension fund manager under voluntary pension system rules, 2005.

Amendments in Income Tax Ordinance, 2001

61. New institutions/foundation/trusts/funds proposed to be added in this clause. Further a new proviso proposed to be added Provided further that the amount so donated by an associate shall not exceed—

- (a) in the case of an individual or association of persons, fifteen percent of the taxable income of the person for the year; and
- (b) in the case of a company, ten percent of the taxable income of the person for the year: Provided also that the provisions of this clause shall apply only if donation is paid by a crossed cheque drawn on a bank.”;

99A. Profit and gains on sale of immovable property to a developmental REITs scheme with object of development and construction of residential buildings shall be exempt upto 30th day of June 2021. Presently this exemption was available for 30th June 2020.

“(114AA). Any income chargeable under the head “capital gains” derived by a resident individual from the sale of constructed residential property: Provided that exemption under this clause shall only apply, if

- (a) at the time of sale, the residential property was being used for the purpose of personal accommodation by the resident individual, his spouse or dependents and for which any of the utility bills is issued in the name of such individual;
- (b) the land area of the property does not exceed 500 square yards in case of a house and 4000 square feet in case of a flat; and
- (c) exemption under this clause has not presently been availed by the individual, his spouse or dependents.”;

126E. The exemption available to zone enterprises is proposed to given co-developer also as defined in Special Economic Zone Act, 2012 subject to certain conditions.

PART II

5AA. The rate of tax to be deducted under sub-section (2) of section 152, in respect of payments to an individual, on account of profit on debt earned from a debt instrument, whether conventional or shariah compliant, issued by the Federal Government under the Public Debt Act, 1944 and purchased exclusively through a bank account maintained abroad, a non-resident Rupee account repatriable (NRAR) or a foreign currency account maintained with a banking company in Pakistan shall be ten percent of the gross amount paid, Provided that tax deducted on such profit on debt shall be final tax.”;

Amendments in Income Tax Ordinance, 2001

24CA. The rate of tax under clause (a) of sub-section (1) of section 153 in case of a person, other than a company, as a recipient of payment for goods supplied to Utility Stores Corporation of Pakistan shall be 1.5% of the gross amount of payment in respect of supply of tea, spices, salt, dry milk, sugar, pulses wheat flour and ghee for the period commencing from the 7th day of April, 2020 and ending on 30th day of September, 2020: Provided that this clause shall not be applicable to supply of tea, spices, salt and dry milk which are sold under a brand name: Provided further that this clause shall not be applicable where rate of tax under clause (a) of sub-section (1) of section 153 is less than 1.5% of the gross amount of payment under any provisions of the Ordinance.”;

PART III

9B. The tax payable on the income, profits and gains of projects of ‘low cost housing’ developed or approved by Naya Pakistan Housing and Development Authority (NAPHDA) or under the Ehsaas Programme shall be reduced by 90%.”;

PART IV

9A. The exemption under section 153(1)(a) available to steel melters and composite steel units is proposed to be withdrawn.

12B. The provisions of section 148 shall not apply to the import of following goods for a period commencing from 20th day of March, 2020 and ending on 30th day of September, 2020.

12C. The provision of section 148 shall not apply to persons importing pulses for a period commencing from the 7th day of April, 2020 and ending on 30th September, 2020.”;

46AA. The exemption under section 153 proposed to grant to various specified persons.

72AA. The provisions of section 152 shall not apply in case of Haj Group Operators in respect of Haj operations.

72B. Omitted.

111A. The provisions of section 100BA and rule 1 of the Tenth Schedule shall not apply to the extent of payment of dividend to non-resident persons.”;

Amendments in Income Tax Ordinance, 2001

SEVENTH SCHEDULE

7C. The provision of Section 4B (Super Tax) is proposed to apply to banking companies for the tax year 2021. Presently this was only applicable till tax year 2020.

TENTH SCHEDULE

Due to treaty limitations, 100% higher rates for not appearing on ATL are being withdrawn in case of payments to non-residents for royalty, fee for technical services, insurance premium, reinsurance premium and other payments.

AMENDMENTS IN SALES TAX ACT, 1990

SEC.2(1). ACTIVE TAXPAYER

The definition of active taxpayer is proposed to be changed. Presently, the registered person whose registration has been blocked, is excluded from active taxpayer list. Now the provision has been deleted.

Similarly, the registered person who fails to file two consecutive monthly sales tax returns also excluded from active taxpayer. Now this condition of two months is relaxed up to Three months.

SEC.2(20). OUTPUT TAX

Presently, Provincial sales tax levied on services rendered or provided by person is excluded from definition of output tax. Now it is proposed that only sales tax levied on services rendered or provided by the person under Islamabad Capital Territory (Tax on Services) Ordinance, 2001 is considered as output tax.

SEC.2(46). VALUE OF SUPPLY

In sub-clause (h), the word “WAPDA” is proposed to be inserted with effect from 1st July, 2019 as presently, the supply of electricity by an independent power producer is only including in the definition of value of supply.

After sub-clause(h), a new sub-clause(j) is inserted as under;

“(j) in case of registered person who is engaged in purchasing used vehicles from general public on which sales tax had already been paid at the time of import or manufacturing, and which are, later on, sold in the open market after making certain value addition, value of supply will be the difference between sale and purchase price of the said vehicle.”

SEC.7(5). DETERMINATION OF TAX LIABILITY

New sub-section is proposed to be inserted in which, the Board is empowered to impose restrictions on wastage of materials on which input tax has been claimed in respect of goods. In other words, Board may fix the maximum quantity of wastage claimed during production.

Sec.8(1)(m). TAX CREDIT NOT ALLOWED

The input tax on services attributable to supplies made to un-registered persons, on pro-rated basis, for which sales tax invoices do not bear CNIC or NTN of recipient is

Amendments in Sales Tax Act, 1990

proposed not be allowed. presently, only input tax on goods is restricted for adjustment against output tax.

Sec.11C. POWER OF AUTHORITIES TO MODIFY ORDERS' ETC.

A new section has been proposed to be inserted. Where a question of law has been decided by High Court or The Appellate Tribunal on or after July 1, 1990, the Commissioner or an Inland Revenue Officer follow the said decision in case of taxpayer so far as it applies to said question of law arising in any assessment pending. However, the CIR or Inland Revenue Officer preferred an appeal against decision of High Court or Appellate Tribunal. In case decision of High Court or Appellate Tribunal is modified or reversed, the commissioner or Inland Revenue Officer modify the assessment order in which said decision was applied so that it conforms the final decision within one year from the date of receipt of decision.

Sec.23(1)(b). TAX INVOICE.

Now it is proposed that retailer is required to mention NTN or CNIC of buyer on invoice where transaction value inclusive of sales tax exceeds Rs.100,000/-. presently, this limit was of Rs.50,000/-.

Sec.25(2A). ACCESS TO RECORD, DOCUMENTS, ETC.

New sub-section is proposed to be inserted. Now the Commissioner may conduct Audit proceedings electronically through video link or any other facility as prescribed by the Board.

Sec.26(1). RETURN.

Every registered person shall furnish a true, complete and correct return in prescribed form not later than due date. The word "Complete" is proposed to be added to broadly cover the scope of this section.

Sec.33. Offences and Penalties.

Serial no. 25 Any person who required to integrate his business with the Board fails to get in itself registered or fails to integrate his business is proposed to be liable to pay penalty up to One million Rupees and if continuous to commit the same offence **after the period two month** after imposition of penalty, his business premises **shall be sealed till such time he integrates** his business in prescribed manners. presently, there was period of six months for integration after imposition of penalty and embargo was placed on his sales.

Amendments in Sales Tax Act, 1990

Serial no. 28. New serial in the Table of penalty is proposed to be added. A Penalty of Rs. 25,000/- for first default and Rs.50,000/- for subsequent default is proposed to be levied on the person who fails to share the information in prescribed manner under section 56AB. presently, there is no penalty on the person who fails to share the information.

SEC.38. AUTHORIZED OFFICERS TO HAVE ACCESS TO PREMISES, STOCKS, ACCOUNTS AND RECORDS.

It is proposed that authorized officer shall have free access **including real time electronic access** to the business, manufacturing premises, registered office or any other place where any stocks, business records or documents are kept. presently, such officer has no power of real time electronic access.

New sub-section (4) is proposed to be introduced to give the power to Board to make rules relating to electronic real time access for Audit or Survey of persons liable to tax.

[EC.45B. APPEALS.

A new sub section is proposed to be added for batter clarification which is as under;
“(1A) An appeal under sub-section (1) shall–

- (a) be in the prescribed form;
- (b) be verified in the prescribed manner;
- (c) state precisely the grounds upon which the appeal is made;
- (d) be accompanied by the prescribed fee specified in subsection (1B); and
- (e) be lodged with the Commissioner (Appeals) within the time set out in sub-section (1).

presently, appeal fee for filing of appeal before Commissioner Appeals is Rs.1,000/-. Now it is proposed to enhance the appeal fee as under: (1B) The prescribed fee proposed to be;

STATUS	FEE IN CASE AGAINST ASSESSMENT ORDER	FEE IN ANY OTHER CASE
Company	5,000	5,000
Other than Company	2,500	1,000

Amendments in Sales Tax Act, 1990

A new sub-section (5) is proposed to be added in section 45B in which Commissioner Appeals is barred from accepting any documentary material or evidence which was not produced before the Officer Inland Revenue unless Commissioner Appeals is satisfied that the appellant was prevented by sufficient cause from producing such material or evidence before the Officer Inland Revenue.

Sec.47A. ALTERNATIVE DISPUTE RESOLUTION.

This section is proposed to be changed drastically in order to make it practical. The formation of committee has been changed. The committee may comprise of

- (a) Chief Commissioner Inland Revenue having jurisdiction over the case; and
- (b) two persons from a panel notified by the Board comprising of chartered accountants, cost and management accountants, advocates, having minimum of ten years' experience in the field of taxation and reputable businessmen.

Presently, the committee comprise of Inland Revenue Officer not below rank of commissioner, person nominated by taxpayer from panel notified by the Board and a retired judge not below rank of District and Session judge.

Presently, a committee shall not commence the proceedings unless taxpayer has withdrawn the case from the Court of Law. Now it is proposed the committee shall finalize the order and aggrieved person, being satisfied with the decision, withdraw the appeal pending before appellate authority or Court of Law. However, if the order of withdrawal is not communicated to the commissioner within sixty days of the service of decision of committee to the aggrieved person, the decision shall of committee shall not be binding on the commissioner.

Amendments in Sales Tax Act, 1990

Sec. 56AB. REAL-TIME ACCESS TO INFORMATION AND DATABASES.

A new sub section is proposed to be added which is as under;

“56AB. Real-time access to information and databases. —

(1) Notwithstanding anything contained in any law for the time being in force, including but not limited to the National Database and Registration Authority Ordinance, 2000 (Ordinance VIII of 2000), and the Emigration Ordinance, 1979 (Ordinance XVIII of 1979), arrangements shall be made to provide real-time access of information and database to the Board in the prescribed form and manner by—

(a) the National Database and Registration Authority with respect to information pertaining to National Identity Card (NIC), Pakistan Origin Card, Overseas Identity Card, Alien Registration Card, and other particulars contained in the Citizen Database;

(b) the Federal Investigation Agency and the Bureau of Emigration and Overseas Employment with respect to details of international entry and exit of all persons and information pertaining to work permits, employment visas and immigration visas;

(c) the Islamabad Capital Territory and Provincial and local land record and development authorities with respect to record-of rights including digitized edition of record-of-rights, periodic record, record of mutations and report of acquisition of rights;

(d) the Islamabad Capital Territory and Provincial Excise and Taxation Departments with respect to information regarding registration of vehicles, transfer of ownership and other associated record;

(e) all electricity suppliers and gas transmission and distribution companies with respect to particulars of a consumer, the units consumed and the amount of bill charged or paid: Provided that where the connection is shared or is used by a person other than the owner, the name and NIC of the owner and the user shall also be furnished: Provided further that all electricity suppliers and gas transmission and distribution companies shall make arrangements by the 1st day of January, 2021 for allowing consumers to update the ratio of sharing of a connection or the particulars of users, as the case may be; and

(f) any other agency, authority, institution or organization, notified by the Board.

(2) The Board shall make arrangements for laying the infrastructure for real-time access to information and database under sub-section (1) and aligning it with its own database in the manner as may be prescribed.

Amendments in Sales Tax Act, 1990

(3) Until real-time access to information and database is made available under sub-section (1) such information and data shall be provided periodically in such form and manner as may be prescribed.

(4) Subject to section 56B, all information received under this section shall be used only for tax purposes and kept confidential”;

[SEC. 58A]. REPRESENTATIVES.

Explanation for Non-Resident person is proposed to introduced. Non-Resident person shall have the same meaning assigned thereto under Income Tax Ordinance, 2001

[SEC. 73]. CERTAIN TRANSECTIONS NOT ADMISSIBLE.

Presently, there is restriction on registered manufacturer to make all taxable supplies to a registered person excluding supplies not exceeding Rs. 100Million in a Financial Year and Rs. 10Million in a month, failing which the supplier shall not be entitled to claim credit adjustment of input tax as attributable to supplies to unregistered person. Now it is proposed to impose this restriction to all persons including registered person. This proposal is based to enhance the documentation process.

FIFTH SCHEDULE

The following goods are proposed to be added in Fifth Schedule of Sales Tax Act, 1990 and sales tax shall be charged at rate of Zero percent.

“13.	Supplies of raw materials, components and goods for further manufacture of goods in the Gwadar Free Zone and export thereof, provided that in case of supply to tariff area of Pakistan, tax shall be charged on the value assessed on the Goods Declaration for import
14	<p>➤ Supplies of locally manufactured plant and machinery o manufacturers in the Gwadar Free Zone,</p> <p>➤ <u>Conditions, restrictions and procedures:–</u></p> <p>(a) the supplier of the machinery is registered under the Act;</p> <p>(b) proper bill of export is filed showing registration number;</p> <p>(c) the purchaser of the machinery holds a certificate from the Gwadar Port Authority to that effect;</p> <p>(d) the purchaser submits an indemnity bond in proper form to the satisfaction of the concerned Commissioner Inland Revenue that the machinery shall, without prior permission from the said Commissioner, not be sold, transferred or otherwise moved out of the Gwadar Free Zone before a period of five years from the date of entry into the Zone;</p>

Amendments in Sales Tax Act, 1990

- 14 (e) if the machinery is brought to tariff area of Pakistan outside Gwadar Free Zone, sales tax shall be charged on the value assessed on the Goods Declaration for import; and
- (f) breach of any of the conditions specified herein shall attract legal action under the relevant provisions of the Act, besides recovery of the amount of sales tax along with default surcharge and penalties involved.”;

SIXTH SCHEDULE

Sales tax exemption against S.No. 103 of Table-1, on import of supply of ships and all floating crafts except ships or crafts demolish purposes or are designed or adopted for use recreation or pleasure purpose was available up to Year 2020. Now this period of exemption is proposed to be extended till year 2023.

A new serial no. 154 of Table-1 is proposed to inserted for sales tax exemption on Dietetic foods intended for consumption by children suffering from inherent metabolic disorder subject to the conditions that the importer shall acquire approval and quota from Ministry of National Health Services, Regulations and Coordination.

The scope of exemption of sales tax on part and components for manufacture ring of LED Lights and Bulbs is proposed to be narrowed and more specifically defined as under;

15A	Parts and Components for manufacturing LED lights: -	Headings	Remarks
	(i) Housing /shell. Shell cover and base cap for all kinds of LED lights and bulbs	Respective heading	If imported by LED light manufacturers registered under the Sales Tax Act, 1990 subject to annual quota determination by the Input Output Co-Efficient Organization (IOCO)”;
	(ii) Bare and stuffed Metal Clad Printed Circuit Boards (MCPCB) for LED	8534.0000	
	(iii) Constant Current Power Supply for of LED Lights and Bulbs (1-300W)	8504.4090	
	(iv) Lenses for LED lights and bulbs	9001.9000	

Amendments in Sales Tax Act, 1990

EIGHTH SCHEDULE

In table-1 against S.No.56, The sales tax on potassium chlorate (KCLO3) is proposed to be charged @ 17% along with Rs. 80 per kilo gram. presently, this rate was 17% along with Rs. 70 per kilo gram.

In table-1 against S.No.66, The sales tax on supplies as made from retail outlets as are integrated with Boards computerized system for real time reporting of sales is proposed to be charged @ 12%. presently such supplies were charged @ 14%.

This is providing relief to only registered persons who are integrated with FBR.

In table-2 against S.No.4, The condition regarding deposit of security in the form of postdated cheques of custom duty and sales tax along with under taking to pay custom duty and sales tax on statutory rates by Mineral Exploration and Extraction Companies or their authorized operators or contractors to hold licenses by Federal or Provincial Government, in case such machinery, equipment, materials, capital goods, specialized vehicle, accessories, spares,

Chemicals and consumables meant for Mineral Exploration phase imported on temporary basis are not re-exported on conclusion of the project is proposed to be abolished.

NINTH SCHEDULE

The sales tax on import or local supply of smart phones up to US30\$ is proposed to be charged at Rs. 200. presently, this rate was Rs.130. Similarly, sale tax is proposed to be chargeable at Rs.200 at the time of registration of IMEI number by CMOs on smart phones up US30\$. presently, this rate was Rs. 130.

ELEVENTH SCHEDULE

The scope of withholding of sales tax is proposed to be wider by replacing the word of “registered persons” with “active taxpayer” and by replacing the “unregistered person” with “person other than active taxpayer”.

TWELFTH SCHEDULE

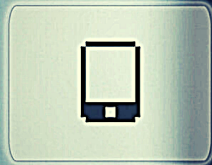
The sales tax on account of minimum value addition @ 3% is proposed not be charged Raw material and Intermediary goods imported by a manufacturer for inhouse consumption. presently, this exemption was available on import of Raw material and Intermediary goods meant for use in industrial process which are subject to custom duty @ less than 16% ad valorem under First Schedule to the Customs Act, 1969.s



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